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BOOK REVIEW

INSURANCE: CATASTROPHE LOSSES AND CLIMATE CHANGE

Authors: Prof. Boris Marović, PhD and Dragan Marković, PhD

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Authors of the book, prof. Boris Marović, PhD and Dragan Marković, PhD have managed, with hard work and a lot of effort, to identify, present and explicate a number of insurance issues brought about by climate change. At the same time, the book includes basic concepts of insurance as an industry and a general social phenomenon.

The authors of the book analyse the climate change risks that result in the occurrence of cat losses such as hurricanes, storms and extreme temperatures. Special attention is dedicated to the assumptions of possible future catastrophes and/or the analysis of the effects of climate change on the insurance market.

The authors point out that the cat events and/or events that affect a large number of people and significant material property have always occurred. The insurance has provided financial compensation for the losses caused by events such as earthquakes, floods and hurricanes. Recently, the probability, occurrence and intensity of the adverse effects of cat events significantly increased. The issues for insurance companies, which are thoroughly analysed in this book, are the limits of insurability and gross line for these risks which may lead to cat losses.

By using their practical experience, theoretical research and published books and papers of professor Boris Marović and the thesis of Dragan Marković,

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the authors tried to conceive their book so that it can find its place in studying this complex problem. Both authors are well known in the insurance world.

Prof. Marovic is one of the most prolific insurance writers on the territory of former Yugoslavia (30 books, of which 11 as a sole author and 19 as a co-author), with an enviable work experience in insurance companies (as a general manager, deputy or assistant general manager), in conducting the insurance and reinsurance business; He has conveyed his knowledge and experience to numerous generations of students at various faculties from Novi Sad, through Belgrade to Podgorica. Prof. Marović was elected emeritus professor of insurance science. He has recently been very active in the SORS (member of the Board of Directors) and as editor-in-chief of "The World of Insurance" journal.

Dragan Marković, PhD, was director of the DDOR Novi Sad branch office in Belgrade. He is currently performing a function of the Executive Director of Triglav Insurance a.d.o, Belgrade. In his work, he showed interest in the topic of losses and catastrophes and the im/possibility of including them into insurance coverage. Moreover, he wrote his doctoral dissertation on this topic.

The subject of the book was analysed by using a significant literature opus, with plenty of graphic and tabular schemes. In addition to the preface, notes, literature, attachment on empirical research, the glossary of technical terms and data on authors, the book is structured in 13 logically rounded units.

The first chapter is dedicated to the common economic traits of insurance and consideration of theoretical insurance aspects, with a special indication of the basic principles of insurance activity. The chapter elaborates on the matters of technical insurance organization and insurance business promotion worldwide and in the region of former Yugoslavia.

The second chapter analytically addresses the standard insurance elements. The insured subject matter is analysed in detail, as well as the peril insured, insurance premium, bonus and malus institute, franchise, insured occurrence and sum insured/assured. The authors pay special attention to the analysis of the law of large numbers, the types of insurable risks and the insurance eligibility risk characteristics.

The third chapter is dedicated to the subjects of insurance business. The chapter deals with insurance companies, including Lloyd's, as the world's leading insurance and reinsurance market. A special attention is paid to insurance agents and brokers, the role of reinsurance companies and reinsurance agents.

The fourth chapter refers to the classification of types of insurance, that is, includes a detailed explanation of the basic characteristics of non-life and life insurance. Upon identifying the common division of insurance business, the chapter deals with the characteristics of non-life and life insurance. First, it dwells on the common characteristics of property insurance, such as insurable interest, insurance purpose, compensation coverage, abandonment, subrogation, overinsurance and

underinsurance etc. Then, the liability insurance is analysed, highlighting the concept of insurance liability, subject matter insured of this insurance group, insured peril, premium, contract traits and the indemnity. Finally, the problems of life insurance are addressed through the prism of a detailed explanation of basic characteristics, significance, technical bases, types and divisions into the risk and savings life insurance premium; there is also an indication to the basic characteristics of the accident as a supplementary coverage to life and annuity insurance.

The presentation of the concept, significance, division and characteristics of the co-insurance agreement prevail in the fifth chapter. The issue of transferring risk into reinsurance is addressed in detail. Authors point out to the concept, origin, development and significance of reinsurance under contemporary conditions. The chapter deals with basic concepts of reinsurance such as self-retention, assessing the retention level by types of risks, maximum possible loss, principles, documents and reinsurance operating principle. The risk transferring into reinsurance strengths and weaknesses issues are elaborated from the perspective of insurance companies. Finally, attention is paid to the consideration of reinsurance contract and its types, with a brief explanation of the importance, method of functioning, specific characteristics of particular types and applicability of facultative, floating and proportional (quota-share, excess layer and combined quota-share and excess reinsurance) and non-proportional (excess damage and excess loss) reinsurance contract.

Book reviewers, prof. Marijan Ćurković, PhD, prof. Dragan Mrkšić, PhD and prof. Vladimir Njegomir, PhD believe that the authors have elaborated in detail on the essence of the insurance role in covering the occurrence of cat losses, in a modern and practical way and that the book represents the author’s valuable contribution to the problem of climate change in the insurance sector, which was the grounds for their positive grade. The book is a useful reading for everyone interested in insurance and catastrophe losses.

*Translated by: **Bojana Papović***