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2015 INSURANCE RESULTS IN REPUBLIC OF SERBIA

REVIEW ARTICLE

Abstract

There are multiple ways to analyse the insurance industry results. In this paper, the author covers the portfolio structure, agility in claims settlement and payment, ratio figures, loss ratio and profit and/or loss. Depending on data availability, these are shown per life and non-life insurance lines of business and for the industry as a whole.

The purpose of this paper is to analyse the achieved results and allow an insurance company to carry out a comparative analysis of its results with total achieved insurance results in the country.

Key words: *insurance, premium, loss, technical result, ratio figures, profit, loss.*

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1. Introduction

In spite of the global challenges, in 2015, Serbia recorded a slight but important improvement of macroeconomic environment and strengthening of total economic trends. Thanks to the implementation of particular fiscal consolidation measures and structural reforms, in the first place, the economic recovery turned to a positive direction. After the 2014 adverse economic trends, when the gross domestic product (hereinafter: GDP) was reduced by 1.8%, it recorded a growth of 0.7% in 2015. The annual inflation (consumer prices) fell to 1.5% from 1.7%, the unemployment to 17.7% from 19.2%² and the average salary to 353.7 from 368 euros in 2014 (Statistical Office of the Republic of Serbia, 2016). By the year end, the rate of dinar to euro amounted to 121.63, compared to 120.96 dinars, and to the US dollar to 111.25 compared to 99.46 dinars in 2014. After many years, the budget deficit was reduced as well, to 1% from 2014 2.9%. (National Bank of Serbia, 2016).

One of the important characteristics of the 2015 insurance industry is the entry into force of the Insurance Law (Law, 2014), and the timely adoption of regulations for the enforcement of this Law by the National Bank of Serbia (hereinafter: NBS).³

Notes: The insurance premium amounts, settled and reserved claims, profit and loss per annum are presented in euros at the mean exchange rate of the NBS on 31 December each year (2015 = 121.6261; 2014 = 120.9583; 2013 = 114.6421), whereas the data in the tables and comments are given at the rate specified in each table.

2. Insurance Market Participants

In 2015, there were 20 joint stock insurance companies and 4 reinsurance companies operating on the Serbian insurance market. Six comprehensive companies carried out life and non-life insurance, five companies only life and nine companies only non-life insurance. In April, MetLife life insurance company was approved for voluntary liquidation which was completed during the year.

According to the capital ownership structure, 19 companies were foreign-owned (16 insurance and three reinsurance companies) and 5 companies (4 insurance and 1 reinsurance company) in domestic ownership, out of which one insurance and one reinsurance company were majority state-owned.

² Revised data for 2014 and 2015 according to the new methodology of the Labour Force Survey.

³ The Insurance Law came into force on 6.26.2015. In order to enable the full implementation of this Law, which introduced certain innovations to improve the market regulation, increase insurance user protection and introduce new supervisory measures, the National Bank of Serbia has, by June 2015, adopted 14 bylaws.

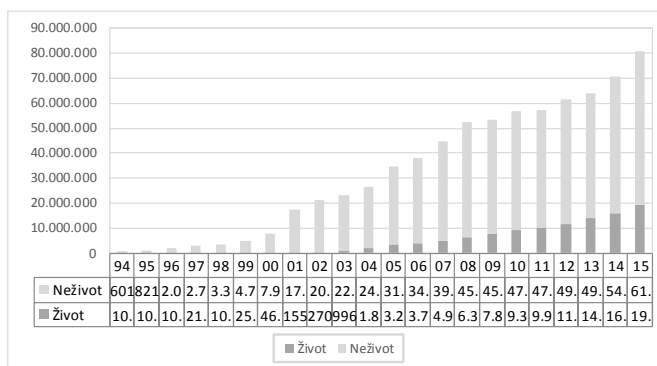
The number of employees in insurance and reinsurance companies continued to slightly decrease, from 11,307 in 2013, through 11,287 in 2014 to 10,859 at the end of 2015. The sales network involved 20 banks that were issued a license for insurance agency, 95 legal entities (for insurance brokerage, insurance agency and other insurance services), 113 insurance agents (natural persons-entrepreneurs) and 15,545 natural persons for insurance agency and/or brokerage. The MTPL (motor third party liability) insurance was also written by the legal entities carrying out technical inspection of motor vehicles pursuant to the road traffic safety regulations (2009 Law, Art. 44).

3. Insurance Premium

Mild economic recovery and an increase in employment, the implementation of measures of structural reforms and fiscal consolidation in the past several years had a positive effect on the scope of property and personal insurance in 2015.

According to the data of the Association of Serbian Insurers (hereinafter: ASI) and the National Bank of Serbia, the chart 1 and 2 show the gross insurance premiums in the last 22 years.

Chart 1: Gross Insurance Premium in Serbia in 1994-2015 in 000 Din



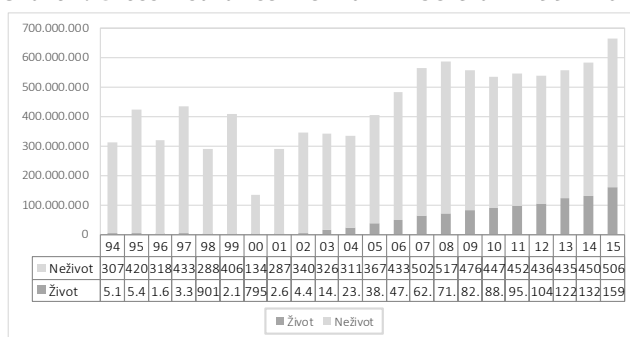
Source: ASI and NBS

Gross insurance premium continued a multi-year trend of accelerated growth. In 2015, it exceeded 80.9 billion dinars (19.4 life and 61.5 billion dinars non-life), compared to 611 million dinars (10 life and 601 million dinars non-life) in 1994.

Because of the major mean rate oscillations of dinar against euro, the trends of gross insurance premiums are different. With slightly higher fluctuations in the

first half of the observed period, a constant favourable movement is noticeable in recent years of the observed period and, what is more important, the increasing trend is significantly greater in life insurance.⁴

Chart 2: Gross Insurance Premium in Serbia in 1994-2015 in Eur



Source: ASI and NBS

At the end of 2015, gross premium amounted to 665.4 million euros (159.2 life and 506.2 million euros non-life), compared to 312.1 million euros in 1994 (5.1 life, a 307 million euros non-life).

Despite adverse conditions in the international environment, a mild economic recovery, triggering of structural reforms and strong fiscal adjustment in Serbia had a positive effect on the growth of gross insurance premium in 2015.

Table 1: Gross Premium in Eur at Mean Rate of NBS as of 31 December 2014 and 2015

Code	Line of Insurance	Gross Premium in Eur		Share %		Index
		2014	2015	2014	2015	
01	Accident	33,913,415	35,275,554	5.8	5.3	104,0
02	Voluntary Health	10,970,773	13,034,628	1.9	2.0	118,8
03	Motor Vehicles	50,242,927	51,214,838	8.6	7.7	101,9
04	Rolling Stock	1,250,770	1,083,715	0.2	0.2	86,6
05	Aircrafts	942,052	855,910	0.2	0.1	90,9
06	Vessels	686,964	736,980	0.1	0.1	107,3
07	Goods in Transit	5,163,457	5,439,696	0.9	0.8	105,3

⁴ Calculated in euros at the mean rate of the NBS at the end of each year, and by 2000 through 1 €=1, 95583 DM.

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Code	Line of Insurance	Gross Premium in Eur		Share %		Index
		2014	2015	2014	2015	
08	Property against Fire and Allied Perils	36,123,300	41,692,030	6.2	6.3	115,4
09	Other Property	81,183,152	79,572,682	13.9	12.0	98,0
10	Motor TPL	195,696,955	238,496,351	33.6	35.8	121,9
11	Aircraft Liability	840,513	849,752	0.1	0.1	101,1
12	Vessel Liability	119,132	217,207	0.0	0.0	182,3
13	General Liability	10,664,890	12,269,891	1.8	1.8	115.0
14	Credit Insurance	2,811,514	3,662,709	0.5	0.6	130.3
15	Suretyship	493,864	567,469	0.1	0.1	114.9
16	Financial Losses	5,991,660	6,613,169	1.0	1.0	110.4
17	Legal Expenses	51,472	48,115	0.0	0.0	93.5
18	Roadside Assistance	13,571,876	14,522,952	2.3	2.2	107.0
19	Other Non-Life	8,639	0	0.0	0.0	0.0
I	NON-LIFE LINES (1-19)	450,727,325	506,153,646	77.3	76.1	112.3
20	Life	116,801,427	144,040,999	20.0	21.6	123.3
21	Annuities	4,767,593	5,119,353	0.8	0.8	107.4
22.01	Accident Rider	8,328,482	8,845,240	1.4	1.3	106.2
22.02	Health Rider	842,695	1,091,180	0.1	0.2	129.5
22	Supplementary Life	9,171,177	9,936,420	1.6	1.5	108.3
23	Voluntary Pension	0	0	0.0	0.0	0.0
24	Other Non-Life Lines	1,578,742	114,893	0.3	0.0	7.3
II	LIFE LINES (20 - 24)	132,318,940	159,211,666	22.7	23.9	120.3
III	TOTAL (I+II)	583,046,265	665,365,312	100.0	100.0	114.1

Source: National Bank of Serbia

Total gross insurance premium amounted to 665.4 million euros, compared to 583.0 million euros in 2014. It increased by 82.3 million euros or 14.1%, compared to the increase of 24.4 million or 4.4% in 2014⁵. The largest share in total premium by lines of business was accounted for by MTPL - 35.8%, compared to 33.6% in 2014. The second is life insurance - 21.6%, compared to 20% and other property lines - 12% compared to 13.9% in 2014. These three lines of business together accounted for 69.5% of total insurance premium, compared to 67.5% in 2014. Except for MTPL and life insurance, other lines of business recorded only a small difference between the shares of total insurance premium in 2015 and 2014.

⁵ Observed in dinars, the total gross premium increase amounted to 14.7% as a result of a 21% growth of the life premiums and 12.9% growth of the non-life premiums, compared to 10.1% (13.8% life and 9.1% non-life) in 2014.

Non-life premium amounted to 506.2 million euros or 76.1% compared to 450.7 million euros or 77.3% of the total gross premium in 2014. Compared to the previous year, it increased by 55.4 million euros or 12.3% as a result of an increase of 57.3 million euros with fourteen and downfall of 1.9 million euros with four lines of non-life business. The largest part of 48.4 million euros or 84.4% increase relates to the MTPL insurance (42.8 million euros or 74.7%) and insurance of property against fire and allied perils (5.6 million euros or 9.7%). Of the total decrease, 1.6 million euros or 85.9% relates to other property lines. The largest percentage growth of 82.3% was recorded with the vessel liability insurance, whereas the major downfall of 13.4% - with the rolling stock insurance; however, due to their small absolute amounts, these lines of business did not significantly affect the overall increase and decrease of the insurance premium amount. Thanks to the growth of MTPL insurance premium by 21.9%, the share of motor vehicles premium increased to 57.2% (10.1% automobile casco, and 47.1% MTPL) from 54.6% (11.2% automobile casco and 43.4% MTPL) in 2014.

Life premium amounted to 159.2 million euros, as opposed to 132.3 million euros in 2014. It increased by 26.9 million euros or 23.9%, as a result of an increase of 28.4 million euros in three and a decrease of 1.5 million euros in one line of business. The largest part of 27.2 million euros or 96.1% increase refers to life insurance, whereas 100% decrease refers to other lines of business.

Total realized gross premiums (earned premium) in 2015 amounted to 649.7 million euros compared to 550.9 million euros in 2014 and/or 93 euros per capita, compared to 77 in 2014. The premium share in the estimated GDP increased to 2% from the previous three years' 1.8% (National Bank of Serbia, 2015, p. 53).

4. Gross Insurance Premium Allocation

Gross insurance premium was split into an overhead portion, which serves to cover the operating expenses (hereinafter: OE) and the functional premium, which is split into the prevention funds, intended for the implementation of measures for the prevention and mitigation of the risks jeopardising the insurance subject-matter and technical premium for the coverage of damages pursuant to the effected insurance agreement and other claims related liabilities.

Overhead loading (hereinafter: OL) amounted to 131.3 million euros or 19.7% compared to 121.1 million euros or 20.8% of the total gross premium in 2014. The amount of 105.2 million euros was earmarked from non-life insurance premium, at an average rate of 20.8% (compared to 98.0 million euros or 21.7%), whereas the amount of 26.1 million euros or 16.4% was earmarked from life insurance premium

(compared to 23.1 million euros at an average rate of 17.5% in 2014). The highest percentage of overhead loading in non-life insurance - 44.7% was earmarked from legal expenses insurance and the lowest one - 4.3%, from the aircraft insurance. As regards life insurance lines, the maximum 20.5% was earmarked from riders to life insurance and the minimum of 15.2% from the annuity insurance.

Prevention funds were earmarked only from the gross non-life premium. They amounted to 7.4 million or 1.5% (compared to 6.4 million euros or 1.4% in 2014). Maximum 4.7 million euros or 1.9% was earmarked from MTPL premium, whereas minimum 25 euros or 0.1% from the legal expenses insurance premium. Most of the prevention funds (88% compared to the 87.3% in 2014) were earmarked from the gross premium of automobile casco, property against fire and allied perils, other property and MTPL insurance.

Technical insurance premium (gross premium less overhead loading and prevention expenses) amounted to 526.7 million or 79.2% compared to 455.6 million euros or 78.1% in 2014. Much of the technical premium - 76% (compared to 76.6% in 2014) refers to non-life and 24% (compared to 23.4% in 2014) to life insurance. When we deduce the prevention and operating expenses from the gross premium, the technical premium amounted to 442 million euros or 66.4% compared to 368.3 million euros or 63.2% of gross premium in 2014.

5. Claims for Compensation

Table No. 2 shows the number of reserved reported claims (RRC) at the end of 2014, the number of claims made (CM), number of cancelled and denied claims (CN and DN), the number and amount of settled claims (SC) and the number and amount of reserved reported claims in 2015.

Table 2: Reported, Settled, Reserved Reported Claims and Average Settled and Reserved Reported Claims in Eur at Mean Rate of NBS as of 31.12.2015

Code	Line of Insurance	RPC 2014	Number of Claims Made in 2015				Average in Eur	
			PZ	ST i OD	LŠ	RPŠ	LŠ*	RPŠ
01	Accident	2,258	84,697	16,904	67,724	2,327	331	821
02	Voluntary Health	1,661	142,048	7,454	129,284	6,971	80	81
03	Motor Vehicles	7,699	66,650	6,017	59,749	8,583	654	838
04	Rolling Stock	21	684	255	428	22	1,067	2,585
05	Aircrafts	4	9	4	5	4	80,766	146,391
06	Vessels	21	61	15	47	20	5,582	5,817

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Code	Line of Insurance	RPC 2014	Number of Claims Made in 2015				Average in Eur	
			PZ	ST i OD	LŠ	RPŠ	LŠ*	RPŠ
07	Goods in Transit	42	657	72	592	35	1,711	42,448
08	Property against Fire and Allied Perils	672	8,450	2,029	6,617	476	5,432	17,856
09	Other Property	1.815	68,527	9,515	59,221	1,606	580	8,301
10	Motor TPL	10,622	56,428	6,497	49,153	11,400	1,472	5,737
11	Aircraft Liability	0	5	1	3	1	0	0
12	Vessel Liability	1	3	4	0	0	0	0
13	General Liability	1,036	6,947	1,375	5,434	1,174	506	4,606
14	Credit Insurance	170	3,529	244	3,141	314	382	543
15	Suretyship	409	671	114	934	32	377	559
16	Financial Losses	50	1,751	579	1,168	54	675	1,575
17	Legal Expenses	3	2	2	0	3	0	1,568
18	Roadside Assistance	1,512	47,036	3,613	43,507	1,428	155	569
19	Other Non-Life	0	2	0	2	0	0	0
I	NON-LIFE LINES (1-19)	27,996	488,157	54,694	427,009	34,450	535	3,067
20	Life	937	31,648	789	30,714	1,082	1,226	1,665
21	Annuities	2	1,628	1	1,613	16	1,421	830
22	Supplementary Life	600	5,800	2,146	3,555	699	596	1,225
23	Voluntary Pension	0	0	0	0	0	0	0
24	Other Non-Life Lines	1	106	7	97	3	863	0
II	LIFE LINES (20 - 24)	1,540	39,182	2,943	35,979	1,800	1,172	1,484
III	TOTAL (I+II)	29,536	527,339	57,637	462,988	36,250	585	2,988

*The calculation of settled claims did not include the number of cancelled and denied claims for compensation.

Source: National Bank of Serbia

Compared to the previous year, there was a growth of the total number of all claim categories and a reduction of the average amount of settled and reserved reported claims. The number of claims made increased by 8.7 percent, the number of settled claims by 8 percent and the number of cancelled and denied claims by 1.8 percent (compared to 6.3%, 6.5 % and 4.7 % respectively in 2014). The largest increase of 18.1 percent was recorded with the number of reserved reported claims at the year-end, compared to the reduction of 0.6 percent in 2014.

There were 556, claims under settlement during the year, compared to 515,977 claims in 2014. The number of settled, cancelled and denied claims equalled 520,625 or 93.5%, compared to 485,274 claims or 94.0% in 2014, and at

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the end of 2015 there were 36,250 reserved claims or 6.5%, compared to 30,703 claims or 6% in 2014. The number of cancelled and denied claims was 57,637 or 11.1% of the total number of settled, cancelled and denied claims, compared to 56,593 claims or 6.3% in 2014.

Table 3: Settled Claims in Eur at Mean Rate of NBS as of 31.12.2014 and 2015

Code	Line of Insurance	2014			2015		
		Amount	%	Index*	Amount	%	Index*
01	Accident	21,323,043	8.5	95.1	22,428,023	8.3	105.2
02	Voluntary Health	8,329,375	3.3	115.3	10,339,754	3.8	124.1
03	Motor Vehicles	41,594,583	16.5	98.8	39,054,709	14.4	93.9
04	Rolling Stock	219,464	0.1	119.4	456,793	0.2	208.1
05	Aircrafts	43,387	0.0	12.6	403,828	0.1	930.8
06	Vessels	448,741	0.2	97.0	262,361	0.1	58.5
07	Goods in Transit	1,480,791	0.6	82.9	1,013,056	0.4	68.4
08	Property against Fire and Allied Perils	20,810,428	8.3	131.6	35,945,073	13.3	172.7
09	Other Property	36,956,182	14.7	97.1	34,358,801	12.7	93.0
10	Motor TPL	72,401,208	28.7	91.7	72,376,768	26.7	100.0
11	Aircraft Liability	0	0.0	0.0	2,458	0.0	0.0
12	Vessel Liability	17	0.0	0.1	8	0.0	48.4
13	General Liability	2,780,892	1.1	84.2	2,749,911	1.0	98.9
14	Credit Insurance	553,108	0.2	108.0	1,201,091	0.4	217.2
15	Suretyship	198,986	0.1	89.3	352,301	0.1	177.0
16	Financial Losses	547,974	0.2	138.8	788,277	0.3	143.9
17	Legal Expenses	2,224	0.0	101.6	345	0.0	15.5
18	Roadside Assistance	5,358,425	2.1	95.3	6,751,676	2.5	126.0
19	Other Non-Life	422	0.0	155.9	0	0.0	0.0
I	NON-LIFE LINES (1-19)	213,049,250	84.5	98.0	228,485,235	84.4	107.2
20	Life	34,280,665	13.6	120.3	37,661,390	13.9	109.9
21	Annuities	2,100,898	0.8	108.7	2,292,394	0.8	109.1
22	Supplementary Life	2,111,579	0.8	98.9	2,118,221	0.8	100.3
23	Voluntary Pension	0	0.0	0.0	0	0.0	0.0
24	Other Non-Life Lines	640,353	0.3	116.5	83,740	0.0	13.1
II	LIFE LINES (20 - 24)	39,133,495	15.5	118.1	42,155,746	15.6	107.7
III	TOTAL (I+II)	252,182,745	100.0	100.7	270,640,981	100.0	107.3

* Previous year = 100.

Source: National Bank of Serbia

Total settled claims including costs amounted to 270.6 compared to 252.2 million euros in 2014⁶. They increased by 7.3 percent (as a result of a 7.7% increase in life claims and 7.2 % increase in non-life claims) compared to the increase of 0.7 percent in 2014 (as a result of a 18.1% increase in life claims and 2% decrease in non-life claims).

Settled non-life claims accounted for 84.4 percent of total claims, of which 75.4% referred to five lines of business (26.7% MTPL, 14.4% AC, 13.3% property against fire 12.7% other property lines and 8.3% accident insurance). Growth by line of business compared to the previous year ranged from 5.2% (accident) to 830.8% (aircrafts) whereas a decrease ranged from of 1.1% (general liability) to 84.5% (legal expenses). Of the five types of insurance with the highest amount of claims, an increase of 72.7% was observed with property against fire and 5.2% with accident, stagnation with MTPL and a decrease of 7% with other lines of insurance and of 6.1% with motor vehicles insurance.

Compared to the previous year, increase of losses in life insurance ranged from 0.3% with supplementary life insurance to 9.9% with life insurance, whereas a decrease of 86.9% was recorded with other lines of life insurance. Of the 15.6% share of losses sustained in all lines of life insurance, 13.9% were accounted for by life insurance.

Average settled claims shown in Table 2 were calculated on the basis of the number of settled claims in Table 2 and the amount of settled claims in Table 3. The average amount of claims settled decreased to 585 from 588 euros and/or by 0.6% compared to 5.5% in 2014⁷. In non-life insurance lines, the average ranged from 80 euros (voluntary health insurance) to 80,766 euros (aircraft insurance) whereas with life insurance lines, it ranged from 596 euros (supplementary life insurance) to 1,421 euros (annuities).

Recourses and income from sales of insured damaged items (hereinafter: recourses) amounted to 10,571.300 euros (www.apr.gov.rs), of which 6,452.464 euros were accounted for by MTPL (NBS, 2016b), compared to 6,559.550 euros in 2014 (when MTPL accounted for 3,374.667 euros) (www.nbs.rs). When calculating the loss ratio, recourses achieved in 2015, net of MTPL, are allocated by lines of business in proportion to the average share of recourses in the last three years⁸.

⁶ Expenses related to claims, including claims from accepted coinsurance, include the costs of inspections, assessment, settlement and payment, legal expenses, costs of expertise, realizing recourse claims and other expenses.

⁷ The average does not include the number of cancelled and denied claims for compensation.

⁸ The National Bank of Serbia did not publish data on recourses in 2015, unlike previous years, for which the summary data from other sources are arranged per lines of business according to the specified pattern, except for MTPL data that were obtained from the NBS at the request for information of public character.

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Indirect damages of compulsory traffic insurances were not included in the amount of settled claims in the Tables 2 and 3. They were covered by contributions to the Guarantee Fund of the Association of Serbian Insurers of and to the Republic Health Insurance Fund (hereinafter the RHIF). These damages significantly increased to 22.7 million euros from 18.5 million euros in 2014 (from 8.7 to 10.8 million euros paid by the guarantee fund (ASI, 2015 and 2016b), and from 9.8 to 11.9 million euros paid by the RHIF). Participation of the Guarantee Fund contributions in the gross premium amounted to 5.5%, and in paid claims per all lines of compulsory traffic insurance to 14.9%, compared to 12.0% and/or 4.4% respectively in 2014. Contribution to the RHIF amounted to 5% of the gross MTPL premium and/or 16.5% of paid MTPL claims (compared to 13.5% in 2014). Over the last five years, there were several significant problems relating to the operation of the Guarantee Fund institution (Cerović, 2015 p. 37), and since its introduction, in 2011, also to the contributions to RHIF for the coverage of recourses of all social insurance undertakings (Cerović, 2016, p. 64).

Reserved claims in Table 2 are shown by the number and average amount of reserved reported claims and in Table 4 by the total amount of reserved claims, which includes reserved reported and reserved unreported claims for compensation.

**Table 4: Reserved Claims in Eur at Mean Rate of NBS
as of 31.12.2014 and 2015**

Code	Line of Insurance	2014			2015		
		Amount	%	Index*	Amount	%	Index*
01	Accident	8,926,291	4.3	96.8	10,068,604	4.6	112.8
02	Voluntary Health	1,843,305	0.9	106.3	2,536,947	1.2	137.6
03	Motor Vehicles	11,787,285	5.7	99.3	12,905,766	6.0	109.5
04	Rolling Stock	271,953	0.1	135.5	284,774	0.1	104.7
05	Aircrafts	432,513	0.2	135.7	716,565	0.3	165.7
06	Vessels	190,785	0.1	91.2	207,135	0.1	108.6
07	Goods in Transit	550,223	0.3	43.6	1,814,717	0.8	329.8
08	Property against Fire and Allied Perils	15,497,035	7.5	243.1	14,805,868	6.8	95.5
09	Other Property	24,222,563	11.7	261.7	19,933,304	9.2	82.3
10	Motor TPL	132,305,464	63.9	96.0	137,476,249	63.5	103.9
11	Aircraft Liability	0	0.0	0.0	247	0.0	0.0
12	Vessel Liability	0	0.0	0.0	0	0.0	0.0
13	General Liability	4,521,120	2.2	89.0	9,255,867	4.3	204.7
14	Credit Insurance	264,645	0.1	145.2	505,221	0.2	190.9

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Code	Line of Insurance	2014			2015		
		Amount	%	Index*	Amount	%	Index*
15	Suretyship	190,901	0.1	124.7	102,075	0.0	53.5
16	Financial Losses	792,075	0.4	248.3	332,577	0.2	42.0
17	Legal Expenses	5,407	0.0	70.9	4,703	0.0	87.0
18	Roadside Assistance	1,997,143	1.0	101.7	2,207,215	1.0	110.5
19	Other Non-Life	41	0.0	79.0	0	0.0	0.0
I	NON-LIFE LINES (1-19)	203,798,749	98.5	109.6	213,157,834	98.4	104.6
20	Life	1,755,713	0.8	101.8	1,801,628	0.8	102.6
21	Annuities	893	0.0	86.0	13,278	0.0	1486.9
22	Supplementary Life	1,388,181	0.7	94.8	1,674,558	0.8	120.6
23	Voluntary Pension	0	0.0	0.0	0	0.0	0.0
24	Other Non-Life Lines	0	0.0	0.0	502	0.0	0.0
II	LIFE LINES (20 - 24)	3,144,787	1.5	98.6	3,489,966	1.6	111.0
III	TOTAL (I+II)	206,943,536	100.0	109.4	216,647,800	100.0	104.7

* Previous year = 100.

Source: National Bank of Serbia

Of the 216.6 million of total reserved claims, 98.4% were accounted for by non-life and 1.6% by life insurance, compared to 206.9 million euros (98.5% non-life and 1.5% life) in 2014.

Broken down by lines of business, the shares ranged from 0.1% (rolling stock and aircrafts insurance) to 63.5% (MTPL). The vessel liability and other non-life lines recorded no reserved claims for compensation.

Total losses increased by 4.7% (11% life and 4.6% non-life) compared to 9.4% (9.6% non-life increase v.s. 1.4% life decrease) in 2014. Increase by insurance lines ranged from 1.7% (roadside assistance) to 1,386.9% (annuities), whereas a decrease ranged from 4.5% (property against fire) and 58% (insurance of financial losses).

Reserved reported losses amounted to 108.3 compared to 111.6 million euros, the bulk of 97.5% compared to 97.7% being accounted for by the non-life and a much smaller share of 2.5% compared to 2.3% in 2014 to life insurance lines. Five lines of business accounted for 92.2% (60.4% MTPL, 12.3% other property lines, 7.8% property against fire insurance, 6.6% AC and 5% general liability) and only 7.8% by all other lines of life and non-life business.

Average reserved reported claims were calculated based on the number of claims made according to the Table 2 and that part of the amount of reserved claims according to the Table 4 which refers to the reported claims reserve. The average was reduced to 2,988 euros, or 17.8% (1,484 euros or 10% life, and 3,067 euros or 18% non-life,) from 3,636 euros with an increase of 22.6% (1,649 euros,

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or 43.8% life and/or 3,741 euro or 20.3% non-life) in 2014. The average per lines of business ranged from 81 euro (voluntary health insurance) to 146,391 euros (aircraft insurance).

Reserved unreported claims amounted to 108, 3 million euros, like the reported claims reserve, compared to 95.3 million euros in 2014. The largest part of 99.2% (compared to 99.4%) was accounted for by non-life and 0.8% (compared to 0.6% in 2014) to life insurances. The five lines of business accounted for 91.3% (MTPL 66.5%, accident 7.5%, other property lines 6.1%, property against fire insurance 5.8% and AC 5.3%) whereas all other lines of life and non-life insurance accounted for only 8.7%.

Insurance technical reserves were established based on the business policy deeds of an insurance company and the NBS Decision laying down detailed criteria and the method of calculation of insurance technical reserves, pursuant to the law governing insurance industry⁹.

Table 5: Insurance Technical Reserves in Eur as of 31.12.2014 and 2015

No.	Description of Technical Reserves	2014			2015		
		Amount	%	Growth	Amount	%	Growth
1	Unearned life premium	2,163,465	0.2	10.9	2,314,446	0.2	7.0
2	Unearned non-life premium	197,094,883	21.9	8.9	217,851,053	21.3	10.5
3	Unearned total premium	199,258,348	22.2	8.9	220,165,499	21.6	10.5
4	Reserved claims - life	3,144,786	0.3	-1.4	3,489,966	0.3	11.0
5	Reserved claims - non-life	190,200,623	21.2	2.2	213,157,834	20.9	12.1
6	Reserved claims - total	193,345,409	21.5	2.2	216,647,800	21.2	12.1
7	Risk balancing reserves	34,284,906	3.8	14.8	4,476,860	0.4	-86.9
8	Life mat reserve	471,877,399	52.5	15.4	563,028,536	55.2	19.3
9	Reserves for bonus and discounts	0	0.0	0.0	950,799	0.1	0.0

⁹ Decision on Technical Reserves (Off. Gazette of RS, No. 42/2015), which replaced the Decision on Detailed Criteria and Manner of Calculating Unearned Premiums (Off. Gazette of RS, No. 19/2005); Decision on Detailed Criteria and Manner of Calculating the Damage (Off. Gazette of RS, No. 86/2007); Decision on Detailed Criteria and Manner of Calculating the Risk Balancing Reserves (Off. Gazette of RS, No. 13/2005 and 23/2006) and Decision on Detailed Criteria and Manner of Calculating Mathematical Reserves and Reserves for Share in Profit (Off. Gazette of RS, No. 7 / 2010, 93/2011 and 87/2012).

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No.	Description of Technical Reserves	2014			2015		
		Amount	%	Growth	Amount	%	Growth
10	Reserves for unexpired risks	0	0.0	0.0	15,383,828	1.5	0.0
11	Insurance reserves in investment risk	0	0.0	0.0	0	0.0	0.0
12	Total technical reserves	898,766,062	100.0	10.8	1,020,653,322	100.0	13.6

Source: National Bank of Serbia

Insurance technical reserves increased by 121.9 million euros or 13.6%, compared to the 87.6 million euros or 10.8% increase in 2014. The largest part of 55.2% of the total technical reserves (compared to 52.5% in 2014) was accounted for by mathematical life reserves (that part of the reserves formed in 2015 amounted to 91.2 million euros, compared to 62.8 million euros in 2014) and the lowest part of 0.1% by reserves for bonus and discounts that were first introduced this year. Reserves for insurance with the insured's consent to participate in the investment risk, were not singled out.

The largest growth of 19.3% compared to 15.4% was recorded by the mathematical reserve, and the largest decrease with the risk balancing reserve (of as much as 86.9% compared to the growth of 14.8% in 2014).¹⁰

6. Reinsurance and Ceded Co-Insurance

Reinsurance and ceded co-insurance premium amounted to 81.4 million euros or 12.2% of the gross insurance premium (78.8 or 15.6% non-life and 2.6 million euros or 1.6% life insurance) compared to 69.1 million euros or 12% in 2014 (66.7 or 15.1% non-life and 2.4 million euros or 1.8% life insurance). The largest part of the non-life reinsurance and ceded co-insurance premium -34.8% compared to 38.9% in 2014 - was allocated to cover the risks of the other lines of property business, 24.1% compared to 22% was allocated for property insurance against fire and allied perils and 10.3% compared to 10.1% in 2014 for automobile casco insurance; in total, these three lines of business amount to 69.2% compared to 71% in 2014. As regards life insurance lines, 67.7% compared to 65.2% is accounted for by the supplementary life insurance and 32.3% compared to 34.8% in 2014 to life insurance.

¹⁰ Unlike in the previous period, the company is obliged to form risk balancing reserves for credit insurance line of business and may form risk balancing reserves for other types of non-life insurance as well, if stipulated under the company's rulebook governing the calculation and formation of risk balancing reserves.

Participation of the reinsurance and ceded co-insurance in the settled claims net of the claim settlement and payment expenses amounted to 40.7 compared to 28.4 million euros i.e. 16.1% compared to 12.4% in 2014. Greater part of it, 40.1 million euros or 98.6% (compared to 27.6 million euros or 97.4% in 2014) belonged to non-life insurance and 0.6 million euros or 1.4% (compared to 0.8 million euros or 2.6% in 2014) to life insurance. The largest percentage of share of the reinsurance and ceded co-insurance in the settled claims per lines of business - 66.5% - was accounted for by property insurance against fire and allied perils, 57.1% by financial losses coverage, 50% by legal expenses insurance and 22% by the supplementary life insurance.

The major percentage of total loss amount to the debit of the non-life reinsurance and ceded co-insurance - 57.7% - was accounted for by property insurance against fire and allied perils, 18.5% by other lines of property insurance and 11.7% by automobile casco. Together, these three lines of business accounted for 87.8%, whereas all other non-life insurance lines account for 12.2%. When it comes to life insurance lines, 76% of the settled claims debited against the reinsurer and ceding co-insurer referred to the supplementary life insurance and 24% to life insurance.

7. Achieved Results

Insurance and reinsurance companies make financial reports pursuant to the law which regulates accounting, by application of the chart of accounts and content and layout of forms of financial statements prescribed by the NBS.¹¹ The companies declare the state and changes in property, capital and obligation, income and expenditures and define the results of the business activities pursuant to the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS). The financial reports, notes of those reports, other data on business activities and some additional indicators which are specific for the insurance business¹², are used for review and analysis of the achieved results. Further in the text, the author presented the results of business activities by using the ratio figures, loss ratio and profit and/or loss.

11 Decision on the Chart of Accounts and Content of Accounts in the Chart of Accounts for Insurance Undertakings (RS Official Gazette, No 135/2014 and 102/2015) and Decision on the Content and Layout of Financial Statement Forms for Insurance Undertakings (RS Official Gazette, No 135/2014, 141/2014 and 102/2015).

12 Financial reports should be submitted to the Serbian Business Registers Agency, pursuant to the law which regulates accounting and to the National Bank of Serbia, pursuant to the law which regulates insurance business.

7.1. Ratio Figures and Loss Ratio

Since the insurance business is specific, ratio figures and loss ratio are particularly important for defining and analysis of the achieved results, but also for the estimation of the creditworthiness of the insurer, success of the previous and creation of the future business policy of an insurance company, including the creation and amendments of the general acts and acts of business policy.

Table 6: Ratio Figures and Insurance Loss Ratio 31/12/2015

Code	Ratio Figures			Combined		Technical Result Shown in Euros and %			
	OL	OC	Loss*	OL	OC	Incl. OL	%	Incl. OC	%
01	30.7	44.2	68.2	98.8	112.4	254,898	98.9	-4,444,047	123.2
02	26.8	45.5	88.8	115.7	134.4	-2,196,239	124.8	-4,522,936	169.4
03	23.6	44.0	72.5	96.1	116.5	1,587,956	95.8	-8,750,847	131.4
04	17.5	45.6	45.6	63.1	91.2	383,924	55.1	94,295	83.3
05	4.4	44.4	78.5	82.8	122.9	143,791	82.1	-191,453	141.1
06	27.4	44.4	38.2	65.6	82.6	241,042	53.3	118,668	69.9
07	18.8	44.5	42.2	61.0	86.7	2,052,931	52.2	687,811	76.5
08	17.7	44.3	86.3	104.0	130.6	-1,889,077	105.7	-12,760,132	156.7
09	20.3	42.8	37.3	57.6	80.1	33,017,303	47.8	14,838,255	67.0
10	18.9	25.5	41.8	60.7	67.3	81,884,332	53.6	66,995,159	58.5
11	4.3	40.2	0.0	0.0	33.0	933,140	0.0	603,761	0.0
12	20.4	49.6	2.4	22.7	52.0	153,906	1.2	98,291	1.9
13	18.9	45.6	64.1	83.0	109.7	1,966,315	79.2	-1,148,263	118.1
14	42.0	54.2	41.1	83.1	95.3	792,570	60.3	434,746	73.5
15	28.6	43.7	46.9	75.5	90.6	137,594	65.8	52,257	83.5
16	32.6	44.9	5.2	37.7	50.1	4,014,802	7.6	3,225,002	9.3
17	43.6	42.4	0.0	42.9	41.8	27,535	0.0	28,121	0.0
18	39.9	43.2	47.7	87.6	90.9	1,685,829	80.5	1,196,242	85.3
19	0.0	0.0	0.0	0.0	0.0	41	0.0	41	0.0
I	21.4	35.4	51.2	72.6	86.6	125,192,594	66.7	56,554,973	81.6
20	16.1	26.5	87.8	104.0	114.3	-5,742,304	104.8	-20,636,981	119.5
21	15.2	26.5	106.3	121.5	132.8	-1,101,499	125.4	-1,678,277	144.6
22	20.7	26.7	26.6	47.3	53.3	5,278,078	33.1	4,682,936	35.8
23	0.0	0.0	0.0	0.0	0.0	0	0.0	0	0.0
24	0.0	26.5	1516.4	1516.4	1542.9	-1,627,340	1516.4	-1,657,764	2062.6

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Code	Ratio Figures			Combined		Technical Result Shown in Euros and %			
	OL	OC	Loss*	OL	OC	Incl. OL	%	Incl. OC	%
II	16.4	26.5	85.7	102.1	112.2	-3,193,065	102.4	-19,290,086	116.5
III	20.2	33.2	59.6	79.8	92.9	121,999,529	76.0	37,264,887	91.2

* Based on the data from 2015 annual reports at the mean rate of the NBS as of 31 December 2015. OC, separately for life and non-life insurance, excluding Motor TPL Insurance, are arranged per lines of insurance proportional to the amount of the gross insurance premium.

** The actual claims under the codes 01, 10, 11 and 12 include the contribution of the MB, the code 10 includes the contribution of the National Health Insurance Fund and the codes 20, 21, 22 and 24 include the mathematical reserve to the amount of balance between the end of current and previous year.

Source: the NBS; the Serbian Business Registers Agency as regards the operating expenses of life and non-life insurance

Overhead ratio amounted to 20.2% (16.4% life, 21.4% non-life) compared to 21.7% (17.5% life and 23.1% non-life) in 2014. In life insurance, its value ranged from 0.0% with other lines of life insurance, through 15.2% with annuities to 20.7% with supplementary life insurance; in non-life insurances, it value ranged from 4.3% with aircraft liability insurance to 43.6% with legal expenses insurance.

Operating expenses ratio decreased from 37.2% (30.2% life insurance, 39.4% non-life) in 2012 to 33.2% (26.5% life and 35.4% non-life insurance). With life insurance, the differences are very small: the lowest 26.5% was recorded with life, annuities and other lines of life insurance and the highest 26.7% with supplementary life insurance. In non-life lines of insurance, the differences are much bigger, from 25.5% with MTPL to 54.2% with credit insurance.

Claims ratio decreased from 65% (93.5% life and 56% non-life insurance) in 2014¹³ to 59.6% (85.7% life and 51.2% non-life insurance). In life insurance, its value was from 26.6% in supplementary life insurance to even 1516.4% in other lines of life insurance. In lines of non-life insurance, the lowest one, which amounts to 0.0%, is in aircraft liability insurance and legal expenses insurance, and the highest amounts to 88.8%, in voluntary health insurance.

Combined overhead and claims ratio amounted to 79.8% (102.1% life and 72.6% non-life) compared to 86.8% (111% life and 79.1% non-life) in 2014. With life insurance lines, its value ranged from 47.3% with supplementary life insurance to 1516.4% with other lines of life insurance; in non-life insurance lines, it ranged from 0.0% with aircraft liability insurance to 115.7% with voluntary health insurance.

Combined operating expenses and claims ratio recorded a very positive trend of decreasing to 92.9% (112.2% life and 86.6% non-life) compared to 102.2% (123.7% life and 95.4% non-life) in 2014. In the lines of life insurance, its value

¹³ Compulsory Traffic Insurance claims include the contribution to the Guarantee Fund of the ASI, and with MTPL they also include the contribution to the National Health Insurance Fund for covering the recourse claims of all social insurance undertakings.

ranged from 53.3% with supplementary life insurance to even 1542.9% with other lines of life insurance; in non-life insurance, its value ranged from 33% with aircraft liability insurance to 134.4% with voluntary health insurance.

Operating expenses (net of reinsurance and retrocession commission to the amount of 27,247,712 euros compared to 11,425,276 euros in 2014) amounted to 216,014,170 euros, that is 32.5% (*www.apr.gov.rs*) compared to 203,716,943 euros, that is 35.5% of the total gross premium in 2014 (*www.nbs.rs*). The 60.8% of OE were covered by the overhead loading, compared to 58.5% in 2014. Life OE amounted to 42,159,586 euros and non-life - 173,854,584 euros, including the MTPL OE to the amount of 57,602,381 euros (the NBS, 2016b). When counting the loss ratio, the life and non-life OE, reduced by MTPL OE, were allocated per lines of insurance in proportion to the amount of gross insurance premium.

Loss ratio with overhead loading net of the reinsurance and ceded co-insurance effect amounted to 122 million euros, i.e. 76%. It was significantly more positive compared to 71.9 million euros, i.e. 83.2% in 2014. Non-life insurance lines recorded a positive result of 125.2 million euros, i.e. 66.7% compared to 86.4 million euros, i.e. 73% in 2014. Life lines recorded a negative technical result of 3.2 million euros, i.e. 02.4% compared to 14.5 million euros, i.e. 113.3% in 2014.

Loss ratio with overhead loading, as an indicator of the price policy and adequacy and/or sufficiency of the premium systems, confirms that the premium systems of all insurance lines, excluding voluntary health insurance - 124.8% (2014=112.8%), property insurance against fire and allied perils - 105.7% (2014=104.6%), life insurance - 104.8% (2014=118.4%), annuities - 125.4% (2014=157.7%) and other lines of life insurance - 1516.4% (2014=72.6%) were sufficient to cover the liabilities under the insurance contract, operating expenses to the limit of the calculated overhead loading and other statutory liabilities.

*Loss ratio with operating expenses net of reinsurance and ceded co-insurance effect*¹⁴ amounted to 37.3 million euros, i.e. 91.2% compared to its negative amount of 12.7 million euros, i.e. 103.7% in 2014¹⁵. The non-life lines recorded a positive result of 56.6 million euros, i.e. 81.6%, compared to 18.5 million euros, i.e. 92.6%, and life lines a negative result of 19.3 million euros, i.e. 116.5%, compared to 31.2 million euros, i.e. 133.9% in 2014. Observed by lines of business, tariff systems were not sufficient to cover the liabilities under the insurance contract, operating expenses and other statutory liabilities with six lines of the non-life business (accident 123.2%

¹⁴ Operating expenses are defined via Serbian Business Registers Agency, by financial statement of the insurance companies, for life and non-life insurance separately (located per lines of insurance in proportion with the amount of gross premium), and for motor TPL insurance on the basis of data of the NBS.

¹⁵ National Bank of Serbia, Annual Report on Activities and Results 2015, page 55, loss ratio in self-retention with the operating expenses amounts to 94.8%.

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compared to 103.8%, voluntary health insurance 169.4% compared to 134.1%, automobile casco 131.4% compared to 123.5%, insurance of aircrafts 141.4% compared to 41.4%, property against fire and allied perils 156.7% compared to 134.5% and general liability 118.1% compared to 38.8%) and with three lines of life insurance (life insurance 119.5 compared to 139.9%, annuities 144.6% compared to 180.5% and other lines of life insurance even 2062.6% compared to 96.4% in 2014).

7.2. Financial Result

Insurance and reinsurance companies define profit and/or loss per lines of business they transact and in total for all lines of business pursuant to the accounting law and the insurance law.

Table 7: Financial Results in Eur at Mean Exchange Rate of NBS as of 31/12

Year	Description	Net profit		Net loss		NP-NL	
		Amount	No. of comp.	Amount	No.	Amount	No. of comp.
2014	Insurance	22,804,793	12	19,825,907	9	2,978,886	21
	Reinsurance	1,174,363	3	620,520	1	553,843	4
	In total	23,979,156	15	20,446,427	10	3,532,729	25
2015	Insurance	33,791,497	13	14,152,842	7	19,638,655	20
	Reinsurance	4,240,027	4	0	0	4,240,027	4
	In total	38,031,524	17	14,152,842	7	23,878,682	24

Source: National Bank of Serbia for 2014 and Serbian Business Registers Agency for 2015

Total net profit from insurance and reinsurance activities amounted to 23.9 million euros, which is 6.8 times more compared to 3.5 million euros in 2014. In insurance activities, profit of 19,638,655 euros resulted from life insurance profit of 7,277,032 euros (6 companies with the profit of 10,333,884 euros and 5 companies with the loss of 3,056,852 euros) and the non-life insurance profit of 12,361,623 euros (10 companies with the profit of 25,797,958 euros and 5 companies with the profit of 13,436,335 euros). Non-life insurance loss net of motor TPL insurance amounted to 49,170,836 euros (6 companies with the profit of 1,251,434 euros and 11 companies with the loss of 50,422,270 euros), but that loss was covered thanks to the profit of the companies practicing motor TPL insurance; that profit was realized by all 11 companies and amounted to 61,532,459 euros.

All four reinsurance companies realized net profit which amounted to 4,240,027 euros.

8. Conclusion

In 2015, the insurance market in the Republic of Serbia was characterized by a continued trend of growth of gross insurance premiums and improvement of almost all risk coverage indicators. Net insurance income was 6.6 times higher, and reinsurance 7.7 times compared to the previous year.

A reduction in all types of ratio numbers was noted, above all with claims ratio, combined claims ratio and overhead loading and combined claims and operating expenses ratio, which was positive in 2015 as opposed to a negative one in the previous year. Insurance technical reserves continued a long-term growing trend and for the first time exceeded one billion euros.

Loss ratio without the effects of reinsurance and ceded coinsurance as a whole was considerably more positive, particularly in non-life insurance while retaining a negative result for life insurance, which was still more favourable compared to the previous year. Viewed as a whole per lines of business, the existing premium systems were insufficient to cover the losses, operating expenses and other legal commitments in six types of non-life and three types of life insurance, which does not apply to individual systems of all companies.

On the whole, the actual results point to a gradual recovery and favourable prospects for further development of Serbian insurance and reinsurance market.

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