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CONFERENCE REVIEW: THE FIFTH SERBIAN INSURANCE DAYS

OPEN DOORS FOR FURTHER GROWTH AND DEVELOPMENT OF INSURANCE SECTOR

The fifth conference of insurers of Serbia was held in Arandjelovac, from 24 to 26 November, under the slogan “*Tempora Mutantur*” (Times are Changing), as the largest conference of the insurance profession and science in our country. The Association of Serbian Insurers (ASI), the organizer of the conference, managed to gather a large number of panellists, state representatives and insurers who analysed current trends in the insurance market, new risks posed by the coronavirus pandemic, and the ability of insurance companies to adapt to new circumstances and not only survive but be one of the important bearers of economic stability.

Results above Expectations

On behalf of the Association of Serbian Insurers, **Ivana Soković**, the President of the Management Board of the ASI and the Executive Board of Dunav Insurance Company j.s.c., addressed the participants, emphasizing that the results achieved in the insurance sector in our country were above the expected ones despite fears regarding development of the pandemics and its consequences.

– According to preliminary data of the Serbian Chamber of Commerce, our sector in previous nine months achieved a growth of the total premium of almost 10 percent. In non-life insurance, the growth of voluntary health insurance premium of nearly 22 percent was prominent, followed by fire insurance with a 10 percent increase in premium, other property insurance with almost 19 percent growth, and life insurance with an increase of nearly 7 percent, compared to the same period last year. According to the National Bank of Serbia for the first six months of this year,

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technical reserves of the insurance and reinsurance market recorded an enviable increase of 7.2 percent compared to the same period last year, which is an indicator of the insurance sector's ability to fully protect interests of insureds and claimants – said Ivana Soković.

She added that despite the stability and good results there is room for further development and improvement of insurance sector in Serbia, and in that process the necessary support to the insurance market is provided by the National Bank of Serbia as a regulatory body.

Ivana Soković reported that in the period between the fourth and the fifth conference, the ASI was rather busy both in the country and internationally.

– In cooperation with the Ministry of Finance and the National Bank of Serbia, the Association is preparing amendments to the Law on Compulsory Traffic Insurance, as well as on the project of national risk assessment of money laundering and terrorist financing. In addition, intensive cooperation has been established between the Association and basic public prosecutions in Belgrade regarding digitalization of data exchange based on the data exchange that the Association has with the Ministry of Internal Affairs of the Republic of Serbia. This will increase the efficiency of claim settlements in so-called criminal cases, i.e. cases of traffic accidents with dead and injured persons. An agreement on cooperation was signed with the Association of Insurers of Republika Srpska, and the ASI is in charge of organising the Assembly of the Green Card Bureau Council which represents a great honour not only for the Association but also for our country.

Ivana Soković said that the topics at the conference should give an overview of the current situation in the insurance sector and point out the critical points that require special attention in the times to come. She expressed hope that this year's Serbian Insurance Days, in addition to exchanging experiences, closer connection of participants, as well as socializing that was missing last year, will give an answer to the question in which direction the insurance sector should continue to move and develop. She concluded that we must change along with changing times, especially since the goal of the insurance sector is not only to adapt to changes, but its continuous growth and progress.

The Regulatory Body is Focusing on Protection of Rights and Interests of Insurance Service Users

The National Bank of Serbia fully cooperated with the Government of the Republic of Serbia and has done everything possible to minimise the challenges imposed by the coronavirus pandemic. Comprehensive monetary and fiscal measures have been implemented to maintain production, employment, liquidity of all market participants, and disposable income. Stability and predictability of business

and planning conditions have been preserved. **Jorgovanka Tabaković, PhD**, the Governor of the National Bank of Serbia, highlighted in her welcoming speech that the Central Bank was and remains the guarantor of monetary and financial stability despite significantly changed circumstances.

– Our task was to preserve people’s health and the economy, and we fulfilled that task by leading Serbia through the crisis far better than the governments of many other countries. Serbia’s GDP reached the pre-crisis level in the first quarter of this year, which is a result that only a small number of countries can report. It took only three quarters to return to the pre-crisis level, while after the crisis in 2008, the pre-crisis level was reached only after four and a half years. Cumulatively, Serbia will achieve one of the best results in Europe in terms of economic growth, with a minimal decline last year and a real growth of about 7 percent this year. In relation to the beginning of the pandemic, the conditions for financing the economy, citizens and the state are far more favourable – Jorgovanka Tabaković pointed out.

In that way, conditions were created for a smooth development of the insurance market even in times of crisis, and despite the pandemic, the NBS continued to monitor, thus preserving financial stability. Control of market behaviour of all professional participants ensures the protection of rights and interests of citizens and business entities as insurance service users, which is the common interest of all participants in the insurance market in the Republic of Serbia. Liquidity and solvency of insurance companies were preserved, and the insurance market recorded stable development and growth.

– If we observe the third quarter of this year compared to the same period last year, the balance sheet of the insurance sector increased by 6.7 percent to 334.14 billion RSD, capital increased by 4.9 percent - to 68.4 billion RSD, and technical reserves increased by 6.3%, to 221.6 billion RSD. Observed by insurance lines, premium growth was recorded in as many as 17 insurance lines, including road assistance insurance, which was most affected by the pandemic. The pandemic raised awareness of the need for adequate insurance coverage of property derived from doing work from home, the importance of investing in financial security and the importance of our health and the health of our family. Property, life and voluntary health insurance have become more important than ever before, because the first two provide insured persons with economic security, while the third provides easier access to quality medical treatments - said Jorgovanka Tabaković.

Jorgovanka Tabaković sees room for improvement in insurance sales through information technologies, as well as in the introduction of new insurance services on the market. She also highlighted importance of insurance service users being adequately informed before concluding an insurance contract, regardless of the insurance line, because the content of information provided to a policyholder is still sometimes unclear, inaccurate or inadequate. Timely handling of claims, properly and

with clear explanations to users, is the best way to promote insurance. The right to compensation of third-party claimants, that found themselves in a situation where their property or life was endangered through no fault of their own, must remain inviolable. The focus must remain on crop and fruit insurance in terms of adequately informing farmers and loss assessment.

Jorgovanka Tabaković also referred to the always current topic of digitalization of insurance services. Financial service users in the Republic of Serbia can conclude financial distance contracts, with full transparency, security and protection of their rights. The National Bank of Serbia enabled instant insurance premium payments using the QR code, which some companies offered to their clients. However, in addition to numerous advantages, new technologies also bring risks, such as cyber risks, so the NBS made recommendations for the security of information systems, and it is up to financial institutions to take appropriate preventive measures to prevent problems and incidents.

– Serbian Insurance Days must show how to improve the quality of life and live insured against all risks we can perceive, how insurers can provide protection against these risks, how insurers can provide a fair service at a fair price and fulfil the promise if an insured event occurs. Competition is welcome – Jorgovanka Tabaković emphasized. – At the same time, there is no competition and outplaying with the regulatory body, which provides conditions for stability to make profit. The law cannot be observed less or more. The law must be fully observed and the penalty for non-compliance cannot be a part of the cost included in the transaction – Jorgovanka Tabaković stressed.

She added in the end that Serbia is not changing its determination to continue on the path to the EU, but that the National Bank of Serbia will make time-wise adjustments to the rules of liberalisation to make sure they are beneficial for Serbian citizens, as well as local companies and Serbia:

– We will not allow profits to be made here and for the benefit of only or mostly parent companies outside Serbia. We see that such stance is now being publicly advocated by much more powerful economies, under the principle of “paying tax where the profit is made.”

Public-private Partnerships and Compulsory Insurance against Pandemic Risks

The coronavirus pandemic was an unavoidable topic at this year’s conference, and a round table entitled “Covid-20 – are we ready?”, where renowned full professors of the University of Belgrade, professor **Jelena Kočović, PhD**, from the Faculty of Economics and professor **Nataša Petrović Tomić, PhD**, from the Faculty

of Law, was expertly led by **Milo Marković**, a certified actuary and the director of the Actuarial Sector in Dunav Insurance Company j.s.c.

Risk of the pandemic does not meet the basic conditions for insurance – dispersion. The pandemic affects all countries in the world, their population and economy. So far, more than 260 million people have contracted the coronavirus, and as many as 50 million people in the world have died from its devastating consequences, and that is still not the final balance.

– The pandemic threatens sustainable economic and social development and represents a severe burden not only for developing countries like ours, but also for rich economies. However, we must certainly find a way to insure that risk as well – professor Jelena Kočović, PhD, said. – The biggest problem is insuring the business interruption risk due to the pandemic, because claims can very quickly exceed the reserves and the insurer’s capital and lead to its bankruptcy. With such mass risks, public-private models, already existing, are the solution. Insurance consortia have already been formed in China, where local authorities in provinces sponsor a premium with 50 to 70 percent – professor Jelena Kočović said.

In Serbia, too, pools or consortia of insurers can be formed that have capital at a sufficiently high level, according to professor Kočović. The supervisory body would decide which insurers could participate in the consortium. The consortium would function on the principle of co-insurance, the excess risk would be reinsured, and only those losses exceeding the reinsurance cover would be borne by the state, which would be a great relief for the state. Since this is a project of national significance, according to professor Kočović, the leading insurer in that consortium should also be the leading state national company with the largest financial capacity.

Professor Nataša Petrović Tomić pointed out that the pandemic is in terms of insurance a new risk which, due to the degree of its destructive power, is classified as a catastrophic risk, and at the same time differs from such risks in that it is global and leaves no room for spatial equalization. This additionally tests the insurance market, said professor Petrović Tomić and emphasized that this risk can be insured, but not in a traditional way.

– If we leave to insurers themselves to deal with the risk of a pandemic without an adequate government support and a well-founded risk management plan, we would actually be taking on more risk than we currently have. Big number of claims and failure of only one large reinsurer could cause a global financial crisis and we do not want that. And it is more cost-effective and sustainable in the long run if we make a model of a public-private partnership – explained professor Petrović Tomić.

Both professors pointed out that the obligation to insure is the only way for such a model to succeed. An acceptable premium cannot be obtained without compulsory insurance that would cover the entire population and the assets of corporate companies.

Trust is the Key to Success

At the beginning of the second day of the largest insurance conference, the Minister of the Interior, **Aleksandar Vulin**, addressed the audience, emphasizing that he was proud of results achieved by insurance companies despite the coronavirus pandemic.

– Insurance is the purchase of future, the belief that it makes sense to invest in the future, and that is not done in an insecure, unstable and bad country – said Vulin.

Floods that hit our country in 2014 proved that large, catastrophic damages and other extraordinary circumstances are usually an incentive to think about insurance and conclude policies on a larger scale. Since then, things have changed a lot. As the Minister explained, people believe that it makes sense to invest in future, in children, they think 30 or 40 years in advance, and all that shows how much Serbia has changed. He emphasized that he personally advocates for the compulsory insurance of property, crops and all those important things whose value we see only when we lose them, thinking that this would never happen to us.

– That is why your relationship with the insureds is extremely important. The given word is the measure of all things. Keep it and when you give it, stick to it - said Vulin.

The Minister presented statistical data on traffic accidents in Serbia in which nine children died this year alone. According to him, at least half of them could have been saved only if their seat belts were fastened.

– Last year, 492 persons were killed in traffic. Each death can hardly be justified, but death in traffic cannot. It would have been enough for someone to have slowed down, not to have driven under the influence of alcohol and narcotics, to have observed traffic regulations, to have fastened the seatbelt. Only that, and human lives would have been saved – said Minister Vulin.

He pointed out the importance of cooperation between the Ministry of the Interior and the ASI, which was achieved through numerous joint projects, and thanked for the donation of the ASI for the purchase of tests for checking the presence of narcotics in traffic participants.

Public and Private Healthcare with the Same Task

Special focus on the Fifth Serbian Insurance Days was on the voluntary health insurance and its contribution to the stability of the healthcare system and the health of the citizens of the Republic of Serbia. The round table *Health Insurance - Strength and Partner of the State* was dedicated to that topic, with the participation of **Darija Kisić Tepavčević**, the Minister of Labour, Employment, Veterans and Social Affairs, **Sanja Radivojević Škodrić**, acting director of the Republic Fund of Health

Insurance, **Marija Rabrenović**, President of the Presidency of the Association of Serbian Private Healthcare Providers, and **Miloš Milanović**, the Executive Board Member in Dunav Insurance Company. The conclusion of all participants in the round table is the necessity of the closest cooperation between the state and the private healthcare institutions through public-private partnerships, where they are not a competition to each other but collaborators with the same task of improving the health of our nation. Insurance companies should be moderators that will better connect the state and the private sector, compulsory and private health insurance in the coming period.

The Republic Fund of Health Insurance is ready to offer the voluntary health insurance, especially with the growth of salaries and pensions, which created the conditions for citizens to pay for this insurance line.

– After the completion of reforms, the Republic Fund of Health Insurance will offer more voluntary health insurance policies – Sanja Radojević Škodrić said. – Although voluntary health insurance is most often linked to private institutions, the state healthcare institutions and especially rehabilitation centres provide additional services of voluntary health insurance. In order to function as private institutions they must have both equipment and staff, which is often not the case, that is, they have adequate equipment but do not have staff and vice versa. Invoicing was also a problem because not all items of the service provided could be seen on the invoices, and this will be possible as early as 1 January 2022, while material accounting will come to life on 1 April 2022. Citizens will be able to see in the pro-forma invoice amounts of each type of health service and decide what type and scope they want to pay for – Radojević Škodrić explained.

Growth of voluntary health insurance from 21 to 40 percent in the last five years shows that companies are more aware of the importance of the health of their employees for their own growth and progress, said Miloš Milanović. He pointed out that the pandemic sharpened its horizons and showed the weak points towards which future actions should be directed.

– In the circumstances when the economy is growing and the economic power of population is increasing, we must do our best to maintain our services at an enviable level – said Milanović. At the same time, insurance companies cannot be expected to take responsibility for provision of healthcare services, because the responsibility is on healthcare institutions, but insurance companies can and must maintain and improve the quality of their contact centres and assistance companies, and the quality of insurance services. Only by improving the quality of service can we all together achieve more quality and better services, concluded Milanović. In the upcoming period, given the accelerated growth of voluntary health insurance, it can be expected in our country that insurance companies would develop their own hospitals, which is the practice of some insurers in the region.

Lj. Lazarević Davidović: Open Doors for Further Growth and Development of Insurance Sector

The Fifth Serbian Insurance Days in Arandelovac gathered the elite of Serbian insurance – a large number of representatives of insurance companies, banks and the state sector, as well as guests from abroad. The conclusion of this year's conference is that due to monetary and fiscal stability, GDP growth and foreign investments, the insurance sector has significant potential for growth, and that, as before, the most important thing for insurers is systematic work on raising citizens' awareness of insurance needs.

Translated by: Jelena Rajković