Part Two: Insurance Sector Development And Its Effect On The Financial Markets In Developing Countries: The Case Of Kosovo

B. Haliti Baruti

Abstract— The purpose of this study is to identify the connection between the insurance market and the financial markets. More specifically to analyze the nature of insurance companies and their direct role in the economic and financial system development. This market study aims to analyze the insurance system in Kosovo by defining and analyzing its structure, the degree of concentration of insurance companies on the insurance market, their behavior towards price, number of participants, companies operating in this market, and types of products and services they provide. This paper (part two of the study) will present the secondary data from Central Bank of Kosovo, Insurance Companies, and Insurance Association of Kosovo. The analysis are performed on quantitative and qualitative data through applying theories on insurance market development in other countries. It is imported to identify the factors because it enables insurance companies to design policies that tackle the demands of consumers for voluntary insurance policies and at the same time to contribute to financial stability of Kosovo’s economy. The study aims to conclude on the main research question: Does Insurance Development affect the Financial Markets in developing countries? The expected outcome is that the insurance sector in Kosovo is an important factor for the further development of the financial system.

Index Terms—Insurance Market; Development; Financial System, Economic Growth

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INTRODUCTION

Regarding research in this work, several previous papers are important to mention. The research conducted by reference [18] has come to the conclusion that both forms of insurance are developed: life insurance and non-life insurance, with the latter dominating the market. The insurance market in Kosovo today is quite consolidated and has sufficient financial and professional capacities to provide various insurance coverage. This coverage offers protection to citizens and their businesses from different events whether they are natural disasters or insurance on health, life, property, responsibilities, various accidents etc. Other academic studies that are mention in literature review have analyzed the insurance effect on economic growth. As per the direct effect of insurance on financial markets development, it requires further academic studies and exploration. However, based on studies in Kosovo and compared with studies of other countries its worthy to mention that Kosovo have still challenges ahead to overcome and achieve even more qualitative services.

Further enhancement type of insurance policy offers and contemporary products, methods and ways forward of management to achieve European standards. Moreover, reference [1] claims that insurance markets drive economic growth by enabling a more efficient management of risks and domestic savings. Reference [5, p. 398] adds that “both life and nonlife insurance premiums have a positive and significant effect on economic growth”. Further, reference [5] adds that life insurance impacts growth only in high-income countries, while non-life insurance impacts growth in both high-income and developing countries. Further, they have analyzed two impacts of insurance markets on the countries: the impact of insurance investment and premiums on GDP growth in Europe. Based on these two impacts, they studied the role of insurance markets on financial market growth. The authors conducted their analysis based on panel data of 29 European countries from 1992 to 2005. The evidence from 15 EU countries suggests that life insurance markets has positive impact on GDP growth, on the other hand the larger impact for liability insurance came from the New EU Member States from Central and Eastern Europe. Reference [3] have examined the insurance industry in Romania by analyzing insurance market data gathered for 16 years and comparing them to other international markets.

The study focuses on the impact of the insurance businesses, and life insurance and non-life insurances on the economic growth. The results of the analysis showed that in all observed countries, where the economic development is higher also the weight of insurance to the GDP of that countries is higher than 10%, in some European countries it is even higher [3]. The insurance companies just like the others institutional investors may not only help to improve the allocation of capital, but also further strengthen their investments through enhanced surveillance reference [4]. Furthermore, the insurance companies have large cash inflows and reserves, which may be partly invested in less liquid instruments as bonds and equities.

In Kosovo since the beginning of the operation of insurance companies, which is over 18 years, the market still dominates high number of uninsured vehicles and low number of other type of insurances, which, to some extent, is a burden on economic entities, and thus the economy as a whole.

LITERATURE REVIEW

Regarding research in this work, several previous papers are important to mention. The research conducted by reference [18] has come to the conclusion that both forms of insurance are developed: life insurance and non-life
insurance, with the latter dominating the market. The insurance market in Kosovo today is quite consolidated and has sufficient financial and professional capacities to provide various insurance coverage. This coverage offers protection to citizens and their businesses from different events whether they are natural disasters or insurance on health, life, property, responsibilities, various accidents etc. Other academic studies have analyzed the insurance effect on economic growth. As per the direct effect of insurance on financial markets development, it requires further academic studies and exploration. However, based on studies in Kosovo and compared with studies of other countries its worth to mention that Kosovo should be noted that, there are still challenges ahead to overcome and achieve even more qualitative services, further enhancement type of insurance policy offers and contemporary products, methods and ways forward of management to achieve European standards. Moreover, [1] claims that insurance markets drive economic growth by enabling a more efficient management of risks and domestic savings. Reference [5] p. 398) adds that “both life and nonlife insurance premiums have a positive and significant effect on economic growth”. Further, [5] adds that life insurance impacts growth only in high-income countries, while non-life insurance impacts growth in both high-income and developing countries. Reference [5] have analyzed two impacts of insurance markets on the countries: the impact of insurance investment and premiums on GDP growth in Europe. Based on these two impacts, they studied the role of insurance markets on financial market growth. Reference [5] conducted their analysis based on panel data of 29 European countries from 1992 to 2005. The evidence from 15 EU countries suggests that life insurance markets has positive impact on GDP growth, on the other hand the larger impact for liability insurance came from the New EU Member States from Central and Eastern Europe. Reference [3] have examined the insurance industry in Romania by analyzing insurance market data gathered for 16 years and comparing them to other international markets. The study focuses on the impact of the insurance businesses, and life insurance and non-life insurances on the economic growth. The results of the analysis showed that in all observed countries, where the economic development is higher also the weight of insurance to the GDP of that countries is higher than 10%, in some European countries it is even higher [3]. The insurance companies just like the others institutional investors may not only help to improve the allocation of capital, but also further strengthen their investments through enhanced surveillance [4]. Furthermore, the insurance companies have large cash inflows and reserves, which may be partly invested in less liquid instruments as bonds and equities.

In Kosovo since the beginning of the operation of insurance companies, which is over 18 years, the market still dominates high number of uninsured vehicles and low number of other type of insurances, which, to some extent, is a burden on economic entities, and thus the economy as a whole.

OVERVIEW OF INSURANCE MARKET BY CENTRAL BANK OF KOSOVO

From the annual reports of the responsible institution for the insurance market, which is the Central Bank of Kosovo (CBK), so below are elaborated key figures, which show the performance and the stage of the insurance market in the country for each calendar year, it worth to mention that a part these data will be elaborated in more detail in other chapter of the thesis. Reference [2] states that there are different types of insurance that are applied in the territory of Kosovo, in which case everyone can be insured for possible different risks almost as in any other developed country, at a price defined by the market and the companies operating in the country. Only the four most important types of insurance will be mentioned: Life insurance policie and the type of risk covered by this insurance is early death; a) Motor liability insurance and the type of risk covered by this insurance are accidents or thefts; b) Property insurance and the type of risk covered by this insurance is fire or other property damage; c) Accident and health insurance and the type of risk covered by this insurance are personal illnesses and accidents.

If we look at the insurance sector in Kosovo, it is important to note that every time more and more this sector is growing since the beginning of the operation, but there has been a significant increase in growth since 2012. Example during 2012 the total assets of the sector increased by 1.3% while in 2013, the total assets of insurance companies operating in the country reached the value of 132 million euros, an annual increase of 1.4 percent. Thus, the insurance sector during 2013 was characterized by a net loss of 337 thousand euros, which is significantly lower compared to the previous year when this sector had recorded losses of 3.1 million euros [2]. But, if analyzed in another aspect, it is still seen that this sector is still very small in terms of assets and the contribution it can have to the financial system. At the end of 2013, the insurance sector was represented by only 3.2% of the total assets of the Kosovo financial system [2]. While, if we talk about profits, we can emphasize that according to [2] in 2012, the insurance industry reported a total net loss of 3.1 million euros, while in 2013 the industry reported a net loss of 0.3 million. In this case, the Central Bank of the Republic of Kosovo would be discouraged if the insurance companies in Kosovo would have excessive profits because then it is meant to have irregularities or insufficient competition in the market. It is also worth mentioning the summary of the years mentioned above by the CBK reports that the insurance sector in Kosovo is still small and mainly focused on vehicle insurance, and other insurance policies are available from companies that spend the summer in Kosovo but the demand for these types of insurance is low. People should also consider insuring against other types of risk such as physical damage to property, illness or death, as if they are affected by an undesirable event in any of these areas, they will have significant damage and possibly damage. Financially irreparable for themselves and their families. Further baset on other report of CBK, 2015 the insurance sector has marked an increase in activity where in June 2015 the value of the sector's assets reached 151.2 million euros, which corresponds to an annual increase of 11.5 percent. However, the financial performance of this sector continues to be more unfavorable, deepening the loss compared to last year. Following the revisions of this market by the regulator or market supervisor, i.e CBK in 2016, they declare that the total assets of insurance companies operating in the country
reached the value of 161.8 million euros, an annual increase of 5.9 percent. During 2016, the value of premiums written by insurance companies reached 83.5 million euros, an annual increase of 4.4 percent, while in the same period, the total damages paid by insurance companies and the Kosovo Insurance Bureau (BKS) increased annual of 3.8 percent and amounted to 38.6 million euros. The insurance sector recorded losses of 23.9 million euros, mainly due to higher revenue growth versus revenue. Then in 2017, there is a slight positive increase where the total assets of insurance companies operating in the country reached 176.8 million euros, an annual increase of 9.2 percent. In the same year, the value of premiums written by insurance companies reached 86.7 million euros, an annual increase of 3.9 percent, while in the same period, the total damages paid by insurance companies and the Kosovo Insurance Bureau (BKS) marked a significant annual increase of 17.8 percent and reached a value of 46 million euros. As a result of the increase in revenues compared to the significant decrease in expenditures and damages, the insurance sector recorded a profit of 6.4 million euros in 2017. From the annual report [2] it is clear that the level of mediation of the insurance sector, more precisely the gross written premiums in relation to the country's GDP, where it turns out to be at a low level of 1.41 percent. The assets of the insurance sector, representing 2.8 percent of the total assets of the financial system, amounted to 175.7 million euros in 2018. The marginal decline recorded in the assets of the insurance sector of 0.6 percent was mainly attributed to the withdrawal of a company from the market. Life insurance during 2018. During 2018, the value of premiums written by insurers reached 92.1 million euros, an annual increase of 6.2 percent, while the damages paid by insurers and the Kosovo Insurance Bureau (BKS) marked a slowdown in annual growth in 5.0 percent reaching 48.3 million euros in 2018. The insurance sector closed 2018 with a positive financial result, albeit with a lower net profit than last year. The profit recorded in 2018 was 1.6 million euros, compared to the profit of 6.4 million euros in 2017. When we talk about insurance companies in Kosovo, according to the number have changed interventions usually closing in numbers but in recent years there has been a merger. of companies and bankruptcy as a whole. But at the moment we can say convincingly that they have changed for the better, where there are a total of 13 of them, where one of these companies offers non-life insurance while two of them offer life insurance. This number of companies is enough to assure us that there is enough competition in the insurance market in Kosovo. Further in Kosovo operate companies with foreign and domestic capital, where nine companies are operating in this country with foreign capital or have foreign ownership while the other four companies are domestically owned. The insurance sector recorded an increase in assets, but continues to face difficulties in terms of profitability. The CBK is working with the insurance industry to strengthen and expand the sector as a functional and well-developed insurance market (through insurance companies) contributes to the economic and financial development of a country, enabling citizens, enterprises and the state itself, doing business more securely as well as investing in savings for a financial stability.

III. METHODOLOGY

The purpose of this study, as mentioned above, is to identify the connection of the insurance market with the financial markets, its impact on the development and stability of the financial system. To study this phenomenon, we will be using quantitative and qualitative research methods. For this purpose, the existing literature (in English and Albanian language) will be used and for the empirical analysis we will be using data from national and international sources (Central Bank of Kosovo, Insurance Companies of Kosovo, Kosovo Insurance Bureau, Association Insurance of Kosovo, Council of bureau and International Association of Insurance Supervisors). The data collected from these sources will be subject of analysis by using the usual quantitative statistical methods. The data used in this analysis will be from 2000 (but in this paper will be presented only years from 2015-2018), the year when the insurance market began to develop faster in Kosovo, up to the current state of the insurance market in Kosovo. The data will be processed through the SPSS program for analysis purposes. This research will be implemented through questionnaires (qualitative method) in order to collect information. This two surveys was elaboration in first publication, so here will write a few sentences just to remember for what it is about which of them.

A. First Survey

The questions included in the questionnaire are intended for Finance directors of insurance companies in Kosovo who are expected to respond about the financial conditions of the companies, incomes and expenses, product sales and will provide their opinion as an insurance market expert on sector’s current state of affairs. By these questions they were asked how they see the chances for positive change and what are the actions that need to be taken. Combined with the literature and statistical data, results of survey will provide an additional perspective for an in-depth analysis of the impact of insurance market on the financial market in Kosovo.

B. Second Survey

The main focus of the survey was on the question: Why the majority of Kosovo citizens don’t buy voluntary insurance? It refers to the results obtained from our survey conducted from employees with a monthly income, which are or can be insurance buyers. The questionnaires that we distributed was approximately to 800 employees, but only 300 of them has answered.

IV. INSURANCE MARKET IN KOSOVO

Most of the insurance companies have started their work during year 2000, such as I.C “Kosova”, I.C “Insig” and I.C ”Siguria”, and I.C ”Dardania”. To these Insurance Companies was issued a temporary work permit from UNMIK Administration. In the first half of year 2001 respectively, in August, the first steps of building an efficient insurance system in Kosovo were set up with the creation of a supervisory department of insurance companies in Kosovo operating under the Payments Authority of Kosovo (BPK)
later transformed into the Central Banking Authority of Kosovo (CBAK) and in 2008 it was appointed as the Central Bank of Kosovo (CBK). During the first half of year 2002, all insurance companies applied for licenses, although some of them had started work during year 2000. After the completion of all legal licensing procedures as required by Regulation 2001/25. Insurance Market has experienced a relatively positive development over the last decade and has been characterized by ongoing reforms, especially with the entry of new companies by offering new services. As we mentation before the Central Bank of Kosovo (former Private bank of Kosovo), approves the licensing and supervision of insurance companies in the country, based on two laws: 04/L - 018 Law on Compulsory Motor Liability Insurances and 05/L - 045 Law on Insurances. The number of insurance companies decreased from 15 to 13 insurance companies, out of which 11 are 'nonlife' insurance companies and 2 are 'life' insurance companies.

THE HISTORY OF INSURANCE COMPANIES IN KOSOVO

The eleven insurance companies are “nonlife”:

I. Insurance company "Kosova e Re"

The agreement for the establishment of the insurance Company "Kosova e Re" was signed on April 4, 2002 between the insurance company "Kosova" and "Kurum Commerce Group" company from Turkey. Containing regulation no. 2001/25 by BPK, this company was transformed into a joint stock company with limited liability and on 25.04.2002 was promoted with a permanent license for general insurance activities no. 007 as the Insurance Company "Kosova e Re" where as a start it has recognized the transfer of the portfolio from the insurance company Kosova in the amount of € 3,709,000. While now it is 100% with local capital, the number of shareholders is one. The assets of the Insurance Company "Kosova e Re" on 31.12.2018 were 13,095,000 €, the share capital 4,023,000 € and the profit on 31 December 2019 was 67,000 €. Products The company "Kosova e Re" exercises the right to operate in all types of insurance, which include compulsory and voluntary insurance. The wide range of products offered by "Kosova e Re" includes: Personal Insurance: Health insurance, from personal accidents and travel health insurance. Property Insurance: Insurance of homes and apartments, businesses-industries, buildings under construction and provision of goods in transport. Vehicle Insurance: Liability Insurance - TPL, Green Card - TPL Plus and Casco Vehicle Insurance. Banking Insurance: Securing cash in cash, loans, bank guarantees, tenders, tender execution and securing professional liability [7].

II. Insurance company “Sigma”

SIGMA SHA is the first private insurance company in Albania, established in 1998 in Tirana. In August 2001, just 3 years after its establishment, SIGMA entered the Kosovo market in cooperation with a local company. In September 2004, SIGMA received a license to operate in Kosovo through its Sigma sh.a. branch - Kosovo Branch. While in December 2008 Vienna Insurance Group bought most of the shares of SIGMA-S capital in the amount of 87 percent plus 1 share. In January 2015, the merger of SIGMA with the sister company Interbanian was formalized, as a result of which the new company SIGMA Interbanian Vienna Insurance Group has a stronger capital, a wider sales network, a better fusion of expertise for well-known but also special products on the market. So Sigma Interbanian Vienna Insurance Group sh.a - Kosovo Branch is a Branch of Sigma Interbanian Vienna Insurance Group sh.a Albania. Where it is known as a company with foreign capital because 89.053% of the shares belong to Vienna Insurance Group AG Wiener Versicherung Gruppe and the other part from the members of the Albanian board. The company's assets on 31.12.2019 were € 22,464,000, the share capital was € 5,396,000, and the profit last year was not -59,000 €. The products that Sigma Company offers in the market are: Motor vehicle insurance: Compulsory motor third party liability insurance (TPL), Self-liability insurance (TPL Plus) Motor vehicle insurance (CASCO), Limited Policy Insurance. Property insurance: Fire insurance and additional risks, Insurance against theft, Engineering insurance, Securing cash, Liability insurance, Cargo insurance (CARGO), Health Insurance: Health Insurance, Personal Accident Insurance, Travel Health Insurance [8].

III. Insurance company "Prisig"

Prisig is one of the newest companies in the Kosovo market and has been operating since 29.04.2015 as a licensed Insurance Company in Kosovo with local capital with one shareholder. The assets of the company on 31.12.2019 are € 16,438,000, the share capital is € 5,251,000, while the profit is € 551,000. The products it offers are the same as most other companies that perform this activity: Individual Insurance, Vehicle Insurance, Property Insurance, Guarantee Insurance, Tender Insurance, Contract Insurance (Execution), Advance Guarantee, Guarantee Customs and Guarantee Maintenance [9].

IV. Insurance company "Scardian"

The agreement for the establishment on year 2014. The company's assets on 31.12.2019 were € 15,640,247, the share capital was € 6,205,643, while the profit was € 152,319. Products that this insurance offer are: Liability Insurance, TPL Kosova Plus Insurance, Casco Vehicle Insurance, Home and Property Insurance, Travel Health Insurance, Personal Accident Insurance, Family Health Insurance, Personal Accident Employee Insurance, Insurance of Property from Fire and Additional Risks, Guarantee Insurance, Liability Insurance, Money Insurance - CIS & CIT, Maller Insurance - Cargo, Car & Ear Insurance [10].

V. Insurance company "Dukagjni"

This company already has 20 years of experience in the market where it has taken over the company "Croatia". The operator exercises all with local capital. The company's assets on 31.12.2019 were € 12,578,902, the share capital was € 6,125,000, while the profit was € 200,156. The products it offers are: Car insurance (TPL insurance, TPL +
and KASKO), Travel health insurance and Property insurance [11].

VI. Insurance company "Sigal Uniqa Group"

SIGAL Kosovo has operated in Kosovo since October 2003, focusing on non-life insurance. SIGAL Kosova was licensed by the Central Banking Authority of Kosovo as a non-life general insurance company. The company's assets on 31.12.2019 were € 22,291,000, the share capital was € 4,316,000, while the profit (€ 228). The products offered are: Life Insurance, Life Insurance with savings and Private Pension [12].

VII. Insurance company "Siguria"

Insurance company Siguria, was established on 05.06.2000 as an organization with limited liability, based on the law on temporary insurance of companies (UNMIK Reg.2000 / 8 dt. 29.02.2000). I initially started working with insurance that was known in our market as compulsory insurance and gradually, brought innovation to our market by refreshing it with new voluntary insurance compared to other European companies. The company operates with local capital. The products it offers are: Property Insurance, Casco Insurance, Health Insurance, Liability Insurance, Personal Accidents, Travel Health, Home / Housing Insurance, Money Insurance, Construction Risk Insurance, Transportation Goods Insurance, Insurance of Guarantee and Insurance of Cattle [13].

VIII. Insurance company "ELSIG"

ELSIG Insurance Company was established in March 2008. The second quarter of 2008 was the initial investment period in this company, while the insurance company "ELSIG" started its activity in June. case is licensed for the sale of insurance products by the Central Bank of Kosovo (CBK). In September 2008, the insurance company Elsig became a member of the well-known Austrian company GRAWE GROUP - Grazier Wechselfige Versicherung Aktiengesellschaft, as the partnership between the two companies was crowned. Membership in "GRAWE GROUP" and the merger of capital with this company, was another objective achieved by the Insurance Company "ELSIG", in 2013 the person who opened the company managed to return 100% of the company's shares owned by him. the company now operates with local capital. The company's assets on 31.12.2019 were € 15,750,000, the share capital was € 4,595,000 and the profit was € 644,000. The products it offers by market are: Vehicle insurance (TPL, TPL + and KASKO), Home-apartment insurance, Business insurance and Health insurance [17].

IX. Insurance company “Eurosig”

Eurosig sh.a. established as a Insurance Company in the activity of Non-Life since 2000 initially with the name Dardania and starting from December 2015 has entered the market with the new name Eurosig sh.a., entirely with capital and local shareholders. The company's assets on 31.12.2019 were € 15,750,000, the share capital was € 4,595,000 and the profit was € 644,000. This company also offers a diverse portfolio of insurance products such as: Health insurance, travel health insurance, personal accident insurance, home insurance, car insurance, property insurance, group health insurance, goods insurance from transport - CARGO, professional, public and productive liability insurance, insurance of all routes - CAR / EAR [15].

X. Insurance company “Sigkos”

SIGKOS Insurance Company sh.a. is a private company registered as a business entity in 2006 in Kosovo. Operates with local capital. The company's assets on 31.09.2019 were € 7,459,200, the share capital was 3,304,513 while the profit was € 93,656. The products offered by this company are: Motor Vehicle Insurance, Casco Insurance, Personal Accident Insurance, Guarantee Insurance, Health Insurance, Travel Health Insurance, Property Insurance, Liability Insurance, Construction Facilities Insurance, and Facility Insurance in assembly and Insurance of cash in cash and transit [16].

XI. Insurance company “Illyria”

In the Republic of Kosovo, it was originally known as the Insurance Company "Dukagjini" sh.a. and to conduct insurance business in the Republic of Kosovo, was licensed on February 4, 2002. In 2006, partial sale of shares (51%) was made, the Insurance Company "Sava Re", based in Ljubljana, Republic of Slovenia, while in 2009, the same company became the full owner, buying the entire value of the shares (100%). During 2010, the company changed its name from the Insurance Company "Dukagjini" sh.a. in the Insurance Company "Illyria" sh.a. so that, from October 1, 2010, the company in the market operates under the name Insurance Company "Illyria" sh.a. The company's assets on 31.12.2019 were € 15,750,000, the share capital was € 4,595,000 and the profit was € 644,000. The products it offers in the market are: Vehicle insurance (TPL, TPL + and KASKO), Home-apartment insurance, Business insurance and Health insurance [17].

| TABLE I. Non-Life Market in Kosovo 2015-2018 |
|------------------------------------------|
| **Income Statement**                    |
| **Earned**                              |
| Premium, net of reinsurance             |
| Gross Written                           |
| 65,567,006                               |
| 73,566,888                               |
| **Premium Ceded to Reinsurer**           |
| (8,616,937)                              |
| **Change in Unearned Premium Reinsurer**|
| 134,452                                 |
| **Share in Change /Unearned Premium**   |
| 482,603                                 |
| **Interest Income, net**                |
| 1,282,383                               |
| **Other Income**                        |
| 1,547,741                               |
| **Total Income**                        |
| 68,397,130                              |

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In this table are presenting the data from all Insurance Companies regarding Non – life Market. Jury the period from 2015 until 2018. At the income statements are presenting the earned premium - net of reinsurance year by year and it look like every year was grow. Also the total incomes was grown, and expenses different every year – it can analyzes teh differences of growing year to year. Then the total equity that includes all insurance companies was well growing, except in year 2016 with less growing.

### TABLE II- NON-LIFE MARKET IN KOSOVO 2015-2018

| Balance Sheet | Assets 2015 | 2016 | 2017 | 2018 |
|---------------|-------------|------|------|------|
| Cash in Hand and at Bank | 12,204,805 | 4,579,978 | 6,506,542 | 7,240,707 |
| Bank Deposits | 74,625,111 | 91,409,810 | 94,976,420 | 90,012,398 |
| Securities | 7,239,931 | 12,660,562 | 13,998,853 | 18,745,670 |
| Deferred Acquisition Costs | 9,138,646 | 7,924,253 | 6,830,274 | 7,684,526 |
| Receivables - Insurance & Reinsurance | 7,046,309 | 13,042,083 | 10,217,893 | 11,355,259 |
| Reinsurance Assets | 13,986,876 | 6,483,674 | 16,234,523 | 18,276,216 |
| Land and Buildings | 1,020,936 | 9,812,882 | 14,854,094 | 14,143,930 |
| Other Tangible Assets | 2,707,954 | 2,703,877 | 4,266,287 | 4,388,007 |
| Intangible Assets | 365,262 | 403,908 | 525,023 | 517,255 |
| Other Assets | 4,862,289 | 7,073,215 | 6,378,015 | 5,692,351 |
| **Total Assets** | **133,198,119** | **158,094,242** | **174,790,924** | **178,056,588** |

| Liabilities | Claims Reserves | 52,217,560 | 85,104,653 | 77,855,935 | 78,883,642 |

The table 2 is part of table above but here is presenting the balance sheet, the total assets of non life market for years 2015-2018. From the statistika are seen that this market it has been increased year by year. Further the total liabilities are depending from the claims reserves, unearned premium reserve, payable - insurance, loans and other liabilities so it was relativly well the numbers of euro are shown in tabel so it can analyzes teh difference of growing year to year. Then the total equity that includes all insurance companies was well growing, except in year 2016 with less growing.

### A. TWO MAIN “LIFE” INSURANCE COMPANIES IN KOSOVO

**XII. Insuranc company “Illyria Life”**

ILLYRIA Life is the First Life Insurance Company, licensed by the Central Bank of the Republic of Kosovo. ILLYRIA Life is part of the SavaRe Group. The assets of the company on 31.09.2019 were 12,096,207 €, the share capital was 4,950,132 while the profit was 290,251 €. The products it offers are: Classical Life Insurance, Mixed Life Insurance, Study Scholarship Insurance, Group Life Insurance and Debit Life Insurance. [6]

**XIII. Insuranc company “Sigal Unija Group-LIFE”**

Sigal Unija Group Austria s.a ("the Company") is a joint-stock company registered at the Kosovo Business Registration Agency on 10 May 2011. The Company was established under UNMIK regulation 2001/25 and rule 31 of Central Bank of Kosovo in licensing of life insurance companies in Kosovo dated 18 December 2007. The Company is owned by Sigal Unija Group Austria S.h.a, an Albanian entity which ultimate parent is Unija Insurance Group A.G Vienna, Austria (“UNIQA” or “Ultimate Parent Company”) a joint stock company incorporated and domiciled in Republic of Austria. The Company Provides life assurance services such as Term life insurance, Credit life Insurance and Endowment insurance in the Republic of Kosovo. Mortality is the risk covered by all insurance products, underwritten by the Company. “Mortality” risk

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occurrence data for 2017 and 2016 including estimations used are as follows: 2017/2016 Number of people currently insured susceptible to the risk of death 2017 was 7,871 and in 2016 9,570 Average age of people susceptible to the risk of death in 2017 was 43 and in 2016 was 42 Number of payments following deaths of insured in 2017 was only 1 and in 2016 were 6 persons [12].

The data that will be presented below are for Life Market in Kosovo from year 2015 until 2018.

| TABLE III. LIFE MARKET IN KOSOVO 2015-2018 |
|---------------------------------------------|
| 2015 | 2016 | 2017 | 2018 |
|-----|-----|-----|-----|
| Income Statement | | | |
| Earned Premium, net of reinsurance | 899,000 | 2,391,514 | 2,272,384 | 2,829,059 |
| Gross Written Premium | 911,000 | 2,454,776 | 2,345,366 | 2,952,721 |
| Premium Ceded to Reinsurer | - | (35,258) | (35,822) | (59,264) |
| Change in Unearned Premium | (10,000) | (27,710) | (37,115) | (72,326) |
| Reinsurer Share in Change /Unearned Premium | (2,000) | (294) | (45) | 7,928 |
| Interest Income, net | 46,000 | 233,504 | 246,575 | 354,235 |
| Other Income | - | 6,075 | 11,661 | 9,176 |
| Total Income | 945,000 | 2,631,093 | 2,530,620 | 3,192,470 |
| Claims Related Expenses, net of reinsurance | (22,000) | 1,220,451 | 1,284,780 | 1,329,044 |
| Gross Claims | 61,000 | 365,446 | 563,541 | 552,046 |
| Reinsurer Share in Claims | - | - | (30,114) | - |
| Change in Claims Reserves | (83,000) | 855,005 | 751,353 | 776,998 |
| Reinsurer Share in Change/Claims Reserves | - | - | - | - |
| Acquisition Costs | 524,000 | 550,498 | 429,867 | 494,202 |
| Change in Deferred Acquisition Costs | (17,000) | (2,108) | 5,023 | 3,572 |
| Administrative Expenses | 115,000 | 409,348 | 308,229 | 631,147 |
| Reinsurance Commission | - | - | - | - |
| Total Claims and Expenses | 600,000 | 2,178,189 | 2,027,899 | 2,457,965 |
| Tax | (46,000) | (122,639) | (133,869) | (147,836) |
| Profit/Loss | 391,000 | 575,543 | 636,590 | 882,341 |

Life Market in Kosovo still is behind the insurance market of non-life who is first. The last years it is seems to increase step by step but in a very slowly way. From the table 3 are seen that every year the insurance companies that offered this kind of cover or policies had profit.

| TABLE IV. LIFE MARKET IN KOSOVO 2015-2018 |
|-------------------------------------------|
| 2015 | 2016 | 2017 | 2018 |
|-----|-----|-----|-----|
| Balance Sheet | | | |
| Assets | | | |
| Cash in Hand and at Bank | 122,000 | 766,689 | 853,501 | 1,264,682 |
| Bank Deposits | 2,715,000 | 7,365,000 | 7,762,123 | 5,065,994 |
| Securities | 1,390,000 | 3,521,419 | 6,414,921 | 8,730,455 |
| Deferred Acquisition Costs | 29,000 | 32,956 | 28,383 | 24,361 |
| Receivables - Insurance and Reinsurance | 159,000 | 243,844 | 388,528 | 570,673 |
| Reinsurance Assets | - | 18,438 | 18,393 | 25,322 |
| Land and Buildings | - | 526,860 | 519,202 | 511,545 |
| Other Tangible Assets | 2,000 | 7,190 | 6,514 | 21,296 |
| Intangible Assets | - | 11,271 | 8,531 | 3,651 |
| Other Assets | - | 52,866 | 1,637,503 | 13,415 |
| Total Assets | 4,417,000 | 12,546,533 | 17,637,599 | 16,231,394 |
| Liabilities | | | |
| Claims Reserves | 242,000 | 4,217,131 | 5,419,095 | 6,198,118 |
| Unearned Premium Reserve | 52,000 | 190,958 | 308,568 | 380,894 |
| Payable - Insurance and other | 69,000 | 94,048 | 104,167 | 80,200 |
| Loans | - | - | 3,005,927 | 436 |
| Other Liabilities | - | 136,684 | 210,114 | 222,512 |
| Total Liabilities | 363,000 | 4,638,821 | 9,047,871 | 6,882,160 |
| Equity | | | |
| Shareholder Capital | 3,500,000 | 6,785,893 | 6,785,893 | 6,785,893 |
| Retained Earnings | 255,000 | 789,362 | 1,019,629 | 1,287,479 |
| Current Year Profit | 299,000 | 330,266 | 367,850 | 585,669 |
| Other Reserves | - | 3,192 | 416,356 | 691,193 |
| Total Equity | 4,054,000 | 7,908,713 | 8,589,728 | 9,350,234 |
| Total Liabilities and Equity | 4,417,000 | 12,547,534 | 17,637,599 | 16,232,394 |

In this table are presenting the balance sheet -Assets, when it shown that total assets every year has started to grow, except the year 2016 that was the worst year for insurance market in generally.

V.DISCUSION AND CONCLUSION

As a developing country Kosovo the insurance market from beginning until the second decade, as a part of the financial system it was not in high level of develop or involved in financial system. But after some years of operation its has change gradually, so based on the literature and some data from competent institutions for insurances market given as the evidence that the insurance is in a good way, that started from 2015 an up has a positive relationship with the stock markets development, perform six basic functions such as facilitate capital transformation, pooling of resources, risk hedging, efficient pricing, and facilitate trade and commerce.

This paper focuses on Kosovo as a developing country in transition, its insurance market and its effect on financial system. The main role of insurance market in this case is to act as an agent to deal with the asymmetric information issues to improve the economic well-being, than to promote also the economy growth indirectly. For example as in developed countries the insurance industry/companies not only helps in the development of financial sector but it also promotes economic growth indirectly. So the relevant institutions of insurance market in Kosovo should undertake of the policies that aim to encourage the insurance development especially life insurance, which will allow to insurance companies to mobilize the significant stable resources for finance the economy through the purchase of financial assets.
The effect of insurance market on financial market can be explored continually by considering the functioning of the insurance system as a whole and its special segments, regulatory and supervisory instruments and the role of the insurance system in savings mobilization and effective competition. The insurance products are still considered as luxury goods for people who live in countries with low economic development as we do. We can say the insurance sector needs to pay more attention in financial sector analysis and macroeconomic policy because with a well-organized insurance sector could be one of the catalysts of socio-economic development of a country or region, the development of the insurance industry should be treated as a public benefit, as this is its mission.

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