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**Zoran D. Radović, PhD<sup>1</sup>**

*Doctor of Law, Editor-in-Chief of Insurance Trends Journal*

## INSURANCE INSTITUTES

The Article describes why the insurance institutes have become important for the development of the insurance industry. During the last few years, the number of the insurance institutes has increased. Their role is important not only for the education of the insurance professionals, but also for the protection of the insured persons and clients; this is why the institutes tend to conceive the future developments in the field of insurance.

**Key words:** *institute, education, insurance professionals, systemic risk, stability of the insurance industry*

### 1. Introduction

Worldwide, the institutes have been established for the achievement of various goals. Their role is often to educate and organize literary work and gatherings; they serve to develop science. The word *institutum* is of latin origin and refers to an instrument: it means to „build“, „create“ and „educate“<sup>2</sup>

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<sup>1</sup> e-mail: zoran-radovic@hotmail.com

<sup>2</sup> <http://en.wikipedia.org/wiki/Institute>, 22.1.2014.

The legal status of an institute is defined under the state regulations of the country of incorporation. An institute may be an independent organizational unit or a part thereof. For example, the Institute for Maritime Law is a part of the Faculty of Law of Southampton, England. In Russia, for example, there are state-owned and private institutes<sup>3</sup>.

In the English language, the word *institute* means to „found“, „establish“ or organize a project. This can be a foreign language institute, institute for education or for technical branches.<sup>4</sup> Without considering the corporate charter and the articles of the association of an institute, it is not possible to define what its activities are. In New York, there is an institute organized as an academy.<sup>5</sup> Institute for Comparative Law from Zagreb is also an institute. There are other well known institutes, such as the Institute for Advanced Legal Studies in London, *Institute de Science Financiere et d'Assurances in Lion*,<sup>6</sup> Institute of Comparative Law in Belgrade. The Evangelical church is also an institute.

There are many institutes in the insurance industry. In 2013, the Insurance Institute of Slovenia was founded<sup>7</sup>. We need to make a difference between the institutes as organizational units and the legal institutes, such as, for example, the Institute for Saving Lives at Seas. The institutes, in that sense, may refer to the customs and tradition.<sup>8</sup>

The legal institutes are basic instruments of the Roman Law. The future lawyers take examination in Roman Law, which is the foundation of all the contemporary legal systems. For example: *Leges Sempronicae Agrearea*, on granting the arable land to the poor, or *Lex Gabmini*, on issuing the authorization for combating pirats.

Until the end of the 18th century, the Roman Law was applied in a number of European countries.<sup>9</sup> The *bona fides* institute requires a person to act fairly when signing a contract. *Bona fides* implies that the contracting parties shall sign contracts conscientiously and without intention to cheat on one another.<sup>10</sup> The

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3 <http://encyclopedia2.thefreedictionary.com/institution>, 22.1.2014.

4 Computer Science Masters, <http://www.thefreedictionary.com/institute>, 22.1.2014.

5 New York Film Academy, <http://dictionary.infoplease.com/institute>, 22.1.2014.

6 <http://isfa.univ-lyon1.fr/institut?language=en>, 28.12.2013.

7 N. G. K, „The First Insurance Institute Opened in Slovenia“, *Svijet osiguranja (The Insurance World)*, Zagreb, 23.12.2013.

8 <http://www.thefreedictionary.com/institution>, 22.1.2014.

9 Roman Law, [http://en.wikipedia.org/wiki/Roman\\_Law](http://en.wikipedia.org/wiki/Roman_Law), 25.1.2014.

10 William Smith, *Bona Fides*, *Smith Dictionary*, 1875. [http://penelope.uchicago.edu/Thayer/E/Roman/Texts/secondaty/SMIGRA\\*/Bona\\_Fides](http://penelope.uchicago.edu/Thayer/E/Roman/Texts/secondaty/SMIGRA*/Bona_Fides), 25.1.2014.

cheated party is protected by the possibility to file charges against the cheater, which is referred to as *actio publiciana*. Every contract must have a cause (*causa*) in order to produce legal effect.<sup>11</sup> The institute of liability for the inherently dangerous substances has been taken over from the Roman Law and applies in the case of the implied liability of the owner of dangerous matter (*res ipsa loquitur*).<sup>12</sup>

According to the Justinian's institutes, the sea and seashore represented *res communes omnium*. In time, the idea of the natural law (*jus naturale*) has been accepted. According to the natural law, the air, running water and sea belong to everybody.<sup>13</sup>

## 2. Insurance Institutes

There are many reasons for establishing the insurance institutes worldwide. One of the most important, by all means, is the education of the present or potential insurance professionals. The insurance business is a complex area and requires a great operational skill. Certain knowledge is gained at the Faculties of Law and Economics; however, this knowledge has proven insufficient and requires improvement. Although the necessary knowledge is gained through experience, the process can be accelerated by means of organized training.

### 2.1. England

#### 2.1.1. Chartered Insurance Institute

The first institute in England has been founded in 1873. The most famous is the Chartered Insurance Institute of London<sup>14</sup>, with more than 100,000 members. The task of this Institute has been to improve the insurance professi-

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<sup>11</sup> The Article on the History of Assumpsit, *Haward Law Review*, 15. April 1888. <http://www.jstor.org/stable/1321512>, 15.1.2014.

<sup>12</sup> T. Ellis Lewis, *Winfield on Tort*, London, 1954. pp. 503.

<sup>13</sup> Ante Romac, *Pojam mora i broda u izvorima Rimskog prava, Zagreb (The Concept of Sea and Ship in the Sources of Roman Law)*, 1976, pp. 69.

<sup>14</sup> [http://en.wikipedia.org/wiki/Chartered\\_Insurance\\_Institute](http://en.wikipedia.org/wiki/Chartered_Insurance_Institute), 20.1.2014.

on (by adopting high operational standards) and develop the relationship with both the financial and executive authorities and the consumers. The Institute has provided the insurance professionals with a constant advanced training.

The education is organized in a few independent branches:

a) Non-Life

for the persons engaged in:

- concluding the insurance contracts
- claims settlement
- insurance brokerage
- insurance market operations – the professionals.

b) Life

for the persons engaged in:

- life and pensions financial counselling.

c) Mortgage loans market

- Training of the professionals at the request of the Association of Mortgage Professionals.

The Institute organizes a special training for the professionals to be engaged in marine insurance. While still at school, they are allowed to have practical experience with the insurance companies; moreover, full-time employment is guaranteed to the students having shown best results during their studies.

Having passed the exams, the students are issued the certificate of qualification, recognized, for example, for the job of the insurance brokers. There are many educational levels. Graduated students are obliged to abide by the Code of Ethics<sup>15</sup>.

The Institutes cooperate with related institutes in other countries (eg. French National School of Insurance, Insurance Institute of Peterborough, German Insurance Academy).

### **2.1.2. Insurance Institute of London**

The Insurance Institute of London provides education in the field of risk and claims settlement, as well as life and non-life insurance. The Institute cooperates with the Government of England regarding the insurance legislation;

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<sup>15</sup> <http://www.insuranceinstitute.ca/en/ciposociety/professionl-development/professional-ethics/code-of-ehincs.aspx/>

its scope of activity also includes<sup>16</sup> the insurance frauds.

In order to improve knowledge of the insurance professionals, the Insurance Institute of London publishes a magazine.<sup>17</sup> The Institute also organizes conferences and seminars. In the City of London, a museum has been opened, with the exhibition of the historical development of fire-fighting.

## **2.2. France**

The most famous institute in France is the Insurance Institute of Lion (*Institute de Science Financiere et d'Assurances*), where more than 600 students are educated annually, especially in the field of actuarial science. There are independent courses in the legal, economic and administrative fields. The students are using laboratories for researches.

The Institute cooperates with the government institutions and the insurance industry. It has departments in Lebanon and Vietnam.<sup>18</sup>

## **2.3. Germany**

### **2.3.1. Institute of Insurance Science**

There is an insurance institute operating within the University of Ulm: the Institute of Insurance Science.<sup>19</sup> It has been founded for providing education in the field of insurance.

### **2.3.2. Institute for Prevention and Occupational Medicine of the German Social Accident Insurance**

The Institute for the Insurance Prevention (Institute for Prevention and

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<sup>16</sup> <http://www.cii.co.uk/knowledge/insurance-institute-of-london/>, 28.12.2013.

<sup>17</sup> For example, it deals with the road safety issues, *The Journal* Dec/Jan 2014. <http://www.cii.co.uk/knowledge/>, 26.1.2014.

<sup>18</sup> The Institute IFSA, <http://isfa.univ.lyon1.fr/institut;language=en>, 28.12.2013.

<sup>19</sup> <http://www.uni-ulm.de/en/mawi/institute-of-insurance-science.html>, 20.1.2014.

Occupational Medicine of the German Social Accident Insurance) operates in the town of Bochum<sup>20</sup>, within the Ruhr University. The main area of work of the Institute is the reduction of the health risks of insured persons, arising from dangerous (hazardous) substances.

## **2.4. Switzerland**

The Swiss Insurance Institute (*Association Suisse d'Assurances*)<sup>21</sup> was established in the year 2000, with the aim to deliver training in insurance risk. They dedicate special attention to the insurance practice. The motto of the institute is „to ensure future“.

The Swiss Insurance Institute offers the students several courses of the Insurance Institute of America, which is considered to be the leading institution in the world, regarding the management education.

## **2.5. United States of America**

In the USA, the institutes are given special attention. The most famous is the institute dedicated to the insurance professionals (The American Institute for Chartered Property and Casualty Underwriters).<sup>22</sup> The students who graduate from this institution get employed with the insurance companies.

The American Institute of Marine Underwriters also deals in the education of the professionals and provides advisory assistance to the industry. In 2014, as planned, the AIMU shall organize conferences on the liability insurance (P&I) and international cargo.

## **2.6. Canada**

The Insurance Institute of Canada counts 39,000 members, both stu-

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<sup>20</sup> [Http://www.linkedin.com/company/institute-for-prevention-and-occupational-medicine](http://www.linkedin.com/company/institute-for-prevention-and-occupational-medicine), 28.12.2013.

<sup>21</sup> <http://www.svv.ch/en/training/insurance-institute-of-switzerland>, 24.1.2014.

<sup>22</sup> [www.nnbd.com/org/638/000126260](http://www.nnbd.com/org/638/000126260), November 2011.

dents and insurance professionals. The Institute is a professional, nonprofit organization, founded for the education of non-life professionals. The Institute assists the graduate students in getting employed; it aims to standardise the education, implementing a unique system of taking exams. The Canadian Insurance Institute sponsors the annual National Insurance Conference.<sup>23</sup> By the nature of its work, the Institute cooperates with the National Association of Insurers.<sup>24</sup>

## **2.7. Slovenia**

The Insurance Institute of Maribor is a nonprofit organization, with a legal status of a private institute, founded by three insurers from Slovenia and Croatia. The Institute was founded in Maribor, under the name of »Zavarovalni poslovni institut«.<sup>25</sup> The scope of its activity included the scientific research in the field of insurance, counselling, library creation and education of the insurance professionals. The Institute pays special attention to the protection of insured persons and expresses preliminary opinion on the possible outcome of the insurance disputes. There are many projects under preparation. For example, „The Old Age Insurance“, a co-insurance project, according to which the major industrial systems should form a mutual fund to include the premiums for the payment of claims incurred by those systems themselves (internal insurance). In 2014, the »Institut za zavarovalništvo« organized an international conference on the insurance brokers. Its function is, among other things, to introduce the public with the European insurance industry trends.

## **2.8. Croatia**

There is a private Insurance Institute, established in Zagreb, which cooperates with a Slovenian Institute; jointly, they participate in the educati-

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<sup>23</sup> <http://www.niccanada.com>

<sup>24</sup> [Http://en.wikipedia.org/wiki/Insurance\\_Institute\\_of\\_Canada](http://en.wikipedia.org/wiki/Insurance_Institute_of_Canada), 20.1.2014.

<sup>25</sup> <http://www.zpi.si/opodjetu.php>, 20.1.2014.

onal projects for insurance agents and brokers.<sup>26</sup>

The Ministry of Finance and Faculty of Economics in Zagreb have founded the Croatian Institute for Banks and Insurance, with the purpose to educate the employees of banks, insurance companies and other financial institutions and explore the modern banking and insurance practice. The Institute informs the public of the experience of developed countries.<sup>27</sup>

### 3. Libraries

The Insurance Institutes, by nature of their activity, cannot function without libraries. In many countries, a precondition to work as a librarian is to have an expertise of a professional librarian, qualified by passing the exam at the Institute.<sup>28</sup> There are a few educational levels of a librarian.<sup>29</sup> The Institute for Advanced Legal Studies in London employs only two lawyers (Director and Secretary). All other members are professional librarians.

Some insurance and reinsurance companies also own libraries, like Dunav Insurance Company and Dunav Re. All libraries are intended for the education of insurance professionals and the insured persons. The library of Dunav Insurance Company is, by all means, the biggest library, with the richest supply of books, in the Central Europe. The Slovenian Insurance Institute also owns a library. Beyond Europe, there is a well known library of the Indian College of Insurance in Mumbai.<sup>30</sup>

The insurance companies with rich libraries practice the publishing activity as well; such is, for example, the Lloyd's of London.<sup>31</sup> Dunav Insurance Company publishes the magazines *Insurance* and *Insurance Trends*.

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26 Footnote No. 6.

27 <http://www.poslovni.hr/leksikon-institut-za-bankarstvo-i-osiguranje-hibo>, 29.1.2014.

28 [http://en.wikipedia.org/wiki/Institute\\_of\\_operations\\_management](http://en.wikipedia.org/wiki/Institute_of_operations_management), November, 2011.

29 For example, in the USA, [http://education-portal.com/articles/Librarian\\_Educational\\_Requirements\\_to\\_Be\\_a\\_Lib](http://education-portal.com/articles/Librarian_Educational_Requirements_to_Be_a_Lib) 27.1.2014.

30 [http://www.coi.org.in/web/guest/lib\\_revised;jsessionid=BC2C2D715EC0242Z8](http://www.coi.org.in/web/guest/lib_revised;jsessionid=BC2C2D715EC0242Z8) FB738, 26.1.2014.

31 Lloyd's Law & Practice, <http://www.amazon.co.uk/Lloyds-Law-Practice-Insurance-Library/dp/1843119552>, 26.1.2014.



## 4. Prospects of Insurance Institutes

Worldwide, the prospects of Insurance Institutes are paid special attention.<sup>32</sup> Fine future is, by all means, certain, since the institutes are needed not only by the insurance industry, but also by all the clients enjoying the insurance protection.

The insurance activity is practiced by entities of different structure (insurance companies and mutuals). Their business activity must be in line with the set tasks.

The World Economic Crisis primarily jeopardised the banks, but also the insurance companies (practising other than their core activity), like the American Insurance Group (AIG).

The experience gained during the Economic Crisis urged the insurance companies to increase their stability. The business environment has changed; moreover, major climatic changes have occurred – that is why the protection of the environment needs to be paid special attention. However, the clients have become the focus of the attention, and their protection has inspired a gradual change in the legal nature of the insurance contracts. The national consumer protection regulations<sup>33</sup> stipulate that policyholders are obliged to answer the questions posed by the Insurer. On the other hand, the policyholders are not obliged to disclose any data on their own initiative. This has changed the nature of the insurance contracts: they have become, like all other contracts, intolerant of deception and delusion. Another role of the insurance institute is to keep up with the changes and meet the challenges.

The Oxford University founded the Institute for Systemic Risks Testing (Future of Humanity Institute).<sup>34</sup> It is well known that the systemic risks endanger the stability of the entire insurance market. In financial terms, the systemic risk means the occurrence which causes the entire market to collapse, contrary to the risk endangering the individual, natural or legal persons.<sup>35</sup> According to

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32 Christian Bieck and David Notestein, *Balancing the Scales – Towards a Stable and Dynamic Insurance Future*,

IBM Global Insurance Business Services, Somers, NY 10589.

33 The English Consumer Protection Act (The Consumer Insurance, Disclosure and Representation Act, 2012).

34 [http://www.fhi.ox.ac.uk/fhi-terms-with-amlin-insurance-to\\_study-systemic-risk/](http://www.fhi.ox.ac.uk/fhi-terms-with-amlin-insurance-to_study-systemic-risk/), 24.1.2014.

35 [http://en.wikipedia.org/wiki/systemic\\_risk](http://en.wikipedia.org/wiki/systemic_risk), 30.1.2014.

certain views, the systemic risk should be called market risk.<sup>36</sup> However, the market risk has been found to refer to a particular object or matter of interest to few persons, which is why the risk can be put under control more easily. There are ways to measure systemic risks in consideration of the market conditions; indeed, many studies have been written regarding this subject.<sup>37</sup>

The insurance institutes also consider the decisions of the directors of insurance companies incurring the systemic risks. The set prejudices of a too big and strong financial or insurance company going down precisely for the reason of such characteristics, are eliminated. The systemic risks may be incurred by using wrong models. It is necessary, therefore, to find ways to understand those risks. The leading role in this research is played by the Oxford Martin School.

The insurance institutes are expected to strongly support the development of the insurance industry.

The IBM Institute of Business Value<sup>38</sup> conducts detailed researches, as to:

- how to innovate the insurance services (contents and procedure)
- how to improve the protection of the insured persons (more available information, greater possibilities of choosing between the insurance companies and better relationship with the brokers)
- exploring the position of the insured persons in different countries
- achieving bigger stability of the insurance companies
- building trust between the insured persons and the insurer
- allowing the insurance companies to understand the impact of the climatic changes upon the insurance activity
- improving the existing insurance models
- anticipating future insurance development.

On a global business level, there are professional institutions which study several industries, including insurance; such is the „PWC Global“, from the USA, with the branches in the majority of the world states.<sup>39</sup> „PWC Global“ has prepared programmes for the development of insurance industry until the year

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<sup>36</sup> Businessdictionary.com, <http://www.businessdictionary.com/definitions/systemic-risk.html>, 30.1.2014.

<sup>37</sup> [http://en.wikipedia.org/wiki/Systemic\\_risk](http://en.wikipedia.org/wiki/Systemic_risk), 30.1.2014.

<sup>38</sup> <http://www-935.ibm.com/services/us/gbs/thoughtleadership/insurance.html>, 28.1.2014.

<sup>39</sup> [http://www.pwc.com/en\\_GX/insurance/publications/future-of-insurance.jhtml](http://www.pwc.com/en_GX/insurance/publications/future-of-insurance.jhtml), 30.1.2014,

2020, starting from the organizational culture, which calls for improvement.<sup>40</sup> The experts of this institution think that the life and pension insurance have fine future; therefore, they are preparing models for their further development.<sup>41</sup>

In a growingly integrated financial world, where banks are selling the insurance services and the insurance companies are dealing in great investments, offering the services not typical of insurance, there is a danger of disregarding the core activity. The European Union tries to prevent this (*Solvency 2*).

The insurance industry will grow constantly. The institutes will have their role in this process. After all, insurance coverage is not a luxury, but the necessity for the risk exposed persons. Therefore, the insurers need to make a lot of effort to understand the insured persons, their needs and expectations.

*Translated by: **Bojana Papović***

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<sup>40</sup> <http://www.pwc.com/gh/en/insurance/insurance-2020-unleashing-the-value-from-value>, 30.1.2014.

<sup>41</sup> <http://www.pwc.com/gx/en/insurance/publications/future-of-life-and-pensions.jhtml>, 30.1.2014.