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ECONOMIC ANALYSIS OF LIFE INSURANCE MARKET IN REPUBLIC OF SERBIA

Abstract

The main goal of this is to evaluate the possibility of efficient expansion of the life insurance market in the Republic of Serbia, as well as the economical and social influence that the development of this market would have on Serbia's economy. The growth of life insurance market would definitely contribute to a better and safer life, general prosperity of the country, expansion of the economy, and the social structure of the country as a whole. The perspectives of the life insurance market in Serbia are great, since the market is rich enough and incomes have risen, and a very small number of people are insured.

Key words: life insurance, insurance, insurance companies, perspectives, development of life insurance.

JEL Classification: D40, D49.

ЕКОНОМСКА АНАЛИЗА ТРЖИШТА ЖИВОТНОГ ОСИГУРАЊА У РЕПУБЛИЦИ СРБИЈИ

Апстракт

Основни циљ овог текста је оцена могућности за ефикасно ширење тржишта животних осигурања на територији Републике Србије, као и економски и друштвени утицај који би развој оваквог тржишта имао на економију Србије. Раст тржишта животних осигурања би засигурно допринео бољем и сигурнијем животу, општем бољитку земље, експанзији економије али и социјалне структуре целе државе. Перспективе тржишта животног осигурања у Србији су прилично велике, будући да је тржиште довољно богато и да су лична примања повећана, а да је веома мали број грађана осигуран.

Кључне речи: животно осигурање, осигурање, осигуравајуће компаније, перспективе, развој животног осигурања.

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Introduction

The concept of every insurance, life insurance as well, is that emphasis should be put on meeting the needs of the insured. Insurance, therefore, as its primary goal, places on serving the interests of the insured. In fact, it could be said the entire work in insurance involves a constant process of activities which begin and end with the insured i.e. start from the moment when they sign the contract, with the application, process and liquidation of damages. In insurance, as a business, a model of exchange can be made, in which participants are introduced (the insurer and the insured), the subject of trade (insurance against damage), the principle of free decision making of the participants, the principle of communication.

Each and every one of us is trying to make their life longer and better, to plan their future. And it is expected, for our life to go by that plan. However, from experience we know that it doesn't always turn out according to our expectations for many different reasons. Life insurance is, in its essence, planned to be protection against serious financial losses which can be a consequence of uncertain events interfering in our lives. Attention must be paid to the following: life insurance is limited to mitigating only those consequences that can be measured in financial amounts; also that life insurance doesn't reduce the direct probability of a loss. Therefore, life insurance deals with financial coverage, rather than repairing damages. Mentioned financial losses which are caused by the mentioned events can be mitigated or covered by buying life insurance.

In this paper we will deal with life insurance market in the Republic of Serbia, through legislative basis, as well as through actual work of insurance companies which deal with selling life insurance and their results on our market, and prospects and plans for development of this type of insurance in the Republic of Serbia.

Concept of life insurance

Insurance of life takes the most important place in the structure of life insurance. According to their share in life insurance, voluntary pension insurance is next, then annuity insurance, additional insurance from consequences of accidents and other types of life insurances.

But here we face certain problems, insufficiently informed insured on the importance of insurance coverage of accident caused injuries. The second reason for modest participation in additional insurance for accident caused injuries in total insurance portfolio. A certain role is played by social security protection or other kinds of insurances, such as, through group insurance on employees.

A question that had different interpretations and explanations through history is how can life insurance policies be covered or registered, but the conclusion was that, unlike property insurance, which is limited by item value, the insured can have more than one life insurance policy, each of which is covered. In general, it is very difficult to determine value of life and value of an injury, that is, how can we measure compensation for these kinds of things and events. When compensating damages on material things, market value of that material in a given country in a given moment is used, for example, what is the price of a square meter at that location and so on,

but determining market price on life and injury is morally dubious. It is important to know that the same applies to additional insurance from accident caused injuries; the insured can have multiple policies and same as before, each one is covered. Based on one injury from an accident the insured can get compensated from the contracted life insurance policy with accompanying accident, and through group insurance on employees from his company, if it exists.

All types of insurances in Serbia's market are underdeveloped, but they are stable and secure. This applies to life and non-life (general) insurances. Traditionally, the ones that do best are automobile insurances, while people are less aware of the benefits of life insurance. After the arrival of foreign insurers, in recent years the situation has changed and became quite interesting. The offer of life insurances today is really diverse. Foreign investors deeply believe that the Serbian market has great potential. However, the conducted research and market analysis shows great sensitivity of the insured on price level of products of insurance, and due to fluctuations of the euro against dinar things can easily change in less than a month. Having in mind these market conditions, the insurers try to diversify their life insurance services. They must be adapted to the needs and demands of the insured, as well as recognizing their financial possibilities and understanding their budget limitations.

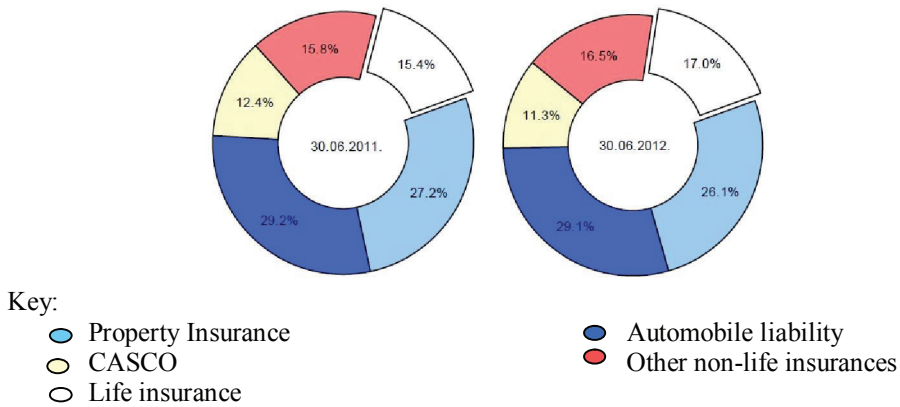
As the insurance market changed in recent years in Serbia, with the arrival of foreign insurers on Serbian market, a growth in life insurance policies was recorded. Gradually the confidence in insurance companies started to grow, as well as awareness on the importance of life insurance and the way it works, in parallel to the identical situation in the banking sector (it is normal that the success of the banking sector always coincides with the success that the insurance companies realize after that). However, recently due to the current economic events in the world and our region, fluctuation on life insurance policies contracted has been noted. Even though the methods of payment of annual insurance premiums are adjusted to the capabilities of the insured, it was observed that life insurance policies contracted are growing at a reduced rate.

According to the National Bank of Serbia (NBS), the sum insurance premiums in the first quarter of 2012 were at 14.9 billion dinars (134 million euros or 179 million U.S. dollars), which represents an increase of 3.9% compared to the same period a year before that.

In the premium structure in the first quarter of 2012 the share of non-life (general) insurances was 82.8%, while the share of life insurances increased from 16% in the first quarter of 2011 to 17.2% in the first quarter of 2012, thanks to the realized growth of life insurance premium from 11.2%.² This is shown in the following figure.

² *Izveštaj za drugo tromesečje 2012. godine*, Sektor osiguranja u Srbiji, Narodna Banka Srbije, Beograd, 2012.

Figure 1: Comparison of the sum premium by types of insurances in the second quarter of 2011 and the second quarter of 2012



Source: Izveštaj za drugo tromesečje 2012. godine, Sektor osiguranja u Srbiji, Narodna Banka Srbije, Beograd, 2012.

We can see that life insurance is constant at 50% from the predominant insurance, automobile liability. For developed countries it is characteristic that property insurances are less common than general insurances, such as life or health insurances, so care for property rather than health is a symbol of economic and cultural backwardness.

For all companies in Serbia that deal with insuring the technical reserve of general insurance in the first quarter of 2012, in most part they were covered by: state securities by 30%, deposits with banks by 26%, as well as cash by 10%, investment real estate by 9% and receivables for insurance premiums that are not yet due by 8%. In the technical reserve coverage structure of life insurances, the predominant is investment in securities by 86%, followed by bank deposits by 10%.³

In companies that primarily deal with life insurance businesses, the indicator of compatibility of short term assets (current assets reduced by supplies) and short term liabilities in the first quarter of 2012 is 158.76%, and in 2011 it was 179.77%. The trend of this indicator shows that liquid assets are sufficient for settling short term liabilities. Reducing the amount of short term assets, reduced by supplies is conditioned by, above all, increased placements by insurance companies in securities issued by the state.

In the Republic of Serbia, the regulatory framework for insurance is primarily regulated by insurance law, (the Insurance Act of the Republic of Serbia, “Official Gazette of RS, number 55/2004) which was adopted in 2004. It regulates the conditions and the method of performing insurance business, as well as supervision on performance of insurance businesses. In addition to this, insurances in Serbia are regulated by Companies Act (the Republic of Serbia, Companies Act, “Official Gazette of RS”, number 125/2004), Property and Persons Insurance Act (“Official Gazette of FRY”, number 30/96, 57/98, 53/99 and 55/99) in the part on compulsory insurance and entrusting public authority, the Act on Bankruptcy and Liquidation of Banks and Insurance Companies (“Official Gazette of RS”, no. 61/2005) and the Deposit Protection Agency Act (“Official Gazette of RS”, number 61/2005). Also, the subjects in the insurance industry and contracts on

³ *Ibid*

insurance are bound by Company Act (“Official Gazette of RS”, number 125/2004), Private Companies Act (“Official Gazette of RS”, number 54/89 an 9/90 and “Official Gazette of RS”, number 19/91, 46/91, 39/93, 53/93, 67/93, 48/94, 53/95 and 35/2002) and the Law of Obligations and Contracts (“Official Gazette of the SFRY”, number 29/78, 39/85, 57/89, and “Official Gazette of FRY”, number 31/93).

The Insurance Act (“Official Gazette of RS”, no. 55/2004 70/2004 61/2005 and 101/2007) regulates the terms and conditions of insurance operations and supervision of these activities, pursuant to the standards and principles of the International Association of Supervisors in Insurance and Guidelines of the European Union in the field of insurance services. This law introduced significant changes in prescribing the conditions which ensure stable operations of insurance companies and a possibility of timely settlement of obligations to the insured. To this end the supervisory role has been enhanced as well, which was entrusted to the National Bank of Serbia, as an independent state agency that supervises other areas of the financial sector as well. In exercising this supervision the NBS issues the measures for eliminating the observed illegalities and irregularities in the work of subjects of control.⁴

In the Republic of Serbia the insurance business can be performed by insurance companies based in the Republic of Serbia and a branch of foreign insurance companies (after 5 years have passed from the day that RS has joined the WTO), who have received the working license from the National Bank of Serbia. Insurance companies can, under same conditions, be established by domestic and foreign legal and natural person. The situation has changed since 2007 and amendments to the Act from 2007, reciprocity as a condition for establishing insurance companies for foreign persons was abolished, so it is much easier now for foreign businesses and foreign capital to enter Serbia. Assets and people may, by rule, be insured with persons who are established in the RS, except for property and people whose insurance is not done by domestic insurance companies, as well as other assets and persons for whom it was regulated by the government of the RS.⁵ Insurance companies may perform one or more types of insurance in the same group of insurances (life and general insurances) or just reinsurance operations.

The separation of existing composite insurance companies was finished till the 31st of December of 2009. With the amendments to the Act from 2007, for reinsurance, it was foreseen for it to be able to be done abroad, with application of the rule of 5 years passing from the day of accessing the WTO. The Act regulates qualified participation in equity, relations of the related parties, and the conditions and criteria for grading creditworthiness of founders and grading the standards “fit and proper” for members of the insurance companies. Also, the Act prescribes the requirements for insurance brokerage in insurance, as well as the businesses of providing other services in insurance. The law, by its solution on businesses of insurance companies provides the highest level of asset and person protection from various risks through insurance coverage and increase the level of protection of rights of the insured, insurance beneficiary and third party claimants. The law defines the rules on risk management, whose violation entails certain measures from the NBS. Also, the law prescribes authorization and obligation of an authorized actuary, the manner and form of reporting, work from internal Audit, as well as revision of financial reports of companies. The law regulates specific issues related to the privatization process of social, i.e. state capital in insurance companies.

Data from 2006 and onwards shows that the average insurance premium per capita collected in 2006 was 65 euros, while the total amount of premiums from year to year grows at

⁴ *Zakon o osiguranju Republike Srbije*, Službeni glasnik RS, br. 55/2004.

⁵ Počuča M, Petrović Z., Mrkšić D., *Insurance in agriculture*, *Ekonomika poljoprivrede*, №1 (1-216), 2013, str. 163-178.

a rate of 10 percent. The total amount of premiums collected in Serbia in 2007 was 400 million euros and it was less than two percent of GDP. These parameters have increased every year, while the global economic crisis from 2008-2010 influenced the market, since every family and every person had to prioritize on what to spend, with determining the optimal budget and restrictions that needed to happen. First, “redundant” costs were cut, i.e. everything that did not fit the most basic consumption. All insurances, except for the obligatory ones have the tendency to be thrown out from the individual investment portfolio when crisis occurs.

Life insurance companies business in Serbia

On Serbian market, 13 insurance companies deal with life insurance. However, a problem that was discovered is that their media coverage isn't great, that is, insurance companies are very poorly represented on the market. The reason for this could be that life insurance market in Serbia is small, so life insurance companies do not consider that investing in commercial and media representation is something that could pay off quickly. All of this contradicts the aggressive advertising that is applied by banks during advertising of their products, i.e. banking services or credits, which is at the level of developed countries of the world where citizens have great experience with banks.

As for types of life insurance, statistics and market survey say that insurance companies in Serbia offer their clients twenty different types of life insurances. According to the NBS the most common is mixed life insurance which represents a combination of insurances in case of death of the insured and endowment. On our market annuity and risk insurances have great perspective.

In Serbia, people still haven't forgotten the bad experience they had with old foreign currency savings, pyramid banks, investment funds, which was with bad fiscal policy by the government the main reason why people rarely choose this type of saving. Thus Serbia is a country with only 2.5 percent of its population with a life insurance policy and with a rate of ten euros a month for life insurance is behind other countries in the region. Unlike us, citizens of Austria set aside 885 euros a month, Croatians 81 euros, and Bosnians 14 euros for life insurance (it is interesting in particular that Montenegro with 13 euros, Bosnia and Herzegovina with 14 euros, Bulgaria with 18 euros, and Romania with 22 euros a month are ahead of Serbia, and an astounding fact is that Hungarians spend 181 euros a month, eight and a half times more than neighboring Romania, which also in the EU). Insurance and banking are trust based industries, so they are most vulnerable when they squander their trust, which has repeatedly proven as disastrous in our country.

If we look at the situation at individual companies, in “Grave” insurance company they say that their average monthly premium is 500 euros, and the duration of the contract is usually 20 years. The policyholder has options when paying annual premiums, because it can be: quarterly, semi-annual and annual. Minimal annual premium that is paid during the life insurance contract is 250 euros. There is an option of paying monthly premiums by standing order. After the expiry of the insurance period, the insurance beneficiary has an option of choosing a one-time payment or payment in installments for five or ten years, as well as monthly lifetime benefits based on the contract. If a person pays a premium of 500 euros a year for 20 years, after the arrangement is finished this person can count on a lifetime monthly annuity payment of 92.21 euros (www.grawe.rs).⁶

In “Wiener Städtische” insurance company there is Classic program for life insurance, for which the following conditions apply: the insured must be aged from 14

⁶ www.grawe.rs

to 65. The contract may be concluded for at least 10 years and a maximum of 25. The minimal premium amount is: 200 euros annual payment (www.wiener.co.rs).⁷

Insurance company's placement of funds

During investment of liquid funds, insurance companies must strive to make minimal amounts, which is at the level of average interest rate earned on the capital market. Therefore, the placement of insurance companies, in the Republic of Serbia is aimed in three directions:⁸

- Purchase of real estate or immediate approval of mortgage and other loans;
- Purchase of securities;
- Depositing funds with banks and other financial institutions.

Placements of insurance companies can be:⁹

- Short-term (up to 12 months) and
- Long-term (over one year).

The maturity structure of placements is determined by the function and purpose that is had by singular insurance asset, with existing maturity structure of placements and requirement to maintain liquidity in the future.

Insurance companies with pension funds are major institutional investors on the money and capital markets in developed countries. In the UK institutional dominance of these investors on the London Stock Exchange is visible in relation to small individual investors as 80% of property of these investors is invested in securities. The investment strategy of these institutions has contributed to the further development of the financial market, especially to the market development of new products, such as options and futures due to their strong demand from insurance companies and pension funds for risk protection. The situation is similar in all “first world” countries, from Canada to Australia.

Any insurance company's investment must fulfill two basic principles:¹⁰

- Ensuring high level of protection against risk of its insured,
- Achieving the highest possible returns on invested funds.

In accordance with these principles, insurance companies have over time built common known “investment scheme” to which they adhere. Based on the economic development of the country, including Serbia, and its policies, depends the policy of placements of insurance funds. Every country has their policy of economic development which necessarily includes the insurance industry, and in Serbia after the year 2000 and so-called “Democratic changes”, tectonic disturbances in the economy occurred, some of which were for the better and others for the worse. According to that an increase or decrease of purchasing power of the population occurred, which is now able to pay life insurance like never before. In a situation where an average wage was 80 US dollars

⁷ www.wiener.co.rs

⁸ Barjaktarović, L., and Kordanuli M., *Uticao svetske ekonomske krize*, Univerzitet „Singidunum” Fakultet za finansijski menadžment i osiguranje, Beograd, 2011, pp. 14-16.

⁹ Kočović, J. and Šulejić, P., *Osiguranje*, Ekonomski fakultet Beograd, 2002, pp. 124-126.

¹⁰ Šulejić P., et. all., *Osnovi osiguranja*, Univerzitet „Singidunum” Fakultet za finansijski menadžment i osiguranje, Beograd, 2006, pp. 3-4

(year 2000) the citizens didn't have the opportunity to think about life insurance, no matter how cheap it was. Now, when the average wage is higher than 300 euros for years, there is an objective possibility for insurance to be paid, and many individuals have much higher salaries. Personal budgets are relatively similar to the ones before, because the cost of living rose, but with growth in absolute terms, increased chance of foreign insurance companies involvement occurred as well, and their try to take a “share” of the Serbian market.

Insurance companies don't have much choice for investment in countries that don't have a developed capital market and securities market, and it is therefore necessary to develop this market and enable secure placement of funds. Serbia according to the securities market and its development is one of the least developed countries in Europe, so this is where breakthroughs are expected. Safety of placements is provided by instruments that vary depending on whether it is a short-term or long-term placement:¹¹

- Bills of exchange,
- Bank guarantee,
- Quality pledge of securities,
- Assignment of quality claims in favor of the company, transfer of any claims by the company based on the contract of insurance policy assigned, mortgages etc.

Investments of insurance funds businesses contribute to performing core activities and as such they are “directly” related to basic operations that can be done by insurance companies as well. Activities directly related to the insurance business are mediation and representation in insurance, identification and assessment of risks and damages, mediation for sale and sale of remaining of the insured damaged items and provision of other intellectual property and technical services related to insurance. In this sense insurance companies in Serbia deal with these tasks, in the same way as everywhere in the world, and the difference today is that, just in funding, share of the market and percentage of the insured who have decided on, in our case, life insurance.

Development perspectives for life insurance in Serbia

Serbia is quite a sold area for life insurance companies, because it still achieves high rates of growth of life insurances, which is not the case with a number of western, developed countries, where crisis is present even now, but to a lesser extent. Crisis is present in large scales in countries which appear as banking powers in Serbia and those that have brought insurance capital: Italy, Slovenia, Greece and even Spain or Portugal. During 2002 the growth in sales of life insurances compared to 2001 was significantly higher. Even though the intensity of growth in 2003 was reduced, growth rate indicates a significant contribution of life insurance premiums to the total premium income. This occurred because the market was very weak, so Serbia can be considered as one of the countries with “emerging markets” in many aspects in the 21st century. Of course, the growth is much lower than in other countries of Eastern Europe, such as Azerbaijan, Georgia or Turkey, who with India, Brazil, South Africa and China make BRICS countries. In all of these markets increased profits and growth rates of life insurances occur, and the situation in Third World counties is even better, because countries such as Angola or Equatorial Guinea are in the wake of getting rich due to oil revenues, so everyone can invest more in the economy, but the problems that is found there in

¹¹ Miloradić, J., *Osiguranje*, Fakultet za uslužni biznis, Novi Sad, 2006, pp. 223-228.

Serbia is greater: there is money but very little awareness and knowledge on insurance, so the biggest problem is actually, explaining and propaganda because finances exist even now. Serbia has similar salaries as Hungary, but invests 11 times less in life insurance per capita a month, which is shocking data that says a lot about awareness, rather than finances. Among other things, it can be noted that Central European mentality is more amenable to thinking about the future (pension, health, life insurance) while Mediterranean mentality cares more about today, i.e. “partying”. However, an old story can be used very efficiently here, about salesmen who were walking through Sahara, when one of them said that “they have no market, because they are all barefoot and don’t wear shoes”, and the second one triumphantly said that the market is great, because everyone is barefoot and they are not wearing shoes.

Life insurance is a phenomenon of modern finance, and it is very important to notice their vulnerability. They are very easily affected by development of financial markets and instruments, monetary and fiscal policies, as well as demographic and cultural determinants that determine income and savings. However, the prospect of life insurances should be sought in its competitiveness with other products of similar characteristics which are created by other institutional investors and financial intermediaries. During redistribution of savings in various forms and types of life insurances the question of grading their attractiveness from the aspect of meeting the needs and expectations of the consumer should be the strategic orientation of the insurer.

In Serbia life insurance policy was signed by only 200 thousand people. In times of economic crisis, people that are interested in life insurance hesitate in committing to a long-term investment. Serbia is well below the European average, even below average compared to the countries in the region by the number of life insurance policies. Thirteen insurance companies that sell life insurance policies jointly prepare a draft on legislative changes, which will give an impetus to the development of this type of insurance and financial markets as well in Serbia. Among those who are interested in life insurance, reluctance to commit to a long term investment in times of crisis is noticeable. Therefore the insurance companies have formed a fund for development of life insurance. They expect from the government to promptly issue bonds with long maturities, in which they would prefer to invest the money entrusted to them by citizens. Legislative changes will not be a new expense for the budget, although some tax breaks are necessary. There is an initiative to invest a part of salaries of the employees of the public sector in life insurance. Life insurance has increasingly rapid growth, which points out that this type of insurance has a good perspective on Serbian market. For rapid and qualitative development of life insurances in our country, Serbia needs an urgent model of tax incentives that would start the process of balancing the financial sector. The model needs to be efficient and responsive to the social reality of the country.

Model for development of life insurance in Serbia

Some insurance companies have asked the Ministry of Finance to introduce tax incentives for individuals to get the return of their income tax in the amount of 25% from the amount that they would pay for life insurance premiums, up to 50 000 dinars and transfer of tax breaks that currently apply to the payment of pension insurance and life insurance in order to improve the life insurance market in Serbia.¹²

¹² Martinović M., *Upravljanje imovinom penzijskih fondova sa definisanim doprinosima u skladu sa životnim dobom osiguranika*, *Ekonomika*, Niš, Vol. LIX, IV-VI, broj 2, 2013, str. 159-165

When asked why the state would waive that part of income, when it's already faced with a problem of filling the budget, it is pointed out that insurance companies are willing, if the state agrees on tax returns, to invest the funds raised in long term in realization of large infrastructural projects or long-term securities.

Companies have 210 million euros of debentures of old foreign currency savings in their portfolio. And they are willing to substitute a major part of that package for securities with longer maturities.

Currently the citizens of Serbia are, due to low standards and lack of information, really low ranked by the height of average annual premiums of only 10 euros. Generally, life insurance isn't intended for the richest part of the population but rather, the most numerous middle class, and it is pointed out that the number of citizens in Serbia that could set aside 30-40 euros a month for life insurance, with this model of life insurance, isn't small. And the mission of life insurance is to provide safe old age for those who decide to buy the policy.

Insurance companies, by accepting this model, would raise about one billion euros a year in five years for investment in development projects in Serbia, that is, the funds raised would be invested in long-term bonds and that would be a good way for the government to gather money for infrastructural projects. As for insurance companies, the state as well, this project would be a new development chance and a beginning of serious social changes. But it would, on the other hand, motivate citizens to insure their own higher incomes in future, especially old age. It is necessary to educate and encourage citizens to buy their own shares because state pensions are insufficient for decent life in old age, and it is therefore expected for Serbia to enter the project of mandatory private pension system soon, and popularization of life insurances could be the right model. This model of development of life insurance which was presented by the representatives of thirteen insurance companies for life insurance in Serbia to the Prime Minister has been successfully implemented in other countries, such as Italy and France. Advantage is given to the so-called French model of life insurance premiums (so-called mathematical reserves), according to which after a period of one year, the insurance beneficiary can count on the returns of part of their premium in the amount of 250 euros. A prerequisite for this is that the client submits evidence of his premium payments and payment of tax liabilities.

Conclusion

Serbia essentially started very late with creation, development and other activities on the insurance market, i.e. Serbia is an active participant in this market for only about ten years. However, what can certainly be commended is that Serbian insurance market has potential. Even though the insurance culture is very low among citizens and besides the fact that very few citizens and their properties are insured, there is great scope for development of a healthy and efficient market here which would certainly considerably help in the development of our country. It is necessary to mention that the standards of our country are sufficient for the entire population to get insured. Unfortunately it is also one of the conditions for entry in the European Union. Awareness of Serbia's citizens is under developed when it comes to personal life insurances, as well as health or pension insurance and much more is invested in compulsory insurances, such as automobile insurance and property insurance, which frankly, isn't mandatory. The number of informed and versed in the meaning of insurance is very small and this is another very important issue that is encountered in all countries that have lagged behind the western

system, for example Russia or Angola, Brazil or other African or Asian countries. In the US and most of EU life insurance is mandatory in order to leave the country, travel and employment. It is noticeable though, the difference between Central European and Mediterranean countries in understanding the necessity of non-property insurance. Relaxed style concentrated on the present is typical for more developed countries than ours, and the differences are remarkable between Slovenia and Hungary on one side, and Serbia, Romania and Bulgaria on the other.

The insurance market in Serbia is specific in that the funds invested for insurance are way lower than in other countries. Only about 80 euros per capita a year, which is several tens of times less than in developed countries in the EU. Most of the premiums are for compulsory insurances, such as automobile insurance, which is why the Serbian market has great potential for development, especially life insurance. Considering that only 20% of employed population took part in long-term savings, out of which 7% in voluntary pension funds and 13% in life insurance. Life insurance could be an important segment in resolving pension issues, because concerns about their own future is at a very low level, and the question is whether Social Security will be able to provide adequate life standard in the future. For further development of life insurances in the Republic of Serbia tax reliefs are necessary, then increase in standards of living and education of citizens. We can conclude by the already mentioned story about shoe salesmen that were walking through Sahara, where one of them said that “they have no market, because they are all barefoot and don’t wear shoes”, and the second one triumphantly said that the market is great, because everyone is barefoot and they are not wearing shoes. Therefore, better days are inevitable for insurance companies in Serbia, which is already seen by the increase in loan portfolios which was introduced to Serbia in the last few months by foreign banks and insurance companies.

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