

DEVELOPMENT OF THE INSURANCE MARKET IN SLOVAKIA 1993 – 2000

Part II.

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Development of average received insurance premiums per capita and average monthly wages 1993 – 2000

Indicator	1993	1994	1995	1996	1997	1998	1999	2000	Index 2000/1993
Average monthly wages (SKK)	5 379	6 294	7 195	8 154	9 226	10 003	10 302	11 430	212,5
Real increase in wages (%)	-3.6	3.2	4	7.1	6.6	2.7	-1.9	-4.2	
Average received premium / inhabitant	1 518	1 680	1 972	2 565	3 152	3 948	4 385	5 059	333,3

Source: SAP annual reports 1993 – 2000 and MARCINŠIN, A. – BEBLAVÝ, M.: *Hospodárska politika na Slovensku* (Economic Policy in Slovakia)

The volume of subscribed premiums is affected by, besides the aforementioned indicators, also the average wage, the development of which is shown in the table.

From the table it can be seen that despite the difficult socio-economic situation, the rate of growth of the average accepted premium per person is faster than the rate of growth of the average monthly wage. It has been possible to achieve this rate of growth through the effective cooperation of all members of the Slovak insurance market, in particular the efforts of the employees of all 28 insurance companies, the SAP, SAMP as well as the supervisory authority, which since November 1, 2000 has been the Financial Market Office, but this is also due to a large extent to policyholders, who are beginning to see insurance as a part of their standard of living.

Transformation of legal compulsory liability insurance for damage caused through the operation of a motor vehicle

Compulsory insurance had been administered by a single insurance company – Slovenská poisťovňa, a. s. and which did not face competition in this product, contrary to the principles of the market mechanism. Following several years' preparation for the transformation of legal compulsory liability insurance to compulsory contractual liability insurance, its implementation was started on January 1, 2002.

A rationally and efficiently functioning system of compulsory contractual insurance will be ensured by an institutional infrastructure comprising eight insurance companies, which have been granted licences for operating

compulsory contractual insurance. These are Slovenská poisťovňa, a. s., Česká poisťovňa – Slovensko, a. s., Generallí poisťovňa, a. s., ERGO, a. s. Allianz, a. s. Komunálna poisťovňa, a. s., UNIQA, a. s. and poisťovňa Kooperatíva, a. s., The Motor Vehicle Registration Authority, The Office of Insurers, The Guarantee Fund and Cross-Border Insurance.

The Motor Vehicle Registration Authority registers and updates the file of vehicle registrations, which requires a modern, flexible and adaptable information system.

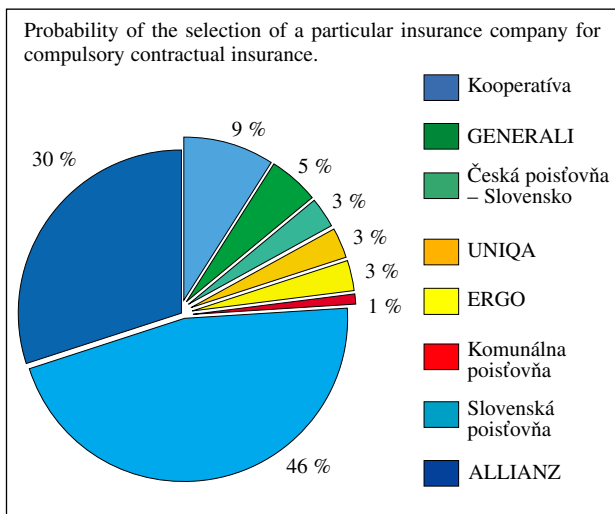
The Office of Insurers is an independent organisation of those insurers granted a permit from the Financial Market Office for operating compulsory contractual insurance; it also administers the Guarantee Fund, operates Cross-Border Insurance, concludes agreements with the National Office of Insurer's and cooperates with state administrative authorities.

The Guarantee Fund is an important instrument of protection of the damaged party in the case where it is not known who the guilty party is, or where the guilty party does not have compulsory contractual insurance concluded, or possibly where the insurer is insolvent. The Guarantee Fund is operated by the Office of Insurer's and is formed of insurers' contributions and from the insurance premium for Cross-Border Insurance.

Cross-Border Insurance is intended for those drivers who are not holders of a Green Card or come from a country not on the list of countries in the Green Card System and for which the Slovak Office of Insurers does not have an agreement concluded (the Green Card System was established in 1949, its aim being the mutual settlement of damages caused by the operation of motor vehic-

les). The de-monopolisation of legal compulsory insurance was essential from both the viewpoint of the appropriate development of the internal market, as well as from the viewpoint of the on-going accession process to the EU. A characteristic feature of compulsory contractual insurance is the long-term high burden of losses, which causes an insufficiency in the volume of accepted premiums and thereby the loss-making nature of this product. Despite this fact there has been a relatively high level of interest from the side of individual insurance companies in all developed economies, because marketing professionals consider this product as a 'entry gateway' for gaining a customer and the possibility of providing other products, the profit on which may to a certain level compensate for the loss-making nature of this product.

Selection of licensed insurance companies by insurance company clients



The transformation process has, in terms of its scope, volume and complexity been one of the greatest tasks carried out in the Slovak insurance market since 1991. At the Microeconomics Faculty in Košice of the Economics University in Bratislava we carried out research in October 2001 aimed at ascertaining the level of informedness among people regarding compulsory contractual liability insurance. A part of this research was also the ascertaining of the probability of the selection of a specific insurance company for compulsory contractual insurance. The research was carried out in the Košice and Prešova counties for a sample of 11 100 respondents. Questionnaires were distributed to households, insurance companies, petrol stations, car showrooms and service garages. The rate of response was 75%. The percentage showing of individual insurance companies is displayed in the graph below.

The Office of Insurers does not currently yet have available the final results on the share of individual insurance companies. It may however be supposed that on the basis of preliminary results the actual shares will be close to the shares gained on the basis of the research.

Bank-Insurance

An integral component of the transforming financial market is bank-insurance, which began to develop in EU countries following deregulation of the insurance market. Bank-insurance can be understood as the integration of banking and insurance operations, the aim of which is the efficient creation and distribution of bank and insurance products for a common group of clients. Giffin, 1997, formulated the challenge facing banks and insurance companies as: "Banks that have initial contact with a customer must determine what customers are looking for in a product's features, access to sales and service. Insurers also need to understand what customers want, so that they can provide large-scale sales, insurance products, marketing and sales support to a bank that needs them".

The development of the insurance and banking market, the gradual solving of the main tasks, a lack of domestic mainly long-term financial capital have been the main factors leading to the emergence of cooperation between management of banks and insurance companies and whose efforts have laid the foundations for bank-insurance in Slovakia. Currently bank-insurance is developing in the form of cooperation agreements of 11 insurance companies and 9 banks, which offer 12 insurance products, 9 of which are non-life and 3 life insurance products. The main benefit of the further development of bank-insurance will be the support of long-term saving among the population, as a valuable source of domestic capital, essential for the investment development of Slovakia.

National wealth created by means of economic activity is permanently threatened by various risks and as a consequence of which we lose huge material worth, suffer financial losses, as well as harm to health and interests. The insurance industry, through carrying out its basic functions compensates for individual losses, thus stabilising national wealth.

Conclusion

In this article I have presented only some of the important indicators of the development of the Slovak insurance market over the period 1993 – 2000. A brief description of the development of the insurance industry in the particular macroeconomic conditions has shown its dynamic development. In the period monitored numerous and substantial tasks have been realised, of which I shall mention at least the transformation of insurance purpose funds, monitoring of solvency, application of various forms of guarantee, the intensive preparation for the transformation of legal compulsory liability insurance for damage caused by the operation of a motor vehicle to compulsory contractual insurance, culminating in its implementation on December 31, 2001, the modernisation of information systems, the modernisation of distribution channels as well as the beginnings of the development of an e-insurance in-

dustry. A legislative amendment is being made in accordance with EU directives for supervision of the insurance industry so as to achieve maximum compatibility of the Slovak insurance market prior to accession to the European market, which today already works on the principle of a single licence.

Literature

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