# LIVING STANDARDS AND MICROINSURANCE

*Vera Karadjova*[3],

*Snezana Dicevska*[4]

## ABSTRACT

*Risks of a different kind are an objective category, and the occurrence of some of them shows zero correlation with regard to the level of economic development and the level of living standards. This makes it difficult to manage them, with particular emphasis on economically less developed, developing countries and poorer population structures. The demand for insurance as a basic strategy for risk management is mainly determined by the level of living standard and the possibility of purchasing insurance services by socially vulnerable categories of the population. Such a correlation, in turn, leads to that situation, that uninsured risks, regardless of the type of risk in question, especially badly affect poorer categories of society which cannot cope with the catastrophic losses from negative shocks. This applies to all types of risks that are a threat to the population and businesses, but especially to a large number of risks that people even in modern conditions cannot resist. In this category the greatest threats are so-called catastrophic risks in which there are two main categories: (1) Climate changes; and (2) Natural disasters (earthquakes, floods, etc.).*

*This paper elaborates mutual relations among mentioned categories, i.e. living standards and the need for developing microinsurance services, make analysis of the socially vulnerable strata of the population and the microinsurance models that could be applied in countries that have not still developed this form of insurance.*

***Key words:*** *living standards, vulnerable strata of the population, poverty, risks management, microinsurance*

***JEL Classification:*** *G22, O11, O31, E71*

## INTRODUCTION

When talking about living standards, it's a complex concept. Basically, the standard of living refers to the use and enjoyment of tangible and intangible goods

[3] Faculty of tourism and hospitality, Ohrid, Republic of Macedonia, verakaradzo@yahoo.com
[4] Faculty of tourism and hospitality, Ohrid, Republic of Macedonia, sdicevska@yahoo.com

and services, whether the individual provides them for themselves or they are provided by the wider social system. The basic factors that condition the living standards are as follows: (1) the level of the country's economic development (in this context we should mention labor productivity); (2) macroeconomic (in) stability in the country; (3) allocation policy, etc. The higher the level of development is the higher is the average level of living standard of the population as a whole (which of course does not exclude differences between the individual classes of the population). On the other hand, in countries with low levels of economic development, less opportunity for personal consumption exist, as the level of GDP per capita is less. Macroeconomic stability in the national economy is the second factor which affects the level of living standards. It is enough to mention that the volatility of prices, i.e. high inflation can significantly erode the wages and other incomes, and that will have a negative impact on the level of the population personal consumption. Allocation policy is the third factor that has adequate impact on living standards. Of course, wages are formed on the labor market, but must not be forgotten its specifics, and the fact that there is an impact of the Unions and the state too. Within the collective negotiation, the Unions can provide higher or lower wages for workers, and thus can significantly affect the opportunities for personal consumption. On the other hand, the state in the context of fiscal policy, using taxes or other public charges, may collect more or less part of the newly created value, which will create additional minor or major opportunities to meet the needs in public consumption. Realization of that task is in conditions of many risks that appear, such as: operational risks; financial risks; market risks (interest rate risk and currency risk); credit risk; inflation risk; country risk - sovereign risk; etc., and it is a necessary requirement for understanding the reasons that cause them, and the consequences arise from them in direction to find methods and techniques for dealing with those consequences (Karadjova, 2012, pp. 99).

The question of the living standards is not only of interest for economic science and economic policy. Sociology and social policy also analyze the level of living standards and the factors that determines it. In fact, in every country there are certain differences in the achieved level of living standards between the individual classes of the population, which in the professional terminology are known as social differences. Social differences should be accepted as inevitable fact, especially in the conditions of market economy and private property. They arise as a result of the inventiveness, the ability of each individual and his success in the market. That's why the state should not be committed to their elimination and leveling, because it means losing the motivation for success and for improving the level of their own standard of living among individuals (even in socialism despite clearly proclaimed egalitarian aspirations, the state failed to eliminate social differences). On the other hand, their excessive expansion means increasing the contradictions in society and the danger of disruption of the social peace. Because of that, the state can only using the economic policy (primarily tax policy) to distribute tax burden according to economic power of individuals, and also using the measures of the social and economic policy to take care of creating conditions for increasing the level of living standards for socially disadvantaged individuals. This issue is also connected with the category known as "economy of happiness", and the index of happiness measured by the World Happiness Report as a landmark survey of the state of global happiness.

Depending on the manner in which the material and spiritual goods that are subject of use and enjoyment will be provided, living standards can be considered as a whole made up of two parts: personal consumption and public consumption (in the last economic system was used the term social standard). Personal consumption represents that part of the standard of living that includes spending and enjoyment of tangible and intangible goods and services that are personally acquired. Social standard or public consumption means the wastage of material and spiritual goods and services provided by the state, so that citizens can use them individually or collectively without paying anything or paying only partial compensation for them. But, often in practice it is difficult to make a clear distinction between private and public consumption. The point of this paper is to consider the level of living standards in correlation with insurance, that is, to emphasize the need for insurance from different types of risks, regardless of the achieved level of living standard. Moreover, the emphasis is put on the need for insurance in conditions of low and extremely low standard of living by developing a special insurance product, microinsurance. The term "microinsurance" usually refers to insurance services offered primarily to clients with low income and limited access to mainstream insurance services, regardless of whether we are talking about developed, undeveloped or developing countries. In fact, the microinsurance from one hand have social dimension that refers to providing protection of low-income population from certain specific types of risks, but on the other hand realizes significant economic effects on the development and expansion of the insurance services market by inclusion of economically disadvantaged strata of the population on the insurance products demand side. The main difference between traditional insurance and micro insurance is in the way of targeting the low-income population. In that direction, some specific risks for the low-income population are highlighted (health insurance, insurance against unemployment, insurance against catastrophic risks, etc.). The concept of microinsurance is based on the idea of merging the necessary and useful, or merging the business and the social responsibility. In other words, it is about linking the offer of insurance products and socially vulnerable categories of the population, where insurance products are offered at extremely low prices. Thus achieves significant expansion of the sales on the market of insurance products, but also ensure an opportunity for risk management of a large part of the population which cannot afford using of insurance in order to provide health care, quality education or compensation for damages caused by catastrophic risks.

# *THE NEED FOR INSURANCE AS RISK MANAGEMENT STRATEGY AND MICROINSURANCE*

Insurance as one of the ways to manage risks gives the opportunity to transfer the risks to another entity, which has a higher capacity for submission. Typically, insurance is a very suitable risk management tool for all entities at risk of loss, whose probability of occurrence is small, but if it happens, the loss would be large. In any case, insurance as a way to manage risks can be used to manage the pure risks, but not the financial risks and in this sense is available to all entities. The problem of availability is not legal at all (legal framework - compulsory and optional insurance) or about the practical availability of insurance services in all countries of the world, but stems from the level of awareness for the need of buying insurance services (especially if it comes for types of risks that the frequency of occurrence is not extremely expressed), and the level of the living standard, or the availability of insurance services for socially vulnerable categories of the population in a national economy.

The key elements that need to pay attention when risk is managed through the strategy of insurance are: (Ostojić, 2007, pp. 123).

- to choose the amount of the insured amount;
- to choose an insurance company;
- to choose the conditions and types of insurance;
- check whether data for damage compensation is available;
- periodically check the insurance program.

In the multitude of arguments for and against the use of insurance as a method for risk financing, it is primarily that it reduces the uncertainty and the risk of financial losses, but also that the paid insurance premium is a big expense (the possibility of consumption or saving on available funds is gone) or, in the worse case, there are insufficient funds available for the purchase of insurance. In that sense, the concept of microinsurance appears as a reconciliation of the two conflicting situations that arise in almost all economic realities - the arguments for the need for insurance and the limited funds for the use of insurance products by the low-income population.

Microinsurance differs considerably from classical, traditional insurance. Although at first glance it is quite clear what is and who is the subject of microinsurance, in the theory and practice of insurance there is no single, universal definition of the term. The first definition appears to have been published in 1999 by David Dror as part of "Microinsurance: Extending Health Insurance to the Excluded" where he defined "micro" as "the level of society where the interaction is located, i.e. smaller than national schemes, and 'insurance' refers to the economic instrument". In 2002 he continued to focus his definition, stating "microinsurance units [are] community-funded health insurance schemes that are neither commercial nor national. These microinsurers do not have access to resources and financial techniques of commercial insurance". (Dror, Preker, 2002, pp. 103-106). However, as microinsurance developed, it grew beyond the local level, especially through the involvement of commercial insurers. Microinsurance Innovation Facility (International Labour Office, Microinsurance Innovation Facility) defines micro-insurance as a mechanism for protection of the poor against the risks (accident, illness, death, natural disasters, etc.) in exchange for the payment of insurance premiums, which is adapted to their needs, income and level of risk. So, microinsurance is used in order to protect low income people from some specific risks for them, while as low income or poor are considered those which live below $4 per day (between $1 and $4 per day). The price of that insurance is a regular premium which corresponds to the probability and costs of the involved risks. Having in mind the mentioned definition, it is clear that the concept of microinsurance is named not because of the scope of the risk, institutions or delivery channels, but due to the fact that this type of insurance is adapted to the needs of people with lower incomes. Microinsurance is intended for people who do not have access to the "traditional" insurance and which are excluded from the national social security programs, often employed in the informal sector of the economy. The essence is in need for providing fast, cheap and simple insurance coverage for individuals who dispose with modest financial funds (Karadjova, Dicevska, 2016, 525-527).

Microinsurance is targeting to poor and socially vulnerable categories of the population gives specific topics, primarily of social character despite its economic dimension. Among the basic specificities of microinsurance can be cited:

The target groups of microinsurance are persons with low income, poor or at risk of poverty who have not knowledge of the concept and the effects of insurance or insurance consider as the need of the rich. At the same time the most vulnerable categories of the population are exposed to a number of risks and with an inability to independently cover any possible incurred damages;

Microinsurance is sold at very low premium (taking into consideration the users for which it is intended), which further emphasizes the law of large numbers and the principles of reciprocity and solidarity as fundamental principles of insurance. The low premiums are an advantage for users of this service, but causes numerous pricing challenges for companies that offer this kind of service;

In the multitude of products that microinsurance offer, most often it is about a group insurance, which means the insurance policy covers a larger number of insurees;

The need to reduce the price of this type of service at the lowest possible level and structure of the target group for which these products are intended creates a need of intense creativity and innovation of a subjects that offer microinsurance products, primarily in respect of information channels and channels of products distribution;

Microinsurance policies usually are prepared in simplified form, brief, clear, precise and understandable for people with lower levels of education. Often there is an opportunity to pay the premium in installments, in cash, at irregular intervals (according to the income frequency of the insured) in unequal amounts, all in order to approach the product to wider groups of population.

Question that many are researched, but about which there are still many inconsistencies is the question of the client value of microinsurance. Emerging evidence on the impact of microinsurance shows that it can, and often does, provide value for low-income people. Microinsurance protects clients from financial losses, reduces their vulnerability, and improves their health. The value of microinsurance according to Microinsurance Centre, either direct or indirect, represents the added value in comparison to other available risk coping mechanisms, of having insurance either when claims are made or as a result of the changed behavior caused by owning a policy and trusting that it will be honored. Client value is comprised of: (http://www.microinsurancecentre.org/milk-project/client-value.html).

Expected value: the value clients may get from a product through behavioral incentives and "peace of mind", even if claims are not made

Financial value: the value of the product when claims are made as it compares to other coping strategies

Service quality value: the externalities created by providing access to product-related services.

But high-value products are not achieved instantly anywhere in the world. In new microinsurance markets, the easiest and fastest way to push a new product is starting by the basic products, which offer simple and limited benefits to clients. As the market develops and clients and providers become more familiar with microinsurance, more complex products, such as health and agriculture microinsurance, become possible. These in turn have a much higher impact on the lives and livelihoods of low-income people. Microinsurance protects clients from financial losses. Clients bear fewer expenses when they experience a shock. In the case of health insurance, a number of studies demonstrate that cashless schemes, which do not require clients to pay on receiving the service, reduce out-of-pocket health expenditure (International Labour Office, Annual Report 2013, pp. 25-26). Since insurance covers (part of) the expenses incurred following a shock and hence reduces the overall financial burden of the adverse event, dissaving stops being the only option left to the household (De Bock, O., Ontiveros, D., 2013, pp. 4-5). In this sense, microinsurance is not an end in itself and at the same time achieves macro-economic and micro-economic goals. Besides the economic dimension, encouraging entrepreneurial ideas and development acceleration, microinsurance accomplished also a number of broader social goals such as: poverty reduction, increase of health care, reduce deaths (mostly from lack of access to adequate levels of health care), increasing productivity in agriculture, favoring some important but not attractive economic activities (branches of branches of livestock, agriculture, fisheries etc., connected and dependent on weather conditions, and so on).

# *THE SITUATION OF POVERTY IN THE WORLD*

The concept of microinsurance is tightly connected with the state of poverty. Determining the term poverty, Eurostat definition is used, according to which: for poor people are considered persons, families and groups of persons whose resources (material, cultural and social) are at a level that excludes them from the minimum acceptable manner of living in the country in which they live. In any case, the "treatment" of the poverty problem requires its precise definition and measurement. Poverty, as defined by economics, is a state or condition in which a person or community lacks the financial resources and essentials to enjoy a minimum standard of life and well-being that's considered acceptable in society. Poverty can be also defined as a condition in which needs are not properly provided, or if households lack resources for meals, activities, and living conditions and arranging, that are commonly or widely supported and approved by the society to which they belong. Living below the poverty threshold, which occurs in a number of citizens reflects an inability to settle their basic needs, or to cover the cost of normal living (electricity, water, etc.). Poorer countries, also lack modern energy services to fuel their houses, because they lack access to electricity and clean cooking facilities, that helps prevents air pollution in houses that causes chronic diseases. Energy poverty means that the household is unable to provide the energy needs in order to provide a decent life and equal opportunities in a given society and space. For example, access to Water for everyday living is a struggle for 783 million people, who do not have access to clean water and almost 2.5 billion do not even have access to adequate sanitation. Due to the lack of infrastructure in most countries, 6 to 8 million people die annually from the consequences of disasters and water-related diseases. Over, 38 countries in Africa, children live without electricity; yet without the continent's natural resources, many nations's economically or socially, would be facing a crisis (https://worldtop20.org/world-poverty-rate).

Considering poverty as a category, overwhelmingly acts data that almost half the world - over three billion people - live on less than $2.50 a day. At least 80% of humanity lives on less than $10 a day (http://www.globalissues.org/article/26/poverty-facts-and-stats#fact1). Over 80% of the world population lives in conditions of strong stratification, if we consider the average income. The poorest 40 percent of the world's population accounts for 5 percent of global income. The richest 20 percent, accounts for three quarters of world income. Rural areas account for three in every four people living on less than US$1 a day and a similar share of the world population suffering from malnutrition. However, urbanization is not synonymous with human progress. Urban slum growth is outpacing urban growth by a wide margin (UN Development Program, 2007, pp. 25). Approximately half the world's population now lives in cities and towns. In 2005, one out of three urban dwellers (approximately 1 billion people) was living in slum conditions (UN, Millennium Development Goals Report 2007, pp. 45). Thinking about living standards in 2005 the wealthiest 20% of the world accounted for 76.6% of total private consumption while the poorest fifth just 1.5%. The poorest 10% accounted for just 0.5% and the wealthiest 10% accounted for 59% of all the consumption (World Bank, World Development Indicators 2008). The GDP (Gross Domestic Product) of the 41 Heavily Indebted Poor Countries (567 million people) is less than the wealth of the world's 7 richest people combined (World Bank, World Bank Key Development Data & Statistics).

Following are a few more facts that reflect the state of poverty in the world: (https://www.dosomething.org/us/facts/11-facts-about-global-poverty).

Nearly 1/2 of the world's population — more than 3 billion people — live on less than $2.50 a day. More than 1.3 billion live in extreme poverty — less than $1.25 a day.

1 billion children worldwide are living in poverty. According to UNICEF, 22,000 children die each day due to poverty.

805 million people worldwide do not have enough food to eat. Food banks are especially important in providing food for people that can't afford it themselves. Run a food drive outside your local grocery store so people in your community have enough to eat.

More than 750 million people lack adequate access to clean drinking water. Diarrhea caused by inadequate drinking water, sanitation, and hand hygiene kills an estimated 842,000 people every year globally, or approximately 2,300 people per day.

In 2011, 165 million children under the age 5 were stunted (reduced rate of growth and development) due to chronic malnutrition.

Preventable diseases like diarrhea and pneumonia take the lives of 2 million children a year that are too poor to afford proper treatment.

As of 2013, 21.8 million children under 1 year of age worldwide had not received the three recommended doses of vaccine against diphtheria, tetanus and pertussis.

1/4 of all humans live without electricity — approximately 1.6 billion people.

80% of the world population lives on less than $10 a day.

Oxfam estimates that it would take $60 billion annually to end extreme global poverty--that's less than 1/4 the income of the top 100 richest billionaires.

The World Food Programme says, "The poor are hungry and their hunger traps them in poverty." Hunger is the number one cause of death in the world, killing more than HIV/AIDS, malaria, and tuberculosis combined.

The concept of living standards is closely linked to the poverty problem. In the same time, macroeconomic stability, i.e. price stability is one of the primary factors that determine living standards. So, unstable prices, i.e. inflation in conditions of constant nominal wages or in conditions when wages grow slower than the rise in prices, reduce their real value. Therefore, whenever we analyze the level of personal consumption and the living standard, must be taken into account the movement of prices. More specifically, for the purpose of analysis very useful are data for real net-wages movement, instead of the nominal net-wages movement. Statistical methodology goes one step further and calculated not only indices of nominal and real net-wages, but CPI indexes too. Stems from the fact that personal consumption consists of various items i.e. tangible and intangible goods and services, all in order to satisfy various human needs. Of course, as time goes, there are some changes in people's tastes, and even some changes in human needs (arising of new needs). With the help of the CPI index, statistics takes into account these changes, because they are doing surveys on family budgets of typical families, including the quantity and diversity of commodities and services (consumption basket). During the time, some changes are made in a structure of the commodities and services which are previously included in a survey, in order to embrace the changes already occurred in reality. Related to living standards, usually low-standard countries, i.e. developing countries are often placed in the category of poor. But it does not link the notion of poverty exclusively to countries with an average low standard of living. Specifically, to the poor layers of the population do not mean a lot the very high degree of development of the country they live in, while they are struggling to survive. In that sense, there is a close connection of the problem of poverty with the distribution, equity and effectiveness, and an explanation in that direction is followed in the continuation of this section. For now it is sufficient to mention that the successful development of the economy also includes an improvement in living standards and access to all basic needs such that a person has enough food, clean water, clothing, health, education; equitable ownership of land and property; or to have appropriate "Human Development" in accordance to United Nations terminology.

To the poverty problem also closely linked is the problem of distribution, fairness and efficiency. In doing so, one has to take into account the distinction between two related concepts that appear to be identical, but in fact are very different: equality (i.e. the imperative of moving towards substantive equality of opportunity and outcomes for all groups), non-discrimination (i.e. the prohibition of discrimination against individuals and groups on the grounds identified in international human rights treaties) and the broader concept of equity (i.e. fairness in the distribution of costs, benefits and opportunities). In addition, within the UN, the said terms have the following explication: (UN, A Shared United Nations System Framework for Action, 2017, pp.32).

Equality in opportunities and outcomes - Equality requires both formal and substantive equality in opportunities and outcomes (see below). This can be linked to the concept of horizontal and vertical inequalities. Horizontal inequalities are the inequalities that exist between ethnic and other population groups. Vertical inequalities are the inequalities between individuals or households that are not related to group-based distinctions. While horizontal inequalities have been shown to be correlated with a higher risk of violent social conflict, the data suggest that extreme vertical inequalities (e.g. extreme income inequalities) risk destabilizing political, economic and social systems.

Discrimination and multiple and intersecting forms of discrimination - Discrimination is the inequitable treatment of individuals on the grounds of gender, race, age, ethnicity, disability, indigenous identity or any other status identified in international treaties. Many individuals face multiple and intersecting forms of discrimination that exacerbates their disadvantage. For example, an elderly, indigenous woman with a disability may face intersecting and overlapping forms of discrimination on the basis of her gender, age, indigenous status and disability, which will result in greater marginalization and exclusion from social, economic and political life.

Equity and fairness - Equity can be understood as the fair treatment of all population groups in society and fairness in the distribution of costs, benefits and opportunities. This overlaps with the concept of "equality" but is not identical to it. While the concept of "equity" brings a helpful focus on "fairness", the concept of "equality" brings an additional focus on legal protection, particularly for groups that are discriminated against; for example, gender equality and racial equality are legally binding obligations institutionalized in most national and international legal systems.

When it comes to distribution, fairness and efficiency, the following data can also be mentioned as an illustration. World gross domestic product (world population approximately 6.5 billion) in 2006 was $48.2 trillion in 2006. The world's wealthiest countries (approximately 1 billion people) accounted for $36.6 trillion dollars (76%). The world's billionaires - just 497 people (approximately 0.000008% of the world's population) - were worth $3.5 trillion (over 7% of world GDP). Low income countries (2.4 billion people) accounted for just $1.6 trillion of GDP (3.3%). Middle income countries (3 billion people) made up the rest of GDP at just over $10 trillion (20.7%) (World Bank Key Development Data & Statistics, World Bank).

A basic indicator of the standard of living of a given country very often is used GDP per capita is often, as it reflects the average wealth of each person in a country. It is therefore the standard method used to compare how poor or wealthy countries are in relation to each other. In the beginning of 2018 "Focus Economiscs" as a Economic Forecasts from the World's Leading Economists make forecasts for GDP per capita from 2018 to 2022 for the 127 countries in the world. The mein purpose of such a forecasting was to get information about poorest currently in that moment and about perspectives in direction of their crossing in wealthier in the coming years. The projections used in this study are Consensus Forecasts based on the individual forecasts of over 900 world renowned investment banks, economic think tanks and professional economic forecasting firms. Focus Economics Consensus Forecast experts project GDP growth of 3.9% in 2018 and 4.7% in 2019. According to the same prediction, the following table provides an overview of GDP per capita for the period 2016-2022, ranging from the poorest to the richest countries in the world.

*Table 1. GDP per capita 2016-2022*

| 2018 Rank | Country | GDP per Cap 2018 (projected) | GDP per Cap 2016 (Actual) | 2016 Rank | GDP per Cap 2022 (projected) | 2022 Rank |
|---|---|---|---|---|---|---|
| 1 | DRC | 468.2076 | 440.9842 | 2 | 631.9861 | 2 |
| 2 | Mozambique | 485.6679 | 383.1195 | 1 | 578.8407 | 1 |
| 3 | Uganda | 737.8687 | 694.2869 | 3 | 897.6487 | 3 |
| 4 | Tajikistan | 835.9737 | 806.0073 | 6 | 1085.773 | 4 |
| 5 | Haiti | 873.9934 | 705.3676 | 4 | 1153.522 | 5 |
| 6 | Ethiopia | 938.1304 | 883.8655 | 7 | 1253.024 | 6 |
| 7 | Yemen | 998.4961 | 761.088 | 5 | 1501.568 | 9 |
| 8 | Uzbekistan | 1025.504 | 2144.655 | 22 | 1646.637 | 10 |
| 9 | Tanzania | 1112.21 | 975.859 | 8 | 1362.394 | 7 |
| 10 | Kyrgyzstan | 1221.712 | 1080.689 | 9 | 1446.402 | 8 |
| 11 | Myanmar | 1432.801 | 1231.791 | 10 | 2134.979 | 15 |
| 12 | Zambia | 1461.506 | 1299.422 | 12 | 1665.591 | 11 |
| 13 | Cambodia | 1494.199 | 1268.826 | 11 | 1967.887 | 12 |
| 14 | Pakistan | 1609.103 | 1465.591 | 14 | 2004.865 | 13 |

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|---|---|---|---|---|---|---|
| 15 | Bangladesh | 1618.685 | 1371.748 | 13 | 2374.252 | 18 |
| .... | | | | | | |
| 36 | Azerbaijan | 4153.154 | 3507.727 | 30 | 5658.588 | 42 |
| 37 | Georgia | 4198.04 | 3946.083 | 39 | 5993.943 | 44 |
| 38 | Sri Lanka | 4282.559 | 3811.488 | 37 | 5544.294 | 40 |
| 39 | Venezuela | 4368.119 | 4778 | 48 | 4925.365 | 36 |
| 40 | Iraq | 4436.796 | 4547.616 | 46 | 5046.504 | 37 |
| 41 | Kosovo | 4495.335 | 3672.294 | 33 | 6024.757 | 45 |
| 42 | El Salvador | 4509.722 | 4226.656 | 44 | 5135.928 | 38 |
| 43 | Paraguay | 4516.276 | 3991.964 | 40 | 6169.961 | 46 |
| 44 | Belize | 4651.313 | 4630.585 | 47 | 4799.132 | 33 |
| 45 | Guatemala | 4703.326 | 4125.903 | 42 | 5548.938 | 41 |
| 46 | Angola | 4725.743 | 3721.601 | 36 | 4903.343 | 34 |
| 47 | Albania | 5192.632 | 4142.339 | 43 | 6824.766 | 50 |
| 48 | Bosnia | 5209.645 | 4517.359 | 45 | 6757.568 | 48 |
| 49 | Jamaica | 5374.142 | 4968.894 | 50 | 6209.366 | 47 |
| 50 | Iran | 5727.839 | 5231.508 | 52 | 7048.236 | 52 |
| 51 | Jordan | 5904.414 | 5541.111 | 55 | 6768.028 | 49 |
| 52 | Belarus | 5979.214 | 4914.952 | 49 | 7400.126 | 54 |
| 53 | Macedonia | 6112.687 | 5212.371 | 51 | 8016.382 | 56 |
| 54 | Ecuador | 6140.741 | 5966.118 | 57 | 6850.166 | 51 |
| 55 | South Africa | 6342.13 | 5335.191 | 53 | 7127.819 | 53 |
| 56 | Colombia | 6671.489 | 5800.91 | 56 | 7880.529 | 55 |
| 57 | Serbia | 6755.329 | 5446.652 | 54 | 9017.78 | 59 |
| 58 | Thailand | 6965.455 | 5969.76 | 58 | 8322.678 | 57 |
| 59 | Peru | 7049.746 | 6178.552 | 59 | 8361.598 | 58 |
| 60 | Dominican Republic | 7334.704 | 6766.407 | 60 | 9159.166 | 60 |
| 61 | Turkmenistan | 7456.266 | 6921.015 | 61 | 10311.37 | 62 |
| 62 | Botswana | 8512.711 | 7297.961 | 63 | 9574.504 | 61 |
| 63 | Montenegro | 8585.437 | 7022.697 | 62 | 10909.39 | 63 |
| 64 | Bulgaria | 9210.746 | 7507.744 | 64 | 12281.7 | 66 |
| 65 | Kazakhstan | 9374.124 | 7852.118 | 65 | 11848.74 | 65 |
| 66 | Mexico | 9706.379 | 8796.565 | 68 | 12668.89 | 67 |
| 67 | China | 9766.357 | 8103.066 | 66 | 13108.97 | 68 |
| 68 | Brazil | 10199.39 | 8720.176 | 67 | 11815.55 | 64 |
| | ... | | | | | |
| 75 | Croatia | 14729.96 | 12230.22 | 75 | 18340.22 | 77 |
| | ... | | | | | |
| 95 | Slovenia | 26332.4 | 21719.96 | 92 | 33070.55 | 96 |
| | ... | | | | | |
| 112 | Germany | 49082.64 | 42270.89 | 110 | 59385.92 | 112 |
| 113 | Finland | 50559.41 | 43557.5 | 113 | 60133.76 | 113 |
| 114 | Austria | 52284.4 | 44907.32 | 114 | 62176.49 | 114 |

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|---|---|---|---|---|---|---|
| 115 | Netherlands | 53339.85 | 45746.92 | 115 | 64251.35 | 115 |
| 116 | Australia | 57432.85 | 51899.34 | 117 | 66695.32 | 116 |
| 117 | Singapore | 58090.72 | 55163.19 | 119 | 67629.88 | 117 |
| 118 | Sweden | 58429.58 | 51480.74 | 116 | 73332.43 | 121 |
| 119 | Qatar | 59074.09 | 58211.29 | 121 | 72813.63 | 120 |
| 120 | Denmark | 60789.46 | 53907.48 | 118 | 71931.15 | 119 |
| 121 | United States | 62009.81 | 57607.78 | 120 | 70437.55 | 118 |
| 122 | Ireland | 77182.55 | 64907.43 | 123 | 93344.89 | 123 |
| 123 | Iceland | 77314.73 | 59523.81 | 122 | 95788.6 | 124 |
| 124 | Norway | 79214.45 | 70875.86 | 124 | 101150.4 | 125 |
| 125 | Switzerland | 82188.71 | 81245.83 | 125 | 90239.11 | 122 |
| 126 | Luxembourg | 117274.8 | 102230.9 | 126 | 136074.3 | 126 |

*Source: https://www.focus-economics.com/blog/the-poorest-countries-in-the-world (10.07.2018)*

Based on the presented data which cover the 15 poorest and the 15 richest countries in the world (with predictions for a change in rank by 2022), it is evident that most of the countries in Central and Eastern Europe are in the middle of the list. More precisely on the list of countries according to the poverty indicator, Macedonia is at the 53rd place, Serbia at 57, Montenegro at 63, Croatia at 75, Slovenia at 95, and so on. It must be borne in mind that these are average data and that also those who belong among the richer countries in the world still have a greater or lesser percentage of the population below the poverty threshold, which emphasizes the question of microinsurance development as a category that exists in the world, but which is not present in this region.

Having in mind equity and fairness, the fundamental question that arises when distributing the gross domestic product is the question of the fairness of the distribution, and given the fact that people have a different kind and size of production factors. Some have only their own labor and knowledge; others own land and /or capital and receive income on many basics. Those who are not employed and do not have other productive factors definitely can not earn income and will find themselves in the category of the poor. In such a situation one of the roles of the state appears, through the policy of redistribution, taking in the form of taxes and other duties from those who have income and giving in the form of various social transfers to those who have no income. In this sense, it is one of the goals of the World Bank in the direction of overcoming the extreme poverty in the world, which refers to Addressing income inequality through financial services. In addition, the annual report for 2017 states: "Countries across the globe are facing new challenges that threaten to undermine the equity gains in past decades. Income inequality, for example, threatens to derail progress against poverty. One way to address income inequality and unlock economic opportunity is to bring "unbanked" individuals into the formal and regulated financial system. Access to financial services allows people to start and expand businesses, invest in education, manage risk, and weather financial shocks" (WB Annual Report 2017, pp. 24). Another objective of the World Bank in the fight against poverty concerns Promoting universal social protection. In September 2016, the heads of the World Bank Group and the International Labour Organization announced a historic push to work toward universal social protection. While many developing countries are implementing such programs, only one in five poor people in the lowest-income countries is currently covered by any form of social protection. Around 1.5 billion people in the world, most of whom belong to the poorest and most vulnerable groups, lack the official identification needed to access basic services and opportunities in health care, education, jobs, financial services, or social benefits. The mission of the Bank's Identification for Development initiative is to foster inclusive development by helping countries to build secure and efficient ID systems (WB Annual Report 2017, pp. 24). The World Bank also has embraced the mission of assisting countries in their progressive realization of universal health coverage (UHC). Customer support focuses on three key areas: ensuring effective health service delivery; promoting protection against financial risk; and mobilizing the efforts of other sectors to improve health and nutrition outcomes. Together with the World Health Organization, the Bank has committed to produce every two years, since 2015, a Global Monitoring Report focused on UHC (WB Annual Report 2017, pp. 24). The state can apply a policy of covering some types of insurance for vulnerable categories of population (unemployment insurance, primary health insurance, etc.), but such serious budgetary efforts can only be allowed by developed economies. At this point, microinsurance can be followed up, especially in underdeveloped countries and developing countries.

The global poverty rate has been halved since 2000. But, despite this fact, increased efforts are needed to increase incomes, reduce suffering, and build resilience for those people who still live in extreme poverty.

Social protection systems need to be expanded and risks should be mitigated for countries with disasters, which also tend to be the poorest. In 2013, some 767 million people lived below the international poverty line of $ 1.90/ a day, and tha is a reduction from 1.7 billion people compared to 1999. That figure reflects a decrease in the global poverty rate from 28 percent in 1999 to 11 per cent in 2013. The largest decrease was recorded in East and Southeast Asia, with a sharp decline in the rate of 35 percent in 1999 to just 3 percent in 2013. Quite to the contrary, 42% of people in sub-Saharan Africa continued to live in extreme poverty in 2013. The figures for 2016 show that only 10 percent of world's workers lived with their families with less than $ 1.90 per person per day, which is a reduction for 28% from the year 2000. Taking into account relevant preliminary data from 2016, they show that only 45% of the world's population is effectively protected by a social protection system, and also that the coverage varies greatly across countries and regions of the world. In 2016, only 68% of people over retirement age received a pension. But one must bear in mind that this global average masks large regional differences. In Oceania, with the exception of Australia and New Zealand, and in sub-Saharan Africa, only 10% and 22% of people over retirement age respectively, received a pension in 2016. Also, the data for 2016 show that only 28% of people with severe developmental disabilities received disability benefits, only 22% of unemployed people in the world received unemployment benefits, and only 41% of women who gave birth received maternity benefits. Building the resilience of the poor and strengthening disaster risk reduction is a core development strategy for ending extreme poverty in the most afflicted countries. Economic losses from disasters are now reaching an average of $250 billion to $300 billion a year. Disaster risk globally is highly concentrated in low- and lower-middle-income countries. In relation to the size of their economies, small island developing States have borne a disproportionate impact (UN, 2017, pp. 2-3).

Even this categorization of socially vulnerable part of the population gives an initial starting point for targeting the potential need (and possibly demand) on the microinsurance market. The ability to deal with unforeseen (or hardly predictable) risks, whose probability of occurrence is very small, is far beyond the financial capacity of this category of people. For its part, the application of microinsurance offers the opportunity for achieving the overarching objective of reducing poverty and social exclusion by including these layers of the population in financial flows and covering any eventual damages by the insurance industry, and not by the state budget.

## *PREVALENCE OF MICROINSURANCE IN THE WORLD*

Having in mind the features and benefits of the microinsurance and the presence of the poor in the population structure in the world, it can be concluded that the microinsurance market has a great potential. However, the presence of microinsurance on the global insurance market is currently limited to the world regions that are recognized by the international institutions as the most vulnerable as poor. In any case, it is a market in underdeveloped and developing countries, in most cases refers to the rural areas, customers at a lower educational level, on the bottom of the economic pyramid, a market that is poorly served and is not integrated into the national and global market economy.

A number of international organizations and institutions (Munich Re Foundation in collaboration with the MicroInsurance Centre, the ILO's Impact Insurance Facility, the Microinsurance Network, the World Map of Microinsurance (WMM) and other organisations) work on developing, disseminating and implementing of the microinsurance products. For instance, The MicroInsurance Centre (MIC) is a consulting firm dedicated to generating access to valuable microinsurance products to 3 billion low-income people across the globe. The operation of this system is through cooperation with regular insurance companies and appropriate delivery channels that provide simple and market-responsive micro-insurance products. The clients include commercial insurers, foundations, and bi- and multi- lateral development agencies, regulators, NGOs and others. These organizations work with the mentioned Centre (MIC) to ensure the best potential for success with their microinsurance activities. Their work with clients includes various aspects of microinsurance, from product development and training, to research and advocacy. The team of MIC has implemented microinsurance activities in over 70 countries during the last twenty years and their mission is: to get SUAVE (simple, understood, accessible, valuable, and efficient) microinsurance products in the hands of 3 billion people across the globe (MicroInsurance Centre, Annual Report 2015, pp. 4). So far, microinsurance products are successfully implemented in Africa, Latin America and the Caribbean, Asia and Oceania. However, there is a difference in the structure of microinsurance markets analyzed according to countries and regions worldwide. Thus, some countries make up the segment of people with the lowest income, such as Nigeria, while other countries such as Ukraine covers poor with higher income. Asia and Africa make up the rural market segment of low-income and Eastern Europe, Latin America and the Caribbean include the urban segment of this market. Microinsurance already covers around 135 million people, or around 5% of the potential market. In many countries, annual growth rates are 10% or higher (MicroInsurance Centre, Lloyd's 360° Risk Insight, pp. 3). In the same direction is the statement of Premasis Mukherjee, Senior Manager, Social Security and Insurance: "Microinsurance is the next wave of financial inclusion. With the advance of digital finance and convergence of government social security in favour of social microinsurance, the market is ripe for innovations. Besides, there is lot of scope for innovation in microinsurance in terms of behavioural understanding of the potential clients and strategic understanding of emerging distributions in microinsurance/mass insurance. These are reasons for exciting times ahead in the sector", (Microinsurance Network's Annual Magazine, 2016, pp. 45-46).

*Table 2. MicroInsurance Worldwide*

| Regional landscape | Lives insured (in mn) | Total microinsurance premium (in mn USD) | Total microinsurance coverage ratio |
|---|---|---|---|
| Latin America and the Caribbean – 2016 | 51.49 | 480* | 8.52% |
| Asia and Oceania - 2015 | 181.6 | 797.2** | 6.96% |
| Africa – 2014 | 61.76 | 756*** | 5.43% |
| Total: | 294.85 | 2.033.2 | |

*Source: Microinsurance Network, http://worldmapofmicroinsurance.org*

* Microinsurance Network, The World Map of Microinsurance, (2018), The Landscape of Microinsurance in Latin America and the Caribbean 2017 Final report, April 2018, pp.4

** Munich Re Foundation, (2014), Premasis Mukherjee, Arman Oza, Lisa Chassin, Rupalee Ruchismita, Landscape of Microinsurance in Asia and Oceania, pp. 26

*** Microinsurance Network, The World Map of Microinsurance, (2016), The Landscape of Microinsurance Africa 2015, pp. 7

In 2015 the Microinsurance Network and Munich Re Foundation launched the World Map of Microinsurance (WMM), an interactive online map that provides key global data on microinsurance. Via this map, can be followed the current situation and prevalence of the microinsurance worldwide. The landscape studies which are part of WMM have been led by the Munich Re Foundation in collaboration with and support from the ILO's Impact Insurance Facility, the Inter-American Development Bank, the African Development Bank, the Asian Development Bank, and Making Finance Work for Africa (MFW4A), GIZ on behalf of BMZ, and the Microinsurance Network. This pioneering research has been carried out by the MicroInsurance Centre (Landscape study of 100 poorest countries 2005, Africa 2010, Latin America and Caribbean 2011, Africa 2012, MicroSave Asia 2013, Asia and Oceania 2013, Latin America and Caribbean 2014, Africa 2015, Sri Lanka 2016 and Latin America and Caribbean 2017). The mission of the WMM programme is to collect factual sector data in an unbiased manner, with the objective of promoting transparency, monitoring growth, identifying trends and inspiring innovation. The map enables insurers and microinsurance practitioners to gain a birds-eye view of the landscape of microinsurance worldwide, and search and extract sector-specific data by region to gain insights into trends for decision making (Microinsurance Network's Annual Magazine, 2016, pp. 48). Based on the previous 3 regional landscapes (Latin America and the Caribbean - 2014; Asia – 2013 and Africa – 2012), total self-reported coverage of microinsurance in three major microinsurance regions of Africa, Asia and Latin America stands at 263.4 Million lives and properties which (based on self-reported data) generated microinsurance premiums worth USD 2.1 billion (http://worldmapofmicroinsurance.org). Tables 2 and 3 show the latest available data on microinsurance coverage in the same micro insurance regions (Latin America and the Caribbean - 2016, Asia and Oceania - 2015, Africa - 2014).

*Table 3. Sumary by regions and microinsurance position*

| Coverage | Latin America and the Caribbean – 2016 | Asia and Oceania - 2015 | Africa – 2014 |
|---|---|---|---|
| Life coverage (excluding credit life) | 21.26% | 2.81% | 4.08% |
| Credit life coverage | 8.78% | / | 1.44% |
| Total microinsurance coverage | **8.52%** | **6.96%** | **5.43%** |
| Life and accident coverage (excluding credit life) | 6.92% | / | 3.56% |
| Accident coverage | 5.44% | 4.00% | 1.15% |

| | | | |
|---|---|---|---|
| Property coverage | 4.11% | 0.06% | 0.40% |
| Agriculture coverage | 2.54% | 0.05% | 0.10% |
| Health coverage | 0.42% | 0.74% | 0.74% |

*Source: adapted according to Microinsurance Network,*

*http://worldmapofmicroinsurance.org/#view/global/all/total-microinsurance-coverage-ratio*

However, in Asia, insurance is emerging as one of the fastest growing financial services that satisfy the poor due to the large population and thanks to relatively developed insurance market and regulations in some countries. Microinsurance is most prevalent in India and the Philippines, which have specific regulations. Between 2010 and 2012, Asia's microinsurance market grew by 30% annually in terms of people covered, and 47% in premiums generated, according to a 2014 report by Munich Re Foundation and Germany's GIZ aid agency. More than 170 million people in Asia had some form of microinsurance at the end of 2012. However, that is still only 4.3% of the population in a region where frequent natural disasters often propel already vulnerable people into destitution. Africa and Latin America each had about 44 million people covered by insurance (https://www.theguardian.com/global-development/2015/sep/01/micro-insurance-families-poorer-countries-protection-destitution). The latest available data presented in Table 2 shows further upward trend in the development of microinsurance.

In any case it must be emphasized that landscape studies for microinsurance refer to several previously mentioned regions of the world (Latin America and the Caribbean; Asia and Oceania; and Africa). In Europe, microinsurance is extremely poorly addressed and till now has not been prepared relevant study for the presence and potential claimants of these products, besides that The World bank provides data monitoring of world poverty (In this context Table 4 presents data on the countries of Europe and Central Asia - the context in which these data are monitored, the coverage stands at Eastern Europe). According to the presented data, about 14.10 million people in Europe and Central Asia (2012) are living in households with consumption or income per person below the poverty line.

*Table 4. Global poverty monitoring – Europe and Central Asia*

| Country | Pov.line (PPP$/day | Mean ($/Day) | Headcount (%) | Pov.gap (%) | Squared pov. gap | Gini Index | Population (mil.) | Survey year |
|---|---|---|---|---|---|---|---|---|
| Albania | 1.90 | 229.82 | 1.02 | 0.2 | 0.07 | 28.9605 | 2.9 | 2012 |
| Armenia | 1.90 | 187.46 | 2.24 | 0.52 | 0.18 | 30.5797 | 2.89 | 2013 |
| Azerbaijan | 1.9 | 465.6 | 0.00 | 0.0 | 0.0 | 16.635 | 9.42 | 20 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 0 | 4 | | 0 | 0 | | | 05 |
| Belarus | 1.90 | 620.56 | 0.00 | 0.00 | 0.00 | 26.5751 | 9.47 | 2013 |
| Bosnia and Herzegovina | 1.90 | 565.99 | 0.14 | 0.05 | 0.02 | n/a | 3.6 | Interpolated |
| Bulgaria | 1.90 | 534.31 | 1.72 | 0.7 | 0.43 | 36.572 | 7.27 | 2013 |
| Croatia | 1.90 | 516.87 | 0.75 | 0.46 | 0.34 | 31.9947 | 4.26 | 2013 |
| Czech Republic | 1.90 | 805.69 | 0.00 | 0.00 | 0.00 | 26.4723 | 10.51 | 2013 |
| Estonia | 1.90 | 766.74 | 0.98 | 0.62 | 0.52 | 35.079 | 1.32 | 2013 |
| Georgia | 1.90 | 211.07 | 6.88 | 1.71 | 0.66 | 38.3501 | 3.78 | 2013 |
| Hungary | 1.90 | 589.95 | 0.24 | 0.00 | 0.00 | 31.5028 | 9.89 | 2013 |
| Kazakhstan | 1.90 | 369.7 | 0.02 | 0.00 | 0.00 | 27.0631 | 17.04 | 2013 |
| Kosovo | 1.90 | 257.85 | 0.29 | 0.07 | 0.03 | 26.3066 | 1.82 | 2013 |
| Kyrgyz republic | 1.90 | 153.54 | 3.26 | 0.48 | 0.13 | 28.8155 | 5.72 | 2013 |
| Latvia | 1.90 | 600.1 | 1.23 | 0.62 | 0.46 | 35.4994 | 2.01 | 2013 |
| Lithuania | 1.90 | 629.26 | 0.74 | 0.47 | 0.39 | 35.3103 | 2.96 | 2013 |
| Macedonia | 1.90 | 296.31 | 6.01 | 2.81 | 1.98 | 36.8939 | 2.08 | 2013 |
| Moldova | 1.90 | 291.82 | 0.08 | 0.01 | 0.00 | 28.5342 | 3.56 | 2013 |
| Montenegro | 1.90 | 420.01 | 1.04 | 0.23 | 0.05 | 32.4429 | 0.62 | 2013 |
| Poland | 1.90 | 502.28 | 0.01 | 0.00 | 0.00 | 32.5495 | 38.04 | 2013 |
| Romania | 1.90 | 266.58 | 0.00 | 0.00 | 0.00 | 27.4507 | 19.98 | 2013 |
| Russian Federation | 1.90 | 756.42 | 0.01 | 0.00 | 0.00 | 40.8844 | 143.51 | 2013 |
| Serbia | 1.90 | 343.71 | 0.29 | 0.04 | 0.01 | 29.0171 | 7.16 | 2013 |
| Slovak Republic | 1.90 | 682.02 | 0.24 | 0.16 | 0.1 | 28.0849 | 5.41 | 2013 |
| Slovenia | 1.90 | 998 | 0.00 | 0.00 | 0.00 | 26.2402 | 2.06 | 2013 |
| Tajikistan | 1.90 | 178.21 | 5.04 | 1.13 | 0.39 | n/a | 8.18 | Interpolated |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Turkey | 1.90 | 517.27 | 0.33 | 0.06 | 0.02 | 40.1785 | 75.79 | 2013 |
| Turkmenistan | 1.90 | 229.21 | 4.91 | 0.82 | 0.23 | 40.7654 | 5.37 | 1998 |
| Ukraine | 1.90 | 398.43 | 0.00 | 0.00 | 0.00 | 24.555 | 45.49 | 2013 |
| Uzbekistan | 1.90 | 115.64 | 19.09 | 5.17 | 2.11 | 35.2688 | 30.24 | 2003 |
| Europe and Central Asia | 1.90 | / | 1.59 | 0.42 | 0.18 | | 482.34 | 2013 |

Where:

"PPP" - refers to Purchasing Power Parity. The default option is the PPP rates for consumption in 2011 estimated by the World Bank's Development Data Group.

"PL" - Poverty line. The default poverty line is $1.9 per day.

"Mean$"- The "Mean$" is $ the average monthly per capita income/consumption expenditure from survey in 2011 PPP.

Headcount (H) - % of population living in households with consumption or income per person below the poverty line.

Poverty Gap (PG) - mean distance below the poverty line as a proportion of the poverty line.

"Survey year" The "Survey year" is the year in which the underlying household survey data were collected.

*Source: adapted according to The World Bank IBRD-IDA (Working for a World free of poverty) PovcalNet: an online analysis tool for global poverty monitoring* http://iresearch.worldbank.org

An overview of the structure of the world's population by region it belongs to, using the lowest poverty line of $1.9 per day (The World Bank IBRD-IDA make analysis on $3.2/day and $5.5/day also) is given in the following Table 5. The table also contains summary data for the whole world. What makes the connection to the level of living standards, poverty and microinsurance is the fact that according to the World Bank nearly 800 million people in the world are below the poverty threshold of $1.9 per day. These are people, who still face an extremely low standard of living and a daily struggle to settle basic needs, and they are hugely exposed to various risks (health risk, risk of natural hazards, catastrophic risks, etc.) which if they happen, they could not individually compensate the damages. Although the world's poor population is predominantly dominant in Africa, Asia and Latin America, the data show that millions of extreme poor people also live in other parts of the world, including in countries in Europe and other countries with an average high income.

*Table 5. Regional aggregation using 2011 PPP and $1.9/day poverty line*

| Region (Data for 2013) | Pov. line (PPP$/day) | Headcount (%) | Pov. Gap (%) | Squared pov. gap | Num of poor (mil.) | Population (mil.) | Survey coverage |
|---|---|---|---|---|---|---|---|
| East Asia and Pacific | 1.9 | 3.64 | 0.69 | 0.23 | 73.17 | 2,007.50 | 97.7 |
| Europe and Central Asia | 1.9 | 1.59 | 0.42 | 0.18 | 7.67 | 482.34 | 90.66 |
| Latin America and the Caribbean | 1.9 | 4.54 | 1.75 | 1.06 | 27.8 | 612.87 | 91.62 |
| Middle East and North Africa | 1.9 | 2.66 | 0.53 | 0.17 | 9.55 | 358.35 | 77.65 |
| Other high Income | 1.9 | 0.61 | 0.45 | 0.38 | 6.38 | 1.046.38 | 76.05 |
| South Asia | 1.9 | 15.14 | 2.79 | 0.79 | 257.32 | 1.699.31 | 98.11 |
| Sub-Saharan Africa | 1.9 | 42.29 | 16.51 | 8.7 | 400.79 | 947.63 | 69.06 |
| World Total | 1.9 | 10.94 | 3.31 | 1.57 | 782.68 | 7,154.37 | 88.83 |

*Source: adapted according to The World Bank IBRD-IDA (Working for a World free of poverty) PovcalNet: an online analysis tool for global poverty monitoring* http://iresearch.worldbank.org

While there have been many breakthroughs in microinsurance market penetration in recent years, there are glaring geographic disparities, with oases of success amid vast deserts without coverage. The insurance industries in many countries have not been able to fulfil their potential to support economic development. Although a few countries are pushing ahead, the majority remain in the first two stages of development. There is currently an urgent need to accelerate the growth of emerging insurance markets in these countries. In 2015, 70% of natural and man-made catastrophe losses were not insured. When there is a disaster such as an earthquake or a hurricane, it is the low income people that are most affected and pushed back into poverty (Microinsurance Network's Annual Magazine, 2016, pp. 44-45). Insurers recognize this need. In 2016 The Economist's Intelligence Unit's survey of insurers found that nearly one-half (45%) of respondents said that supranational organizations should work with developing countries to inform policymakers better of the value of catastrophe insurance and other forms of insurance as a top priority (International Labour Office, Annual Report 2013, pp. 38).

# CONCLUSION

Living standards, the state of poverty and idea of microinsurance are closely connected. From its part, living standards as a complex concept is determined by a number of factors - macroeconomic stability, the level of the country's economic development and primarily by the allocation policy. Less developed countries, or those who have a need for rapid development and greater investments (those that require the allocation of a greater % of GDP for productive consumption) are facing the problem of poverty and the problem of low standard of living. Therefore, during talking about public spending can not be avoid the problem of efficiency in public services and activities, that it related to the issue of cost-effectiveness of public expenditures.

This means that each national economy should pay particular attention to the decision making of the problem of increase the levels of efficiency, economy and quality of services offered to its citizens. It is here that the concept of microinsurance can find its application, in a sense of replacing part of public spendings, and in order to fund the damages caused by a number of risks. In a multitude of risks, underdeveloped countries and developing countries and their populations are particularly affected by a number of catastrophic risks that the state budget does not have the capacity to withstand. The essential function of insurance in order to be used as a strategy for managing pure risks, have some specifics in managing catastrophic risks. Namely, talking about catastrophic risks first of all there is a difficulty in the assessment of the probability for their occurrence in a given location and precise determination of the time of their occurrence (despite their statistical monitoring and the methodology for processing available data). Mostly it is talking about natural phenomena (floods, earthquakes, tsunamis, hurricanes, etc.), and despite the overall development of science and technology still there are not existing any precision measuring instruments with which these can be accurately predicted. In that direction this paper analyzes the need for expanding the range of microinsurance use as a protection against numerous risks, with emphasis on countries with a lower standard of living or socially vulnerable categories in countries with a higher standard of living.

In contemporary conditions, globally there is an initiative for convergence of financial services to persons from socially vulnerable groups, i.e. those with low incomes which were excluded from the financial markets. Their inclusion in financial markets goes by using microinsurance. The inclusion of people with low incomes and those at risk of poverty in formal financial flows, realize economic benefits for the insurance industry too, and for development of the financial system as a whole. The category of people with low incomes are seen as potential consumers who aspire to join the group of people with middle and high income and that in the long run will bring profit to those entities which in this moment have the will to invest in this market of the future.Microinsurance enters within the financial services market, which experienced expansion in recent years.

Today, more and more emphasis is put on the fight against poverty and reducing the number of people with low incomes in the world. The largest contribution to this has the World Bank which cooperates with the governments of the countries that need the greatest help. Microinsurance offers a visiable alternative for low income households to manage their risks. At the same time, it is increalingly untapped growth segment for the insurance sector.Having in mind the analyses of the World Bank, in the last decade about 500 million people crossed from the group of low-income into the group of people with average income, which goes into direction of the thesis that the economic dimension of microinsurance is pronounced and there is great potential for expansion of the insurance market. Although the microinsurance business at first glance looks like a business with low incomes, yet it is a potential generator of long-term incomes in the future.

The potential market for insurance in developing economies is estimated to be between 1.5 and 3 billion policies. There is a considerable demand for a wide range of insurance products from health and life, agricultural and property insurance, until to coings for catastrophe disasters. Regarding the potential for development and distribution of microinsurance products in Europe, the data show that especially in Eastern Europe, significant percentage of the population is at the poverty line and there are social and economic reasons for the implementation of these products. In any case, it is a large potential market that can be developed through multiple modalities, starting from state subventions, through public private partnership, up to commercial microinsurance.

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