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INSURANCE INDUSTRY IN SELECTED TRANSITION COUNTRIES

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Abstract:
The growth and development goals of a national economy are successfully achieved through implementation of a properly selected investment policy, and for that reason, foreign investments are one of the main fundamental means for reaching the goals of economic and regional development. The insurance is one of the industries that have gone furthest ahead in globalization of the world markets. The main focus of this article is the insurance industry and economic development of the selected transition countries, some of them already members of the European Union, others still in the EU accession procedure. The importance of the insurance industry can be seen in the results of the displayed types of insurance in the period from 2010 to 2014. Transition countries may expect a significant encouragement to economic development by investments in the insurance industry. The subject of this study is to determine if these expectations are met or the improvements are achieved only in the domain of types and ways of selling insurance products.

Key words:
insurance,
development,
countries in transition,
insurance premium,
claims.

INTRODUCTION AND METHODICAL ISSUES

The insurance industry has an important role in social and economic development of every economy and society. It is important to emphasize that the modern way of life and the increase in living standards are directly related to economic growth and financial market development, whereby the insurance industry development is expected, starting from high-quality insurance services to stable business operations of insurers and building trust of insured parties. The purpose of insurance indicates a specific type of protection of the property and persons, *i.e.* confidence and security when damage occurs. The insurance industry has an extremely high level of funds that have the characteristics of a specific capital. Its accumulation is influenced by: branch of insurance, covered insurance risks, scope of application re-insurance instruments, insurers' obligations *etc.* Under modern conditions of market business operations, there is a need for stable economic and social relations, which

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imply the possibility of successful realization of the insurance service.

The insurance ranking in the financial system of the country stems from the many specifics of this industry.

The subject of this research is the analysis of the situation in the insurance industry in the countries of the former Yugoslavia and certain countries in the region (Hungary, Romania – with considerable foreign investment in the insurance industry) at the time of the economic crisis and few years after, in the period from 2010 to 2014. Some countries of the former Yugoslavia have become member states of the European Union (EU). The analysis is based on the economic indicators of the invoiced premium, movements of the technical part of the premium (damage), as well as the ratio between the invoiced premium and GDP. These parameters, mandatory by law, represent the relevant starting point for understanding the situation in insurance in all the above mentioned countries. The power of the insurance industry, as a collector of the financial means, is proportional to the economic development of the national economy in general.

The objective of the research is to establish whether the insurance potential is sufficient to be able to grow in certain countries (some of which are in transition) independently from conditions of the economic-financial crisis. For this reason, the period of the research covers the period of 5 years, from 2010 to 2014.

The main hypothesis, based on the research objective, is to see whether the insurance industry could increase its coverage of the market independently from conditions of the economic-financial crisis that we perceive through a share of the insurance in GDP. The auxiliary hypothesis in this research should examine whether the insurance sector has a larger share in the GDP in certain countries where foreign investments have been made in the insurance industry or only the range of insurance products has increased.

The structure and setting of the analyzed data is based on the official data of the institutions that are in charge of the annual review of the insurance markets. According to the subject of the research and the set hypothesis, the paper contains introductory methodological explanations on how the research was carried out, a presentation of the insurance industry and economic growth with the relevant economic indicators and analytical data of premium ratio and GDP, especially in the selected EU member states and selected non-EU countries. Following this presentation, there is the analytical part the Insurance Market of the Selected Countries in Transition, again in both EU member states and non-EU countries, with special reference to the specifics of the market in Serbia. The insurance industry data are classified into life and non-life insurance. The part Comparative Overview of Insurance Premiums and Paid Damages for the Period 2010 to 2014 provides the analysis of a ratio of the collected premium and a ratio of the share of damage in the total premium, all aimed at evaluating the economic efficiency of the insurance industry. The Conclusion presents the results of the research in relation to the set hypothesis and the inference that the insurance industry could not have increased coverage at the market independently from the existing economic conditions, which indicates that the development of insurance requires the economic growth shown by an increase of GDP. Unlike the main hypothesis that was not proved, the auxiliary hypothesis was proved in the countries where investments in the insurance industry existed and the range of products was increased and through this type of diversification, it was possible to prevent a large drop in the insurance share in GDP.

Economic development cannot be viewed outside the context of the entire social development because the economy is one of the major subsystems of a social system, so its development is inseparable from the overall social development. Social, political, historical, geographical, cultural and other non-economic areas significantly affect the economic dimensions of development changes. It is a complex social process by which each country seeks to transfer from a lower to a higher stage, while economic growth is defined as the increase in national production higher than the rate of population growth during a period of time.

From this definition, we can see that economic development is broader and more complex process than economic growth (Šulejić *et al.*, 2006, p. 85). In support to the economic growth, the insurance regulation needs to be strong enough to protect the insured, but not so prescriptive as to stop insurance companies from supporting economic activity through the products they provide and the investments that they make. One of the main components of economic development is changing the social structure and the economy, and such changes are most evident in the manufacturing part, with participation of agriculture and industry in the total production growth, in order to achieve higher social and national income.

The statistical data was collected from the relevant institutions, such as departments for insurance supervision from each country of the region and Insurance Europe websites, which are committed to monitoring insurance markets and publishing economic data for research. The actual data are presented in tables and graphs of the insurance market investigation. This study covers the period from 2010 to 2014 where the majority of surveyed countries are from the region and from Europe. It differs from other researches with respect to the sample of selected analyzed countries. The selected observed states include the countries of the former Yugoslavia, out of which Slovenia and Croatia have become the EU member states whereas Serbia, Montenegro and Macedonia have not joined the EU yet. Other countries in the region, chosen for the analysis, have only recently joined the EU community.

EMPIRICAL RESULTS

This study deals with the analysis of correlation between the insurance and the economic growth of selected countries undergoing transition, based on the relevant economic indicators in the period 2010-2014. The subject of this study refers to the countries of the Western Balkans (Serbia, Montenegro and Macedonia) and the member states of the European Union in Southeast Europe (Slovenia, Croatia, Hungary and Romania).

The analysis is based on observation of a share of the insurance premiums in gross domestic product and in ratio of the paid claims in relation to the premiums.

Insurance companies are significant institutional investors at the international financial market and countries in transition expect a significant growth of the insurance industry and gross domestic product (GDP). Economic indicators of the share of the insurance industry in GDP and growth of GDP are the basic economic indicators for this type of economic analysis (Jeremić, 2012, p. 27). The analysis results should show whether the invested funds in the insurance industry had an impact on economic growth observed through the GDP indicators.

The research structure of this paper will present the empirical results based on the collected data in the insurance industry for the selected countries and their economic growth, changes in GDP and characteristics of the insurance market within the analyzed relationship in life and non-life insurance premium, as well as the explanation of the comparative overview of insurance premiums and paid damages for the period 2010-2014.

The insurance industry and economic growth

The economic growth can be determined with the following parameters: the growth rate of gross domestic product, changes in gross domestic product, national income *etc*. The economic development also refers to the existing relationship of macroeconomic aggregates, such as national product, investment, employment and consumption, and other economic and non-economic factors of a multidimensional process. In order to provide economic development, it is important to identify two primary goals, which include developing the productive potential and raising the population living standard.

The insurance industry has a significant influence in economic and social development of each country in transition:

- It encourages better evaluation in risk management, but also compensation to protect the ensured;
- It provides high protection to individuals and companies with the reliability to involve in economic activity and development in general;
- The insurance industry supports stability of economic growth by means of long-term investments (Insurance Europe, 2014).

For the purpose of supporting the economic development, the insurance sector needs to have its regulation strong enough to provide protection to the insured, and at the same time, to stimulate insurance companies to continue their economic activity through the insurance products, services and investments. It is important to notify that continued economic development depends on the development level and size of a country, which leads to the selection of development goals and priorities. Therefore, it would be necessary that each country makes the right choice of development priorities and to provide economic conditions for the achievement of important objectives. The representative indicator of economic development is participation of insurance premiums and its share in the gross domestic product (GDP). The insurance, as a part of the financial industry economic activities, is expressed in percentages of the total gross insurance premiums ratio and GDP.

Country	2010	2011	2012	2013	2014
Slovenia	5.66%	5.57%	5.70%	5.47%	5.20%
Croatia	2.74%	2.73%	2.75%	2.78%	2.65%
Hungary	3.13%	2.82%	2.69%	2.71%	2.66%
Romania	1.56%	1.38%	1.41%	1.27%	1.21%
EU 27	8.40%	7.90%	6.70%	6.80%	6.95%

Table 1. The share of insurance premiums in gross domestic product – the selected EU countries compared to the EU27 for the period 2010-2014.

Country	2010	2011	2012	2013	2014
Serbia	1.80%	1.70%	1.90%	1.80%	1.90%
Montenegro	2.05%	1.97%	2.01%	2.18%	2.11%
Macedonia	1.52%	1.50%	1.52%	1.44%	1.45%
EU 27	8.40%	7.90%	6.70%	6.80%	6.95%

Table 2. The share of insurance premiums in gross domestic product – the selected non-EU countries compared to the EU27 for the period 2010-2014.

The transitional countries of the region were ranked below the average of EU countries in the period from 2010 to 2014, according to the results of the contracted insurance premiums.

According to the Tables 1 and 2, it can be concluded that, the newer Member States of the EU, Hungary and Croatia, are following other EU countries in the participation of insurance premium in GDP for the period 2010 to 2014. The analyzed countries have positive trends in basic macroeconomics globally, which is important for the assessment in the insurance market. However, the level of economic development for analyzed countries is still lower than the level of the EU founding countries.

In the years of economic crisis, the price of securities on the capital market declined, as well as insurance companies portfolio. The collapse of the European financial market did not include insurance companies, because the insurers invested their available funds carefully, compared to the banks. Investments in insurance industry are based on the diversification of the least risky securities, which is the reason why their assets are mostly bonds and stocks that make the largest share in its portfolios. The investment portfolio of European insuance companies increased and it amounted to EUR 6.963 billion, which was the highest reported level compared to the period 2000-2010. The portfolio of non-life insurance did not change significantly, while portflio of life insurance gained up to EUR 2.000 billion, which was double than non-life insurance. In the European investment portfolio, the United Kingdom has the largest share of aggregate (BMI Research, 2015a) and it is followed by France (BMI Research, 2015b), and Germany (BMI Research, 2015c), with the total 50% over of the investments in the life insurance industry. In the portfolio structure of European insurers, the largest part of the investment portfolio accounts percentage is in debt securities and actions, as well as loans, followed by real estate and other property. Institutional investors, as a group of insurance companies, have extensive capital, invested primarily in the capital market. The structure of investment in different segments of financial markets in Europe depends on the development of financial markets and the quality of securities, which is the reason for providing greater opportunities for adequate investment to the insurance companies. Therefore, the OECD guidelines for insurance regulation and supervision in transition economies (OECD, 2016) provide the basis for a regulatory framework, investment regulations, procedures for licensing, reinsurance, compulsory insurance, supervision, solvency provisions, *etc*. The purpose is to ensure the development of modern insurance markets in emerging countries (OECD, 2016).

The annual estimate of concluded insurance premiums *vs*. paid damages shows better overview of the insurance industry, which indicates that many subjects and factors have a combined effect on the prevalence of insurance market, no matter how different economic and social conditions in regional countries are. These differences can mostly be seen in countries where the emerging market population is relatively young, which generally leads to increased sales of all insurance products.

Insurance market in selected transition countries

In the developed countries, there are important institutional investors, which are far above the countries that have the financial system at an initial stage of economic development. For this reason, the insurance industry has surpassed the banking industry, despite the fact that banks were leaders in the financial market for years. In the last six years, the balance sheet of banks was never below 90%, and its capital lasted during that period to the specified percentage (Table 5). Therefore, it can be stated that the capital of the insurance industry has decreased during the global economic crisis, and reached its lowest level.

In the recent period, the insurance sector in Serbia has low average development in comparison with the EU countries. Accordingly, economic and social crisis represents the main characteristic of the macroeconomic environment in which insurance companies operate. Insolvent enterprises and impoverished population, which make the large part of policyholders, constitute a major part of the problem. Insurers, primarily through insurance premiums, compete for a larger share of the market, leaving aside other elements of competitiveness and expecting some tax incentives for policyholders, which could contribute to the expected growth.

The insured also expect state intervention on the revenue side, as well as the care about their standard of living.

For that reason, we have an unfavourable portfolio structure of the insurance industry in Serbia and some other countries in the region. A comparison of the insurance markets was carried out in this analysis in order to determine the development level and position of the insurance markets in Serbia and the countries of Slovenia, Croatia, Romania, Hungary, Macedonia and Montenegro.

Country		2010	2011	2012	2013	2014
Slovenia	**TOTAL**	2,093,464,202	2,092,244,519	2,036,424,881	1,977,182,583	1,937,555,622
	life insurance	27.63%	27.95%	28.45%	30.50%	31.34%
	non-life insurance	72.37%	72.05%	71.55%	69.50%	68.66%
Croatia	**TOTAL**	1,234,384,913	1,220,993,992	1,206,738,985	1,211,829,105	1,143,038,451
	life insurance	26.58%	26.59%	27.23%	27.97%	30.81%
	non-life insurance	73.42%	73.41%	72.77%	72.03%	69.19%
Hungary	**TOTAL**	3,077,806,058	2,941,788,749	2,724,072,598	2,855,039,571	3,006,355,162
	life insurance	46.02%	47.84%	46.85%	48.50%	48.24%
	non-life insurance	53.98%	52.16%	53.15%	51.50%	51.76%
Romania	**TOTAL**	1,553,887,606	1,463,268,830	1,855,328,789	1,825,113,816	1,818,821,310
	life insurance	20.35%	23.00%	21.83%	20.12%	20.29%
	non-life insurance	79.65%	77.00%	78.17%	79.88%	79.71%

Table 3. Realized insurance premiums and the portfolio structure in the selected EU countries for the period 2010-2014 (in EUR).

Country		2010	2011	2012	2013	2014
Serbia	TOTAL	463,065,066	469,786,910	503,800,852	524,930,418	568,893,492
	life insurance	16.51%	17.44%	19.29%	21.96%	23.06%
	non-life insurance	83.49%	82.56%	80.71%	78.04%	76.94%
Montenegro	TOTAL	62,185,580	64,791,699	66,922,021	72,774,509	72,416,868
	life insurance	13.45%	13.98%	14.16%	14.94%	17.34%
	non-life insurance	86.55%	86.02%	85.84%	85.06%	82.66%
Macedonia	TOTAL	105,638,246	110,974,703	114,322,039	117,254,066	124,380,948
	life insurance	5.47%	7.30%	8.53%	10.14%	11.64%
	non-life insurance	94.53%	92.70%	91.47%	89.86%	88.36%

Table 4. Realized insurance premiums and the portfolio structure in the selected non-EU countries for the period 2010-2014 (in EUR).

In the Tables 3 and 4, we can clearly see that the ratio of life and non-life insurance is even only in Hungary, whereas non-life takes precedence over life insurance in all other countries. It was noticed that life insurance has not experienced higher growth only in Romania, with occasional variations, compared to other countries in the table above. However, a progress has occurred in Serbia from 16.51% share at the fifth place in 2010 to one place higher, with life insurance participation of 23.06% in 2014. These growth indicators bring positive development that the EU member states (Slovenia, Hungary and Croatia) already have, since their financial industries are more developed and achieve positive results (Babić, 2015). Recently, besides the growth of insurance premiums in Serbia, the equal participation of life and non-life insurance premium was observed. In order to improve insurance services and necessary changes in the design of insurance products, especially in life insurance, an insurance company needs to recognize the preferences of policyholders. Therefore, it would be enough that the global trend, in terms of preferences of clients, is adopted from developed countries, such as orientation to the risk of severe illness or similar health insurance, with the newer perspective on different products in life insurance. However, the steady service of non-life insurance has not experienced changes for many years. According to the data from Europe Insurance, the investment portfolio of European insurers increased in 2013 to EUR 8.527 billion, making them leading investors in the European financial market, while the average share of public debt to GDP ratio in the EU increased from 65% in 2007 to 92% in 2014 (Insurance Europe, 2016, p. 23). It should be noted that this regulation is attributed to zero-rate payment of capital for bonds of EU countries, and as such they are considered risk-free bonds. It is realistic to expect that insurance companies in these countries will introduce significant changes in their portfolio in order to optimize capital needs.

To maintain the stability of the financial system, it is necessary to establish an adequate supervision of financial institutions, and that applies to investments and insurance companies. In addition, to protect the basic rights of insurance beneficiaries and policyholders, the main reason for insurance supervision should be the protection of domestic insurers and increased funds for future investments in the domestic financial market. That kind of control would have a positive effect on the balance of payments in each country. With the persistent planning and constant organization, it is more certain that foreign companies will be attracted to invest and establish their businesses under such transparent conditions. The basic function of the National Bank of Serbia is to timely recognize and implement procedures and measures, and to ensure that its management is uniformed with international standards and procedures that apply in the supervision of the EU insurance companies.

In the European Union, the largest institutional investors are insurance companies that provide significant amount of life-savings and voluntary pension funds, which contribute to financial security as a secure cash-flow of long-term capital supporting the stability and efficient functioning of financial markets.

	Banks					**Leasing**				
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014
Balance sheet amount	91.8	92.4	92.6	92.4	92.0	3.6	2.8	2.3	2.2	2.0
Capital	92.5	93.0	93.2	93.5	93.6	1.5	1.4	1.2	0.9	1.1
Number of employees	71.8	71.0	70.3	69.0	67.9	1.1	1.2	1.1	1.1	1.2

	Insurance					**Voluntary pension funds**				
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014
Balance sheet amount	4.2	4.4	4.5	4.8	5.2	0.4	0.4	0.5	0.6	0.7
Capital	6.0	5.7	5.6	5.5	5.4	-	-	-	-	-
Number of employees	26.8	27.4	28.3	29.5	30.5	0.3	0.4	0.4	0.3	0.3

Table 5. Participation in the overall financial industry in Serbia for the period 2010-2014 (in%).

In Serbia, the entry of insurance companies with foreign ownership and green field investments considerably influenced the increase of participation in the financial system and the insurance market. It is important to point out other financial institutions presented in Table 5, which participate with significant share in the economic development through the existing equity and the number of employees. Some of the changes, with foreign ownership insurance companies, were observed, where the most prevalent participation in life insurance premium was 92.5% and in non-life insurance 61.1% in 2010, with total assets from 66.7% and the number of employees to 65.6%. But in 2012, the prevailing participation was different in the life insurance premium with 90.8% or premium share of 57.6% in non-life insurance and the total assets were 68.8%, with the number of employees of 65.5%. Finally in 2014, the participation in the life insurance premium has reached 91.5%, with non-life insurance at 64.7%, and the total assets 75.0%, also with the higher number of employees up to 68.8%. In order to succeed in its strategic objective, the NBS has developed a modern control system by which it monitors the insurance companies as well as their exposure to risks. The NBS recommendations to insurance companies, with the purpose to strengthen corporate governance and improve the processes of internal control, were the following: improving risk management, applying investment valuation techniques (Jeremić, 2010, p. 111), regular education of all potential insured and enhancing transparency to customers, which contributes to further development of insurance activities and strengthening trust on the insurance market.

The share of insurance premium in GDP was 1.7% in 2013, which placed Serbia in the 66th place in the world, while this indicator reached 7.5% for the EU Member States. Despite the fact that the group of developing countries has the average share of insurance premium in GDP of 2.7%, compared to the countries of Eastern and Central Europe with an average of 2.0%, the main conclusion can be that Serbia has a satisfactory position, ahead of Romania, Turkey and Russia. The observed progress of the insurance market in Serbia, in the reported period from 2010 to 2014, showed a positive trend. At the same time, there was a visible decline in the share of real estate in the context of fixed assets. With the development in the long-time transition process, Serbia and other neighbouring countries are aware how important the economic role of insurance is for the global development of national and social systems which follow recommendations of the NBS accordance with the prescribed EU Solvency II Directive. At the same time, the countries of the region, that recently joined EU, still have some unresolved political and financial problems which affect their economic development, while foreign direct investments have slower intensity than expected which creates unfavourable environment for the insurance market and its development. Hungary, as the first Central European country which has reformed its insurance system in 1990, had a significant transaction when the state-owned insurance company Hungaria Bisztosito was sold out to the foreign consortium Allianz (Ulst, 2005, p. 101). Slovenia, on the other hand, protected the interests of its most efficient national insurance company Triglav. The Slovenian example shows that a country in transition is able to build a stable and strong insurance sector, primarily life insurance, and to thereby avoid the domination of foreign capital (Kočović, 2012, pp. 7-8). Lovćen Insurance in Montenegro, and Kopaonik Insurance in Serbia are the property of the Triglav Group (Mondo, 2006). A significant transformation of the state property in Macedonia was completed in 2013, when the company ADOR QBE Macedonia was purchased and renamed in Akcionersko Društvo za Osiguruvanje i Reosiguruvanje Makedonija Skopje - Vienna Insurance Group (Vienna Insurance Group, 2013).

Later, on the remains of the global economic crisis, other economic industries of banking, industrial production, including real estate and car sales, have also slowed down the development in the field of life insurance as a result of higher unemployment and lower income of residents. The data for the period from 2010 to 2014 showed signs of a successful economic recovery in most transition countries and the direction of the financial system development had certain changes in the operating results of both insurance companies and banks, leasing companies and voluntary pension funds.

Comparative overview of insurance premiums and paid damages for the period 2010 to 2014

In addition to the ability of insurers to make insurance premium at a level sufficient for damages, it is necessary to provide a good collection. Otherwise, the insurer may face the problem of failing to fulfil its obligations to policyholders. Respecting the prescribed rules for the control of claims payments by the National Bank of Serbia, companies continued to improve business practices towards the positive trend related to the contracted and paid insurance premiums.

The analysis of completed insurance premiums and paid damages lead to an important business segment of an insurance company, which is the scope of coverage consideration, leading to effective risk management. Each insurance company should determine the program of reinsurance coverage, as insurance companies are exposed to different possibilities of damages on the basis of accepted risk of the insured, and thus they have different financial stability, management culture and leadership, as well as coverage of risk management. Therefore, due to the insurance specificity, companies have different total liabilities and the contracted insurance. A unique approach to creating programs in reinsurance has to be adapted to the real needs of each insurance company, in order to protect the interests of all insurance participants.

Insurance companies deal with the following areas that include adequately established system of internal control: improving risk management, improving valuation techniques of investment, increase of transparency and strengthening good business practices. With timely payment of damages and activities on the education of potential insured, we contribute to greater confidence of the insured and create conditions for the development of this segment of the financial system.

The Tables 6 and 7 clearly show that the ratio of claims paid and insurance premiums collected is almost constant for a longer period of time. This information helps insurance companies plan the costs, where claims paid occupy a dominant position.

Country	2010	2011	2012	2013	2014
Slovenia	60.81%	62.77%	67.59%	68.83%	68.44%
Croatia	47.54%	49.95%	51.28%	51.56%	51.53%
Hungary	61.62%	64.79%	71.73%	71.78%	64.96%
Romania	61.04%	57.31%	57.57%	55.96%	56.02%

Table 6. Comparison of the ratio of collected insurance premiums and paid damages in the selected EU countries for the period 2010-2014 (in %).

Country	2010	2011	2012	2013	2014
Serbia	40.70%	41.27%	40.51%	40.94%	39.60%
Montenegro	51.02%	35.12%	33.43%	36.83%	42.15%
Macedonia	46.11%	44.15%	42.97%	41.14%	40.02%

Table 7. Comparison of the ratio of collected insurance premiums and paid damages in the selected non-EU countries for the period 2010-2014 (in %).

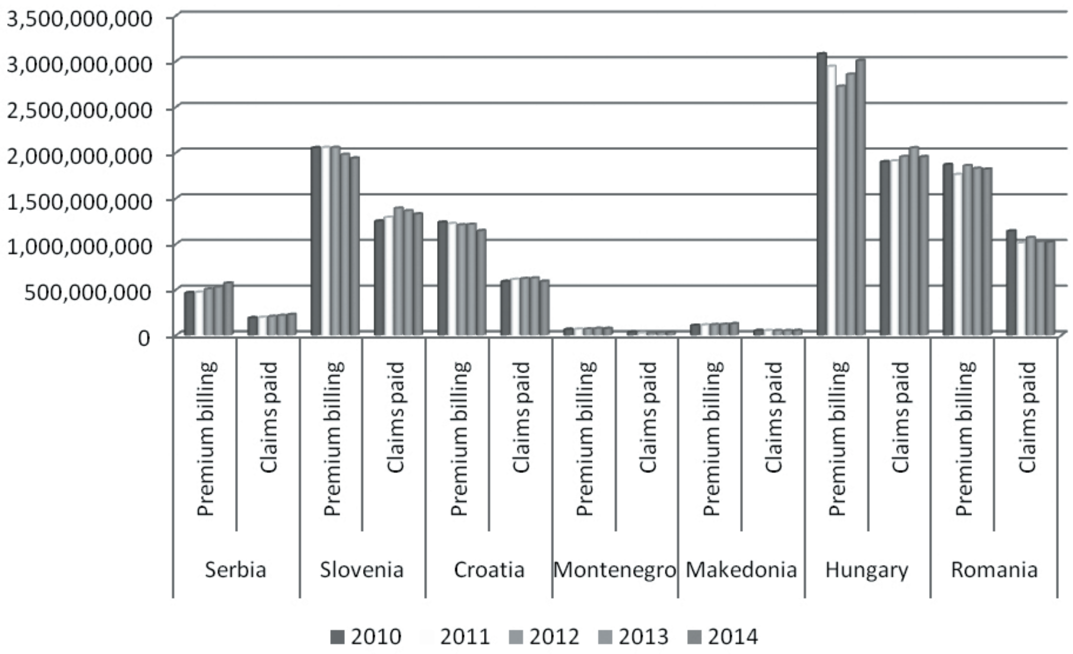

Figure 1. Comparative review of share - insurance premiums and claims paid in the regional countries for the period 2010-2014 (in EUR).

The data in the above Figures and Tables were used and analyzed for Serbia (Sektor za nadzor nad obavljanjem delatnosti osiguranja NBS, 2010-2014), Slovenia (Slovensko zavarovalno združenje Republika Slovenija, 2010-2014), Croatia (Hrvatski ured za osiguranje, 2010-2014), Montenegro (Agencija za nadzor osiguranja Crna Gora, 2010-2014), Macedonia (Agencija za supervizija na osiguruvanje Republika Makedonija, 2010-2014), Hungary (Magyar Biztosítók Szövetsége, 2010-2014) and Romania (Autoritatea de Supraveghere Financiară Romania, 2010-2014).

The data in the Figure 1 points to the comparative review of share between insurance premiums and claims paid in the regional countries, which clearly indicates that a greater percentage of claims have been paid in the EU Member States in the reporting period. The main reason for that remains the stable development and its influence on the insurance market, as well as powerful financial strength of the insurance companies, but also better trust and loyalty of the insured and policyholders. With its constant progress, the society creates a liberal free market economy for the future (Turnock, 2005, p. 101). On the other hand, transition countries, which are less developed, with lower ratio of claims paid according to invoiced insurance premiums, have very different direction of insurance market development compared to the EU countries. Insurance premiums indicate the degree of economic development of countries, such as the EU Members, for example Slovenia, Romania, Hungary and Croatia that have significant funds available in the insurance sector and provide, through transparent legislation, secure investments of raised funds following up current economic trends. According to the given parameters, insurance market in Serbia demonstrates the largest potential compared to Montenegro and Macedonia. As previously mentioned, insurance companies provide a transfer of risk, with the financial investment power of foreign insurance companies, and distribution of risk, with widespread increased number of individuals like risk carriers. However, they remain aware of the frequency of unfortunate coincidences and the risk occurrence.

After all, the insurance companies expand their business and operation risks toward new insurance markets or potential insured, transferring on that way the risk to a much larger number of community members. The basic motive of investments, the reason why foreign insurance companies are operating in the international markets, is profitable transfer of risk. For insurance companies, that is a very useful investment because it provides the accumulation of financial assets. Thereby, insurance companies provide a large community of insured risks, or exposed units, and also anticipate the costs participation more easily. From an economic point of view, this insurance function provides security and financial protection to people and companies in case of an unfortunate event. They thus achieve to maintain a basic living standard and thereby insurance companies enable proper insurance cover for as much people and businesses as possible (Insurance Europe, 2015).

Accordingly, it is expected that the sale conditions of life insurance and non-life insurance could be difficult in the future, with a high hope that the growth of the insurance industry accompanied with the development of the capital market and economy will have a positive direction.

CONCLUSIONS

Using the assessment of the collected data, it is shown that the life and non-life insurance, individually and collectively, contributed to economic growth in a sample of selected EU member states and selected non-EU countries, in the period from 2010 to 2014. The following can be concluded:

- The first hypothesis has not been proved, *i.e.* that the insurance industry could not increase coverage at the market independently from the existing economic conditions, which indicates that the economic growth, shown by increase of GDP, is necessary for the insurance development;
- Unlike the main hypothesis that has not been confirmed, the auxiliary hypothesis has produced evidence that the range of insurance products increased in the countries in which investments were made in the insurance industry, and through this type of diversification, it was possible to prevent a large decline of the insurance share in GDP;
- The observed period covered the time after the occurrence of the financial and economic crisis and therefore there was low growth in gross domestic product;
- Low and slow economic growth resulted in a sharp decrease in the insurance industry;
- As an outcome of foreign investments in the insurance business, the range of insurance products and methods of sales were enhanced, which resulted in the increased competitiveness.

According to the present developments and results, the insurance industry has the opportunity to promote economic growth. At the same time, the functions of insurance companies represent an important segment for economic growth by providing resources, risk management and allocation of resources. Adequate guidelines could present suggestions for future policymakers in the insurance industry, as insurance companies will assume the position of leading financial investors in the future, since they possess large amounts of capital to invest in different segments of the financial market. In any case, the key is to implement business policy that will ensure institutional improvements for the promotion of competition, which contributes to increased efficiency, particularly in risk management and new products development. In this regard, many countries deal with demographic challenges and problems in the social security system, and they should implement incentives to stimulate and increase participation of insurance companies in the form of supplementary voluntary pension and health insurance.

The development trends of the insurance markets in the future, in the countries that are not EU member states, could be more dynamic as compared to the overall GDP. By creating more favourable investment climate at the insurance market, the governments of less developed countries could achieve the first goal of any advanced society - better quality of life for every citizen. Insurance could give its full contribution and be a driving force for the development. Such trends are rather predictable and give a chance to foreign insurers to increase their financial means by coming to underdeveloped insurance markets (investment risk is small, *i.e.* the profitability of investment is certain). It is possible that the development of the insurance industry would contribute to the economic growth, and enable future research due to connectivity and data availability in the integration of an increasing number of transition countries.

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RAZVOJNE PROMENE U SEKTORU OSIGURANJA ZEMALJA U TRANZICIJI

Rezime:

Ostvarivanje ciljeva rasta i razvoja nacionalnih ekonomija uspešno se postiže putem realizacije pravilno odabrane politike ulaganja, pa otuda i stav da su strana ulaganja jedno od osnovnih sredstava za ostvarivanje ciljeva ekonomskog i regionalnog razvoja. U globalizaciji svetskog tržišta osiguranje je jedna od grana koja je najdalje otišla. U ovom radu sagledava se odnos sektora osiguranja i njegove razvojne promene kod odabranih zemalja u tranziciji, od kojih su neke od njih već članice Evropske unije, a neke još uvek u postupku pristupanja. Značaj sektora osiguranja vidi se u rezultatima prikazanih vrsta osiguranja u periodu od 2010. do 2014. godine. Zemlje u tranziciji očekuje značajan podsticaj privrednom razvoju ulaskom investicija u delatnost osiguranja. Da li su ova očekivanja ispunjena ili su unapređenja ostvarena samo u domenu vrste i načina prodaje proizvoda osiguranja predmet je ove studije.

Ključne reči:
osiguranje,
razvoj,
zemlje u tranziciji,
premija osiguranja,
štete.