

LIDIJA VASIĆ, DUNAV INSURANCE



DEVELOPMENT OF THE INSURANCE
INDUSTRY IN THE BALKANS

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- I. Overview of the market
- II. Complete and comprehensive change of insurance law
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I - 1. ALBANIA



o GDP	4,112,892 US\$
o GDP per capita	1,323 US\$
o INFLATION	3.5%
o REGISTERED INSURANCE COMP.	5
o REGISTERED REINSURANCE COMP.	0
o NUMBER OF EMPL. IN THE FIELD OF INS.	574
o VOLUME OF INSURANCE PREMIUM	20,675,958 US\$
o VOLUME OF REINSURANCE PREMIUM	1,653,600 US\$
o PREMIUM PER CAPITA	5.16 US\$
o INSURANCE PENETRATION	0.39

I - 1. ALBANIA



	Description	In USD	In %
1	Premium of compulsory insurance	14,480,836	70.04
2	Premium of non-compulsory insurance	6,195,122	29.96
	Total	20,675,958	

	Description	In USD	In %
1	Premium of life insurance	1,219,512	5.90
2	Premium of non-life insurance	19,456,446	94.10
	Total	20,675,958	

I - 1. ALBANIA



	Property insurance	In USD	In %
1	Marine insurance	276,655	1.34
2	Aviation insurance	13,240	0.06
3	Fire insurance	1,942,160	9.39
4	Bank and Cash insurance	508,014	2.46
5	Burglary insurance	40,418	0.20
6	Engineering insurance	313,589	1.52
7	Agriculture and Livestock insurance	6,969	0.03
8	Other property insurances	657,840	3.18
	T o t a l	3,758,885	18.18

	Motor insurance	In USD	In %
1	TPL	9,209,756	44.54
2	Casco	735,192	3.56
3	Green Card	4,020,906	19.45
4	Border insurance	1,113,589	5.39
5	Provisional insurance	94,774	0.46
	T o t a l	15,174,216	73.39

	Helth insurance	In USD	In %
1	Accident	266,202	1.29
2	Travel health insurance	257,143	1.24
	T o t a l	523,345	2.53

	Life insurance	In USD	In %
1	Credit life insurance	12,544	0.06
2	Students or pupils life insurance	16,725	0.08
3	Depositor's life insurance	12,544	0.06
4	Collective life insurance	1,177,700	5.70
	T o t a l	1,219,512	5.90

T O T A L

20,675,958



I – 2. ISURANCE MARKET IN BOSNIA AND HERZEGOVINA

o GROSS NATIONAL INCOME	US\$	4.63 b
o B&H Federation	US\$	3.30 b *
o Srpska Republic	US\$	1.33 b *
o GROSS DOMESTIC PRODUCT PER CAPITA	US\$	1.251
o B&H Federation	US\$	1.434
o Srpska Republic	US\$	950

* estimation

I – 2. BOSNIA AND HERZEGOVINA



- ✓ NUMBER OF INSURANCE COMPANIES: 27
 - B&H Federation 18 (9 licensed for life insurance)
 - Srpska Republic 9 (Insurance licence withdrawn from Ekvator Ins.)

- ✓ NUMBER OF REINSURANCE COMPANIES: 1 (B&H Federation)

- ✓ NUMBER OF INHABITANTS PER INSURANCE COMPANY: 137,000

I – 2. BOSNIA AND HERZEGOVINA



- ✓ INSURANCE PENETRATION AS % OF GROSS NATIONAL INCOME
 - ✓ B&H 2.60 %
 - B&H Federation 2.61 %
 - Srpska Republic 2.58 %
- ✓ INSURANCE PREMIUM IN B&H IN 2001 AMOUNTED TO ABOUT US\$ 112.780.000
 - B & H Federation US\$ 80,455,805
 - Srpska Republic US\$ 32,029,520

I – 3 BULGARIA

	Unit	1998	1999	2000	2001
Population	Millions	8.26	8.21	7.95	7.94
(GDP)	Euro/billion	12.30	12.40	13.6	14.4
GDP per capita	Euro	1,490	1,513	1,484	1,840
GDP real growth	%	3.5	2.4	5.8	4.5
Inflation	%	18.7	12.6	11.3	7.4
Unemployment	%	12.2	13.8	18.1	17.5
Foreign debt	% of GDP	83.8	82.3	86.5	76.7
Foreign direct investment (FDI)	Euro in millions	488	448	817	461
Exchange rate	BGN/Euro HUF/Euro	1.97	1.96	1.96	1.96

I – 3. BULGARIA



- ☞ **BULGARIA AND THE EU-ENTRANCE** Bulgaria applied for membership in the European Union in December 1995. In its 1997 Opinion, the Commission concluded that Bulgaria had made a good progress, in particular in developing a planning system and a training strategy, conduction a population census and starting to develop the necessary administrative capacity. Bulgaria is generally meeting the committments it has made in the accession negotiations in this field. Bulgaria should focus further efforts on strengthening administrative capacity and on upgrading methodology and improving the quality and completeness of data in general. So, Bulgaria still has a long way to go before joining the EU. Therefore the chances of accession before 2007-2010 are much too small.

I – 3. BULGARIA



☞ THE BULGARIAN INSURANCE MARKET

The Bulgarian insurance market is still a relatively small market. During the period of communism a monopoly existed and the DZI, a former state owned insurance company, had the exclusive right to write insurances.

Since 1998 the Bulgarian insurance market started to develop and today there are 32 insurance companies actively involved in the insurance business. There are 20 non-life insurers, 8 life insurance companies and 4 health mutuals. Together they cover up the complete insurance portfolio offering many different insurance classes.

I – 3. BULGARIA



☞ THE BULGARIAN INSURANCE MARKET

Competition and Major Players

Insurance Market Total: The Bulgarian Insurance Market is still dominated by

- the State Insurance Institute (DZI) 22% of the market share.
- Allianz Bulgaria 20%
- Bulstrad 18%
- Bul Ins. 10%
- Orel 9%
- Vitosha 7%

I – 3 BULGARIA



Insurance Market 2001.

Number of companies	32
Life insurance companies	12
Non - life insurance companies	20
Market leader	DZI-State Insurer
Gross premium income 2000	180 millions US\$ 387.6 millions BGN
Insurance penetration 2001	1.61%
Insurance density	27.7 US\$

I – 4. CROATIA



INSURANCE COMPANIES

1991 – 8

1995 – 15

1997 – 20

1999 – 26

2000 – 28 (25)

2001 – 25 (21)

10 foreign (47.62%) US\$ 144 million (24%)

I – 4. CROATIA

PREMIUM



1999 – >> US\$ 520 million
HRK 3.90 billion

2000 – >> US\$ 580 million
HRK 4.38 billion

2001 – >> US\$ 680 million
HRK 5.10 billion

I – 5. MACEDONIA



Gross domestic product	US\$ 5.5 b
Per capita	US\$ 1,800
Insurance density	US\$ 41.77
Insurance penetration	US\$ 1.53

I – 5. MACEDONIA



Insurance premium: 83 m \$

Reinsurance premium: 10 m \$

There are four (4) registered insurance companies, while another two (2) are waiting for the licence.

No registered brokers or agents.

Number of employees in insurance industry: 800

I – 5. MACEDONIA



The Law on surveillance of insurance companies was passed in 2002, and for the compulsory motor TPL insurance in 2001.

Insurance premium: 83 m \$

Reinsurance premium: 10 m \$

There are four (4) registered insurance companies, while another two (2) are waiting for the license.

No registered brokers or agents.

Number of employees in insurance industry: 800.

I – 5. MACEDONIA

REVIEW OF PREMIUM WRITTEN



						In US\$
	QBE	VARDAR	TABAKO INS.	MAKOSPED	TOTAL	%
PROPERTY	31,120,249	1,842,408	581,647	146,287	33,690,592	40.15
HULL	9,638,197	1,842,206	345,115	446,678	12,272,196	14.62
MOTOR TPL	15,796,150	2,994,760	134,477	157,244	19,082,631	22.74
TRANSPORT	1,580,576	266,102	154,436	71,429	2,072,543	2.47
AVIATION	1,132,219	475,640	107,772	-	1,715,632	2.04
AGRICULTURE	3,785,150	318,584	24,171	-	4,127,906	4.92
ACCIDNET	8,744,073	712,115	114,141	75,119	9,645,448	11.49
LIFE	1,312,983	-	-	-	1,312,983	1.56
TOTAL	73,109,596	8,451,816	1,461,760	896,758	83,919,931	
Share of the market (in%)	87.12	10.07	1.74	1.07		

I – 6. SERBIA AND MONTENEGRO



NUMBER OF INSURANCE COMPANIES

- ✓ At present there are 43 insurance companies operating on the market, three (3) in Montenegro and 40 in Serbia. Of the total number of registered companies, four (4) are transacting the reinsurance business in the country and abroad, while others are registered for one or more insurance classes. Seven (7) insurance companies out of the total are registered for motor compulsory insurance only, while others are registered as to allow the possibility of transacting other classes of property or life insurance, etc.

I – 6. SERBIA AND MONTENEGRO



CAPITAL AND RESERVES

	mil us\$	%
✓ Socially-owned capital	103.3	34.9
✓ Share and other capital	70.8	23.9
✓ Revalued reserves	64.5	21.8
✓ Other reserves	57.3	19.4
✓ TOTAL	295.9	100.0

Number of employees 5.745

I – 6. SERBIA AND MONTENEGRO



YEAR	1998	1999	2000	2001
Insurance penetration	2.65%	3.07%	1.53%	2.90%

I – 6. SERBIA AND MONTENEGRO



KOSOVO

Kosovo has presently a population of two million with a US\$ 1.4 billion GDP, or US\$735 GDP per capita.

In 2000, INSIG established its first foreign branch in Pristina, the capital of the UN administered province of Kosovo.

A final solution for the Kosovo problem is still nowhere in sight, and the UN administration is likely to continue to exercise power for the forecast period.

The UN Interim Administration Mission (UNMIK) is coordinating the activities of the four cooperating international organizations and agencies.

I – 6. SERBIA AND MONTENEGRO



KOSOVO

8 registered companies

Required capital fund : 2.5 mil euros

6 private insurance companies from Kosovo

2 private insurance companies from the territory of Serbia (Ekos and Takovo)

Insurance companies are registered by BPK that have been authorized by UMNİK on the basis of the current regulations without a special Law

The motor TPL insurance accounts for about 96 % of the portfolio

I – 6. SERBIA AND MONTENEGRO



KOSOVO

There are 6 insurance companies in Kosovo, starting the largest one INSIG followed by Kosova, Sicuria and Dardania. Total insurance premium market is approximately US\$ 24 million for 2001 of which INSIG holds 30 %, or US\$ 7 million.

Premium income per capita os US\$ 12.

I – 7. SLOVENIA



- ☞ Legal level of organization of Slovene insurance, considering the achieved transitional period for life and property insurance lines, has been in conformity with legal regulations and EU trends both with regard to foundation, organization and supervision of insurance companies and regarding professional bases for transacting insurance business and managing insurance investments.
- ☞ The transitional period comprises phased liberalization of the Slovene insurance market.

I – 7. SLOVENIA



- ➔ From among 60 countries with the most promising insurance market, Slovenia holds the seventh position according to the premium per capita.

According to the premium share in the gross domestic product, with its 4.5% share Slovenia is ranked before other transition countries.

According to this indicator Slovenia comes before Greece.

In relation to EU share, the share of the Slovene insurance is twice lower than the insurance share in the gross domestic product in the countries of the European Union.

- ➔ Ten biggest insurance companies cover 70-100% of the national market.

I – 7. SLOVENIA



- ☞ Presently strongly manifested business and market orientation, of Triglav Insurance in the first place, to the ex Yugoslavia markets, it is possible to understand as an international business orientation of this company which before Slovenia enters the European Union, wants to establish a protective market position in front of the European competition.
- ☞ In this way Triglav Insurance would partially in other East European countries gain time precedence over bigger European competitors for these markets.

I – 7. SLOVENIA



- An intensive growth of both life and property insurance premium in 2001, exceeding the volume of the gross premium of Slovene insurance companies in 2000 by 17.1% indicates the under-utilized absorption capacities of the Slovene insurance market in the next four years of development.
- The life insurance share in Slovenia is only 20% on the average.
- The insurance premium per capita in Slovenia amounted to 458 euros in 2000.

I – 7. SLOVENIA

Insurance

Year	PREMIUMS			CLAIMS			CLAIMS RATIO			ANNUAL GROWTH RATE **		
	TOTAL	life	non-life	TOTAL	life	non-life	TOTAL	life	non-life	TOTAL	life	non-life
1991	11,519	780	10,739	8,221	204	8,017	0.71	0.26	0.75	–	–	–
1992	32,902	2,457	30,445	20,794	867	19,927	0.63	0.35	0.65	285.6	315.0	283.5
1993	47,415	5,015	42,400	30,156	1,622	28,534	0.64	0.32	0.67	144.1	204.1	139.3
1994	62,962	9,031	53,931	41,899	2,880	39,019	0.67	0.32	0.72	132.8	180.1	127.2
1995	102,374	15,151	87,223	65,584	4,776	60,808	0.64	0.32	0.70	162.6	167.8	161.7
1996	121,815	20,127	101,688	78,005	6,149	71,856	0.64	0.31	0.71	119.0	132.8	116.6
1997	129,590	22,878	106,712	87,647	6,764	80,883	0.68	0.30	0.76	106.4	113.7	104.9
1998	154,045	26,330	127,715	96,512	7,461	89,051	0.63	0.28	0.70	118.9	115.1	119.7
1999	171,381	30,906	140,475	104,387	7,850	96,538	0.61	0.25	0.69	111.3	117.4	110.0
2000	192,866	37,361	155,505	126,321	12,583	113,737	0.65	0.34	0.73	112.5	120.9	110.7
2001	230,030	49,148	180,882	143,958	14,396	129,562	0.63	0.29	0.72	119.3	131.5	116.3

* Gross premiums written and gross claims paid of 11 insurance companies and 9 other members of the SIA in SIT million.

** Premiums' growth index (without respecting the inflation rate). Including the inflation rate of 7.0% (Dec. 2001/ Dec. 2000) based on HICP, total insurance premium would be SIT 214,98 billion and premiums' growth index would be 111.5.

Source: SIA, SCRS.

I – 7. SLOVENIA

Reinsurance

Year	PREMIUMS			CLAIMS			CLAIMS RATIO			ANNUAL GROWTH RATE **		
	TOTAL	life	non-life	TOTAL	life	non-life	TOTAL	life	non-life	TOTAL	life	non-life
1991	2,345	–	2,345	1,954	–	1,954	0.83	–	0.83	–	–	–
1992	6,026	–	6,026	5,013	–	5,013	0.83	–	0.83	257.0	–	257.0
1993	5,722	0	5,722	4,611	–	4,611	0.81	–	0.81	95.0	–	95.0
1994	7,356	0	7,356	4,729	–	4,729	0.64	–	0.64	128.6	–	128.6
1995	8,718	92	8,626	5,106	16	5,090	0.59	0.17	0.59	118.5	–	117.3
1996	9,830	73	9,757	6,035	58	5,977	0.61	0.79	0.61	112.8	79.3	113.1
1997	11,529	206	11,323	7,216	149	7,067	0.63	0.72	0.62	117.3	282.2	116.1
1998	13,314	110	13,204	8,876	47	8,829	0.67	0.43	0.67	115.5	53.4	116.6
1999	17,804	213	17,590	10,131	81	10,050	0.57	0.38	0.57	133.7	193.6	133.2
2000	18,808	228	18,580	15,955	114	15,841	0.85	0.50	0.85	105.6	107.0	105.6
2001	21,689	208	21,481	16,135	67	16,068	0.74	0.32	0.75	115.6	91.2	115.6

* Data of Sava Re and Triglav Re is included in the table for Reinsurance.

** Premiums' growth index (without respecting the inflation rate).

Source: SIA, SORS

I - COMPARISON OF INSURANCE MARKETS IN 1999.

COUNTRY	Gross premium (in USD millions)			Insurance penetration		
	Non-life	Life	Total	Non-life	Life	Total
CROATIA	513	96	609	5,54%	0,48%	6,02%
ROMANIA	246	34	280	0,79%	0,10%	0,89%
YUGOSLAVIA	320	1	321	0,37%	0,00%	0,37%
BULGARIA	154	15	169	1,25%	0,12%	1,37%
MACEDONIA	111	1	112	3,23%	0,04%	3,27%
BOSNIA- HERCEGOVINA	102	7	110	2,31%	0,15%	2,46%
ALBANIA	13	0	13	0,34%	0,00%	0,34%
Total	1.341	155	1.495			

I - COMPARISON OF INSURANCE MARKETS

	ALB	B&H	BUG	CRO	MAC	S&M	SLO	EU
Premium (mil \$)	20.60	113.8	180	680	83	276	1039	760,481
Penetration (premGDP in %)	0.39	2.60	1.61	3.02	1.53	2.90	4.50	9.00
Density (in US\$)	5.16	30.4	27.7	145.5	41.77	26.5	458	2017
Number of insurance companies	5	27	32	25	4	43	14	4,694
Number of employees in insurance business	574			4,686	800	5,745	4,929	874,577
Average number of employees per company	115			187	200	133.6	352	186
Population per one company	666,200	124,666	257,500	186,880	502,250	244,186	140,857	80,521
Average premium per insurance company (in mil US\$)	4.12	4.17	5.62	27.20	20.70	6.40	16.40	162.00
Average premium per employee in insurance industry (in US\$)	35,888			145,113	103,750	48,041	46,662	869,542
Population (in 000)	3,331	3,366	8,240	4,672	2,009	10,500	1,972	377,964
GDP per capita (in US\$)	1,235.06	1,416.82	1,542.96	4,242.51	1,714.78	1,036.48	9,538.54	20,857.72

III PRIVATIZATION OF STATE – SOCIALLY OWNED ORGANIZATIONS

From the period before the year 1990 there remained a particularity of a socially-owned property in the territories of the republics of the former Yugoslavia. Namely, at that time insurance companies used to be socially-owned property - a concept hard to explain in a practical way.

Although the new Laws on insurance and privatization have been enacted, the change in the capital ownership is carried out slowly primarily because of an enormous amount of capital found with these companies.

III – 1. ALBANIA



- ✓ Despite Albania's rapid transition from state-owned to free-enterprise economy, its financial sector is still characterized by significant government ownership, weak regulatory and enforcement framework and substantial cash economy.
- ✓ The sector is dominated by one state-owned insurance company, INSIG (which accounts for 65% of the market).
- ✓ With the help of the IMF and the World Bank, the reform in the financial sector has been one of the key occupations of the Albanian authorities.

III – 2. BOSNIA AND HERZEGOVINA



Two insurers, Sarajevo Insurance and Bosna Re that originate from the previous period, used to draw the socially-owned capital. The 1996 Law referring to the change in ownership of insurance companies changed the socially-owned capital into the state owned one. In view of this they expected the privatization and/or sale of these companies. Bosna Re (the reinsurer) was privatized in 1998 after purchasing a number of economic/corporate subjects from Bosnia and Herzegovina. As for Sarajevo Insurance, the state ownership still accounts for a high percentage (46%). There were some attempts to privatize it at a public tender; however, Triglav Insurance, although gave the best offer, had to withdraw because of some problems arising in Slovenia.

III – 3. BULGARIA

PRIVATIZATION PROCESS IN BULGARIA



The privatization is a key element of the structure reform

- 51.4% of economy already in private hands
- 78% excluding infrastructure
- 98.8% restitution of land

Privatization almost completed in the following sectors

- Banking – 67% in foreign hands
- Insurance – except for DZI
- Telecommunication – second GSM licence granted
- Air transport
- Metallurgy
- Chemical industry
- Food industry
- Tourism

III – 4. CROATIA



Croatia, the biggest Croatian insurer is in the process of privatization. The Croatian Government has carried out this process and this insurer was on public tender sale. The main interested parties were Allianz, Germany and Triglav, Slovenia that offered much higher price. However, the sale was not accomplished due to a number of reasons because the Croatian Government itself was not satisfied with the achieved price, while the Supervisory Authority put a ban on investments to Triglav.

III – 5. MACEDONIA



Vardar and Makedonija, the socially-owned insurance companies underwent the ownership transformation. Vardar Insurance used to be the main branch of Dunav Insurance. However, after separation of Macedonia and according to the consent and some arrangements with the founder, this company became a private property. Makedonija Insurance was bought by QBE, a big Australian insurer that reorganized the company completely but without achieving spectacular results that might have been expected, primarily due to the surrounding and other legal regulations and economic potentials in Macedonia as well.

III – 6. SERBIA



The process of privatization in Yugoslavia is carried out through the Agency for privatization. This process is concerned with socially and state owned capital in enterprises and other legal persons. The privatization is carried out through a public tender or public auction.

Since June 2001 when the Law on Privatization was passed in Yugoslavia, 2100 companies have either been already privatized or process is under way. The biggest results have been accomplished in the Province of Vojvodina accounting to 40 % and in the City of Beograd with 39 %. In other parts of Serbia, however, less than 21 % has been privatized.

III – 6. SERBIA



The share capital was reintroduced into the Yugoslav insurance business in 1990, up to when the only form of capital was socially owned capital. The share capital was related to the compulsory capital required for registration of a certain class of insurance. Thus the insurance companies registered up to then, carried out the re-registration through which they obtained the capital injection to the amount of the required capital lied down as share capital. According to the previous legislature the insurance companies could not enter the transformation of ownership because this was explicitly forbidden. However, in the meantime, this has been made possible by the Act on Privatization passed in the year 2001 according to which all legal persons are given a four-year term to carry out the ownership transformation in one of the ways stipulated by the Act referred to above.

III – 6. SERBIA



According to the current market situation, the socially-owned capital is present more or less with the Dunav Insurance Company, DDOR Novi Sad Insurance, Polis Insurance, Dunav-Re, Kosmet Insurance and Kopaonik Insurance. These insurance companies are obliged to define the ownership status of the capital within the stated term. We expect the new Insurance Law to regulate this as well.

It is expected that the insurance reform and establishment of new owners will bring order on the insurance market and that supervisory regulations shall be applied to all the participants.

III – 7. SLOVENIA



In Slovenia there are two main participants in the insurance and reinsurance market with major socially-owned capital. Namely, Triglav Insurance - the biggest Slovene insurer is in dispute with their Government; the dispute reached the Supreme Court, which decided that 85% of Triglav's capital was, socially-owned property which should be privatized in the way determined by the state authorities. The share of the state-owned capital is even higher (over 90%) in Sava Re, the biggest Slovene reinsurance company.

III – 7. SLOVENIA



In Slovenia there are two main participants in the insurance and reinsurance market with major socially-owned capital. Namely, Triglav Insurance - the biggest Slovene insurer is in dispute with their Government; the dispute reached the Supreme Court, which decided that 85% of Triglav's capital was, socially-owned property which should be privatized in the way determined by the state authorities. The share of the state-owned capital is even higher (over 90%) in Sava Re, the biggest Slovene reinsurance company.

IV ENTRY OF FOREIGN CAPITAL INTO
INSURANCE BUSINESS
(COMPANIES AND BROKERS)

IV ARRIVAL OF FOREIGN CAPITAL INTO INSURANCE BUSINESS (COMPANIES AND BROKERS)

Penetration of foreign capital into the insurance industry in Croatia, Slovenia and Bulgaria is evident, while its penetration into Serbia, Bosnia and Macedonia is slow.

Yet another indicator of foreign capital being interested in this region is the presence of foreign brokers who are registering their offices overhere. Brokers help revival of the insurance market and increase the competition on the one hand, but on the other hand they bring in unfair competition and are trying through reinsurance to marginalize domestic insurance markets.

IV – 1. ALBANIA



- o Foreign companies have been allowed to establish branches in Albania since 1996, though none have chosen to do so. An amendment to the Insurance Law effective from 27 April 2000, has increased the maximum permissible foreign holding in an Albanian insurance company from 40% to 100%. A number of foreign companies have had exploratory discussions with both INSIG and its private sector rivals, but these have yet to produce any results.

IV – 2. BOSNIA AND HERZEGOVINA



- o Purchasing of the majority share package (78%) from the earlier owner BH Insurance and renaming that company after the new owner in Triglav BH Insurance.
- o Also, earlier Aurum B&H Insurance changed their name after the new owner; under the new name of Raiffeisen Insurance and closely connected with the Bank-owner, they are actively increasing their business operations extending to the life insurance business as well.
- o The privatization of the rest of the state-owned capital of Sarajevo Insurance (about 44%) is at a standstill owing to the embargo on investments imposed by the Slovene supervisory authority upon Triglav, the only potential buyer.

IV – 3 BULGARIA



FOREIGN INVESTMENT ENVIRONMENT

- ☞ Promotion and protection of foreign investments
- ☞ Priority of international treaties over local rules
- ☞ Legal guarantees against adverse changes in the Law
- ☞ Protection against expropriation
- ☞ Restrictions for foreign market entry were lifted in 1998, so foreign insurers were allowed to assume majority control of Bulgarian companies and to establish branches. The reason for the market being relatively small and underdeveloped is the fact that most Bulgarians are either not familiar with the services offered or have limited financial resources which they do not want to spend on insurance.

IV – 3 BULGARIA



- ☞ **Allianz Bulgaria** Allianz entered the Bulgarian market by acquisition. Allianz got control over 2,100 direct sales force from Bulgaria Insurance. Currently Allianz is the second largest insurer and the fourth largest insurer on the market. In their last annual report Allianz Bulgaria defines their priorities as follows:
- New sales channels – seeking strategies to develop bank assurance profits
 - Further expansion of pension fund business – occupational and universal second-pillar campaign; flexible pension schemes depending on the clients requirements
 - Retail banking and further expansion of corporate banking
 - Starting e-servicing and e-commerce (Internet sales, electronic premium payments, etc.)

IV – 3 BULGARIA



Grawe Bulgaria – 99.95% are owned by Grazer Wechselseitige Versicherung AG and was set up in 2001. This is probably the reason why it only owns a market share of 0.3 %. Currently Grawe Bulgaria offers one (uncommon) product called Currency Savings - Insurance Programme. It mainly consists of long-term currency savings and coverage in case of death.

AIG Bulgaria – AIG Bulgaria Insurance and Reinsurance Company AD was established in 1997 and holds a market share of 1.64%. It is a member company of American International Group, Inc., which is the fourth largest insurer in the world. Their products comprise Company Insurance and Personal Accident and Travel Insurance.

IV - 3 BULGARIA



☞ Large Foreign investors in insurance sector

- ✓ TBIH
- ✓ AIG
- ✓ Allianz
- ✓ Munich RE
- ✓ QBE
- ✓ Interamerican
- ✓ EBRD

IV – 4. CROATIA



Croatia is in the middle of the privatization rank list of the Central Europe. Large investments in Croatia have been effected in telecommunications (23 %), banking sector (20 %) an pharmaceutical industry (19 %).

IV – 5. MACEDONIA



According to the prognosis, Macedonia shall attract foreign investments to 1 bn US \$, mostly in the sector of agriculture and revival of wound up companies. Macedonia is name target od Greek investors because Greek banks and companies understand the unstable situation in the Balkans and are ready to invest in this area.

IV – 6 SERBIA AND MONTENEGRO



The capital structure of the insurance companies comprises the opening capital required for registration (share capital) and the ordinary capital.

There are six (6) insurance companies with the foreign capital share operating on the Yugoslav market, namely: POLIS (KOLOS) Insurance (foreign capital share from Bosnia and Herzegovina), LOVCEN Insurance (foreign capital share from Slovenia), MORAVA Insurance (foreign capital share from Macedonia, Australia and Switzerland), GRAWE Insurance (foreign capital share from Austria) and ZEPTER Insurance (foreign capital share from Switzerland).

Out of the total amount of capital on the Yugoslav insurance market, which according to the “Economist” Magazine amounts to 15.5 billion dinars, 57% belongs to Dunav Insurance Company, which is in process of privatization and its sale to a foreign insurer is expected.

IV – 7 SLOVENIA



The value of foreign direct investment strengthened significantly in 2001 to reach a value of 2.3% of GDP. Foreigners invested US\$ 442 millions in the Slovene economy in 2001, the highest level to date. By signing the OECD declaration on international investments and multinational corporations, by striving to remove bureaucratic barriers and by establishing a national information point for foreign investors, Slovenia wishes to attract even more foreign capital in the future.

Slovene companies were also encouraged to invest in foreign economies. The total value of such investments, which include investments by Slovene insurance companies, was US\$ 104 m in 2001, two and a half times the level of the previous year.

V INTRODUCTION OF CONTROL AND SUPERVISION OVER INSURANCE ORGANISATIONS

- ☞ As the first step to sort out the situation on the insurance market of a country is to establish an Agency for control and surveillance of insurance companies and brokers. It is extremely important for these agencies to be independent and to perform their function according to professional criteria exclusively and without any political pressure. In economies which experienced the years of economic chaos, great corruption and bribery, establishing the order on the market is an extremely serious and hard work but it is an essential prerequisite for normal operation of the market as well.

V – 1 ALBANIA



- ☞ Insurance Supervisory Commission was set up on 1998.

V – 2 BOSNIA AND HEZEGOVINA



- ☞ Bosnia and Herzegovina is in the final stage of the process to pass a new Insurance Law, which they have prepared with the assistance of experts from the developed countries. The new Law defines the Agency for control and surveillance, but it is difficult to find a person courageous enough to be faced with big problems in straightening and regulating the insurance market. In view of this probably an expert from abroad shall be engaged to start with.

V – 3 BULGARIA



Via adoption of the Insurance Act on 26 September 1996 the state monopoly on insurance was abolished. Prerequisites for restoring the state supervision over insurance have been created. An adequate two-level administrative supervisory system, including National Insurance Council and Insurance Supervision Directorate, was established.

The Insurance Supervision Directorate officially commenced its activity on 1 October 1997. Shortly after its establishment, the Directorate worked out, and the Council of Ministers approved the legislative basis (ordinances, rules, tariffs), necessary for the implementation of the amended Insurance Act. Thereon, by the end of 1998 the process of licencing the current insurers to carry out insurance business was completed. Subsequently, the number of participants on the market was reduced to 27 insurance companies and mutual insurance co-operative societies, which met the requirements of the Insurance Act.

V – 4 CROATIA



- ☞ Croatia also founded the Insurance Supervisory Authority after changing the Insurance Law. This Authority is a legal person. It issues operating licences to insurance companies, controls their work, has sweeping powers regarding compulsory insurances and can even on its own accord make uniform insurance terms and conditions and the premium. The Croatian Government appoints the members and the chairman of the Managing Board of the Authority who report on the activities to the Government.

V – 5 MACEDONIA



- ☞ Macedonia. Surveillance regarding regularity of operation of insurance companies is performed by the Ministry of Finance through permanent following, collection, analyses and verification of reports submitted by the companies and annual direct supervision whenever estimated that it is in the interest and protection of rights of the insured and users.

V – 6 SERBIA AND MONTENEGRO



- ☞ Serbia and Montenegro. According to the current situation, the Federal Ministry of Finance carries out the supervision. However, since in the meantime the federal institutions have been transformed, it can be expected that the supervision and surveillance shall very shortly come down to the level of the Republics. Moreover, the draft of the new Insurance Law, which is in the procedure to be passed, provides for the Agency for insurance supervision.

V – 6 SERBIA AND MONTENEGRO



- ☞ Currently, regulatory authority (Assembly) regulates, i.e. passes the laws on insurance. So far, in the distribution of competence between the federal and republic authorities, the insurance business has fallen under the competence of the federal authorities. The Federal Ministry of Finance and Economy has the power to supervise the enforcement of the Law and to control the business activities of the insurance companies.
- ☞ The Federal Ministry of Finance and Economy issues the operating licences to the insurance companies. This licence may be revoked in the cases provided for by the Law. The Law provides for fifteen reasons when the Ministry is obliged to revoke the operating licence, and seven reasons when the Ministry may revoke the licence by its own decision.

V – 7 SLOVENIA



- ➔ **Slovenia.** According to the Insurance Law (2000), the Insurance Supervisory Agency carried out the surveillance. This Agency has sweeping powers regarding prescribing various acts/documents required for operation of insurance companies (system of accounts, contents of business report, evaluation of book items, contents of the opinion of the licenCed actuary).

VI POSSIBLE COURSES OF DEVELOPMENT

- ☞ During recent years the insurance market of the region has experienced great changes. After disintegration of ex Yugoslavia, the newly created countries were developing at a different rate although at the beginning of the nineties of the previous century all of these were transacting business under same conditions and legislation; the only difference was in the regional development of some areas. Albania became part of the world course of events after a long period of total isolation. Bulgaria carries out hurriedly the reforms and rushes towards the European Union. Macedonia carries out these changes more slowly and in phases.
- ☞ The potential of this market is significant: it is looking for new products but it has not been protected by usual classical classes of insurance. The entry of foreign capital into the region has been increasing together with the decrease of political and financial risks, and it shall affect the accelerated growth of the insurance premiums.

VI POSSIBLE COURSES OF DEVELOPMENT

- ☞ It is possible to quote some courses of development of insurance in the region in the coming period. These are:
 - ✓ Voluntary pension insurance,
 - ✓ Voluntary health insurance,
 - ✓ Life insurance,
 - ✓ Liability insurance (professional and for products in particular),
 - ✓ Credits insurance.

These classes of business are much less represented in this region than in the developed countries. However, the requirements for them are high because the social system in these countries has experienced a sudden change.