HEALTH INSURANCE FUND OF THE REPUBLIC OF SERBIAN

Professional paper

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Abstract

Insurance companies are financial institutions engaged in risk-taking on behalf of their clients for a fee, called a premium. Insurance is a complex system with two basic characteristics. Property and personal insurance is voluntary. In the cases listed, property and life insurance may be mandatory in cases prescribed by law. Insurance operations are activities of life insurance and non-life insurance operations.

Keywords: *insurance companies, insurance, life insurance, non-life insurance*

Introduction

Insurance companies are financial institutions engaged in risk-taking on behalf of their clients for a fee, called a premium. It realized gross profit premium payment that is sufficient to pay expected claims for damages or the sum insured plus the net profit.

Insurance is a method of transfer of risk from the insured to the insurer, who accepts to reimburse incidental damages those in which they are incurred and distribute them to all members of the community at risk.[1]

Insurance is a complex system with two main features: [2]

- The transfer of risk from the individual to the group or community risk, which should be understood as the awareness of individuals about the vulnerability of the same dangers of which can effectively protect you if you get involved in the insurance system in large numbers,
- Distribution losses on an equal basis to all members of the group, which is a system dividing incurred losses to all insured and cover these losses in the form of premiums paid by.

From the standpoint of individual, insurance is an economic instrument which the individual is replaced by a relatively small amount of the premium for a relatively large and uncertain financial loss. From the standpoint of society in general, insurance is an economic instrument that by combining and homogenizing the risk in accordance with the law of large numbers reduce the total losses the company planned schedule of costs and premiums .[3]

Business entities pay insurance premiums at regular intervals in order to avoid and eliminate sudden large losses and unplanned expenses. Policyholders make their payments and premiums for them represents a cash outflow, while for insurers to represent cash inflow. However, when performing various types of insurance risk does not prevent the occurrence of damage or reduce the likelihood of their occurrence as many would think, but the insured careless behavior and lack of care can lead to the initiation of the risk and occurrence of adverse events.

To be able to talk about the status of the insurance companies, we have first to define all institutes related to this particular form of the company, which is different from other types of companies that are not engaged in specific activities. One of these activities is to ensure the insurer or the insurer's legal entity that is engaged in insurance business. To the insurance company could perform the insurance industry, it has concluded an insurance contract with the insured. The obligations of the insurance company representing all the obligations which it is claimed

1 http://www.elitaplus.hr/rjecnik.htm

2 Ćurak, M., Jakovčević, D., Osiguranje i rizici, RRIF plus, Zagreb, 2007., p. 21

3 Isto, p. 21-22

by the insurance contract, such as various forms of payment of the agreed sum or fee, which are defined in detail in the insurance contract, insurance policy and insurance terms. So, the insurance contract concluded between the policyholder and the insurer, in which the policyholder is obliged to pay a certain amount to the insurer or insurance company, and the insurer is obliged, if an event occurs, which is the insured event, the insured or pay a third party compensation or agreed sum or do something else. From this we can conclude, that the parties policyholder and the insurer, but that, when the insured event, there are other parties, that is, either the insured or the insured person or a third person, called and user security.

1. Role of Insurance companies

Insured is a natural or legal person concluding the insurance contract in its own name and for its own account[4], providing of adverse events covered risk. In order to obtain insurance protection, the insured person should be competent, which, as a full Contracting Party, is set against the insurer, with all the rights and obligations arising from their relationship. In practice, it often happens that the insured at the same time the contractor and the beneficiary (when his good or himself at risk), but this is not always the case. It happens that they are exposed to hazards and people's good or other personality - all of this of course has to have close links with the insured. For instance, property insurance policyholder may not always be the owner of the insured object has, for example, its beneficial owner. In personal insurance risk of death or accident can threaten another person (spouse, children or parents of the insured).

User security is a natural or legal person who is entitled to compensation from insurance. In the capacity of the beneficiaries and policyholders occurs, most often, one and the same entity - insured. Therefore, the name of the beneficiary should be used, especially when the person using the insurance was out of contract at the time of its conclusion, not appearing, either personally or through a representative. The difference between those roles in practice, in particular, occur in insurance contracts in its own name and for the account of third parties. User security for someone else may not always be known in advance to the insurer, even policyholder. It is sufficient that the contract be determined by impartial criteria for its determination.[5] Therefore, the user can be determined by any, any definable, for example, in covering the face of uncertain account. Insurance for someone else originated in marine insurance, but has found application in many other types of insurance. The term users is set aside and for insurance in favor of a third party, usually for life insurance, where it can represent anybody (relative, guardian or other person, a charity, a company, association, etc.).

The insurance industry, which is engaged in a joint stock company for insurance and mutual insurance companies are businesses of insurance, coinsurance and reinsurance, as well as the activities directly related to insurance activities. Insurance operations are concluding and executing insurance contracts and take measures to prevent and combat the risks jeopardizing the insured property and individuals. This insurance can be called direct insurance, since the insurer directly conclude an insurance contract with the contractor. The direct insurance will be done and when the company concludes a contract for insurance, that is, an insurance agent.

On the other hand, coinsurance are concluding and executing insurance contracts with several insurers who have agreed upon joint coverage and risk diversification. So, here we have several insurers who, collectively, conclude an insurance contract, in proportion to bear the risk, that is, in proportion paid the agreed sum, if there is damage or the insured event. [6] It is a direct, horizontal distribution of risk between the insurer who individually taking their share of responsibilities. No co-insurers are not liable for the obligations of other co-insurers.

With insurance applies only in exceptional cases where it is a large and heavy risks, which can not take one insurer. The coinsurance creates a chain of liabilities several co-insurers according to the same insured. One horizontal division of risk, each of the co-insurers take over their part of the obligation, ie, covering their part to participate in the sharing of risks. For coinsurance implies the presence of two or more insurers directly in the conclusion of one of the insurance contract, so that every insurer assumes coverage of a specific part of the risk. Coinsurance, in essence, is the allocation of a risk in several parts which each insurer takes the direct coverage of the joint agreement or joint insurance policies.

4 Šulejić, P., Pravo osiguranja, Dosije, Beograd, 2005., p. 155

5 Isto, p. 245

6 Čaruk, M., Jakovčević, D., Osiguranje i rizici, Zagreb, 2007., p. 282

The insurer, which is the driving duties from the insurance, through coinsurance, is called the leading insurer. He usually other co-insurers entrust the execution of the calculation and payment of insurance premiums, which he then partitioned the other co-insurers. The provision for the co-insurance there is the independence of the obligations of each co-insurers. The obligation of each of the insurer solely his, and in any case is not transferred to the other co-insurers. In other words, as if the policyholder concluded with each co-insurers particular insurance contract.

Coinsurance is necessary to distinguish from multiple insurance, or when an object is insured by several insurers of the same risk, same interests and the same time. The co-insurance is concluded one contract of insurance, and in multiple insurance concluded several individual agreements. At this stage, some insurers at the time of conclusion of the contract do not know for other contracts.

And co-insurance is a direct insurance, provided that, here, we have several insurers as counterparties. Otherwise, the organization of the distribution of risk in the co-insurance can be complicated in relation to the organization of risk in reinsurance.[7]

Reinsurance activities are concluding and executing contracts on reinsurance of the insured surplus risks exceeding the retention of one insurance company to another insurance company that is licensed to perform reosi- pushing. If an insurance company can not take a big risk, arising from an insurance contract or, if the excess risk exceeds the retention, by which we mean the amount of the contract assumed the risk that the company retains as its own coverage and who can cover their own means, then concludes reinsurance contract.[8]

Reinsurance provides even more safety, because the risk is distributed to a larger number of insurance companies, in particular, as a rule, a company that takes over the function of reinsurance stronger. Institution reinsurance, which combines insurance companies, increases security of the insured with a technical and financial potential. In this way, opportunities are created to provide the most difficult risks in the modern highly developed economy. As far as the legal relationship between the insured and the insurer, reinsurer, nothing changes - the insured and the insurer immediately enter into a contract of insurance, and in the next stage, the contractual relationship between the insurance company who has committed insurance (insurers) and organizations that accept reinsurance. However, although there is no legal relationship between the insured and the reinsurer, it is of importance to the commitment of the insured, who will, as a rule, rather opt for insurance with reinsurance.

2. Division of Insurance companies and insurance

Insurance companies may be established in the form of a joint stock insurance company in the form of a mutual insurance. [9]

Joint stock insurance company is a legal entity that engages in insurance of property and persons for profit. Joint stock insurance company founded at least two legal or natural persons. [10]

A foreign natural or legal person may, under conditions of reciprocity, establish a joint-stock insurance company together with a domestic legal or natural persons. Joint stock insurance company may conduct business:

- One or more types of insurance and
- Reinsurance.

Accordingly, it follows that a joint-stock insurance company may conduct insurance activities as well as specialized (when performing one type of insurance) or general (when it performs many types of insurance). [11]

Also, a joint stock company may conduct only reinsurance activities. Regarding the legal status of joint stock insurance company, it is important to emphasize that the organization to ensure the legal entity that engages in insurance of property and persons. A joint stock company has been operating as a single organization, the original legal personality, which is acquired by incorporation. Parts of the joint stock company are: Authority, head office and branches. Directorate parts of the joint stock company within which to combine certain functions of the joint stock

7 Jankovec, I., Saosiguranje kao pravni odnos, Anali PF u Beogradu, br.1-4, Beograd, 1983., p 369

8 Andrijanić, I., Klasić, K., Tehnike osiguranja i reosiguranja, Zagreb, 2002. p. 141

9 Šulejić, P., Pravo osiguranja, Dosije, Beograd, 2005., p. 129

10 Šulejić, P., Pravo osiguranja, Dosije, Beograd, 2005., p. 129

11 Isto, p.4

company. Main Branch is part of the joint stock company which in legal transactions with third parties that have the authority on behalf of and for the account of the joint stock company performs all activities in industry stock company, except for reinsurance. The branch is part of the joint stock company in legal transactions with third parties have the authority, in the name and on behalf of the joint stock company performs conclusion and execution of the insurance contract. Exceptionally, if the branch or business unit as part of a joint-stock company has certain powers in legal transactions with third parties, and they are entered into the court registry.

In theory, the generally accepted rule, that has found its application in practice, there are two basic ways of establishing joint stock companies: the first, when the founders of the joint stock company set up a joint stock company by purchasing all shares in the establishment of what is called the simultaneous establishment and another where the points public call for the purchase of shares, which is called the successive establishment. [12]

The mutual insurance company, too, as well as a joint stock company, a legal entity that engages in insurance of property and persons in the interests of its members - the insured. The main difference compared to a joint stock company that is a mutual insurance company is not established for profit. The Company may only engage one or more types of insurance. A mutual insurance company can not carry on reinsurance business and affairs of compulsory insurance.

2.1. Brokerage and agency

Insurance brokerage activities performed by the company for the insurance brokerage company which has obtained permission from the competent authorities to carry out these tasks. Agent activities performed by the company for insurance and a natural person, who received the permission of the competent authority to carry out these tasks. Activities directly related to insurance activities are mediation and representation in insurance, identification and assessment of risks and damages, brokerage in sales and sales of salvage operations and rendering other intellectual and technical services related to insurance activities. With this, the last mentioned, jobs dealing with insurance brokerage and agency, as well as agencies providing other insurance services. The legislator pays special attention to these kinds of companies, anticipating them different conditions of establishment and operation. Of course, here we must distinguish between business mediation of agency activities, so that representation can be seen as a stronger connection between insurers and insurance agencies. In addition, the agent has greater powers of a mediator.

2.2. Property and personal insurance

Property and personal insurance is voluntary. In the cases listed, property and life insurance may be mandatory in cases prescribed by law. Insurance concluded free will, from a purely economic rebellion to stakeholders - policyholders, ie, to protect the insured property, proprietary interest, responsibility, health or life. Thus, it follows from the development of awareness of the need that is satisfied by signing a contract of insurance with an insurance company. Most insurance spa just to give voluntary. According to our legal solutions, and the like in other countries, property insurance and life insurance are generally voluntary.

Insurance operations are activities of life insurance and non-life insurance operations. Here are types of life insurance. That are:

- Life insurance,
- Annuity insurance,
- Supplementary insurance with life insurance,
- Voluntary pension insurance,
- Other types of life insurance.
- The common features of life insurance are:[13]
- The risk is expressed in premiums,
- There is a long period of time,
- Fixed premium for the duration of insurance,
- Permanence, immutability of the conditions agreed at inception,
- The possibility of payment policies to the height of its redemption value and
- The possibility of pledges or security policies.

12 Mrkšić, D., Pravni položaj osiguravajućih organizacija u jugoslovenskom pravu osiguranja, SORS 2001., Sarajevo, 2001., p. 5

13 Pešić, M., Ulaganje sredstava životnog osiguranja bitna sastavnica marketing miksa, UDK 368.91, JELL Classification G22, Ekonomski fakultet Sarajevo.

In non-life insurance include all types of insurance that do not belong in life insurance.

Types of non-life insurance are:

- Accident insurance,
- Voluntary health insurance,
- Motor insurance, which covers damage to motor vehicles under its own power, other than rail vehicles and vehicles without their own drive, or loss of such vehicles,
- Goods in transit insurance, which covers damage to the goods or loss of the goods, regardless of the type of transportation,
- Property insurance against fire and other hazards, which covers damage to property caused by fire, explosion, storms and other natural disasters, nuclear energy, sliding and soil settlement, and others.

3.3. Life insurance

Life insurance is a form of protection of the insured or a person close to the accident which it can happen. In this way, man is at times providing against the risk of death or loss of or reduction in earning capacity. Life insurance eliminates both the risk of damage consequences. Although long banned, because of explanation, it is immoral to benefit from the death or injury, today's agreement on life insurance generally accepted in all legal systems.

From the standpoint of the state payment of life insurance premiums accumulating assets that have importance of saving, which is long-term, pre-determined and dedicated. Therefore, it can be used as a source of lending and investing. From the standpoint of the individual, of the life insurance can be used as collateral for a loan, which the insured can provide funds for investments or meet unexpected needs. Given the importance of life insurance is to the economy of each country, it requires a special attitude of the state in the field of tax policy. Therefore, in most countries, life insurance premiums tax exempt.[14]

14 Ćurković, M., Ugovor o životnom osiguranju, Svijet osiguranja, Zagreb, 1998.„ broj 1, str. 31-32. Autor navodi da su premije životnog osiguranja oslobođene poreza u slijedećim evropskim zemljama: Danska, Njemačka, Holandija, Portugal, Španija, Velika Britanija, Finska, Island, Norveška, Švedska i Švajcarska

Life insurance has a savings and represents a good form of life savings. Upon expiry of the insurance policy, money is paid at once or in installments, depending on the choice of the insured.

Life insurance is a specific financial business that is not only interesting for the insured and the insurer, but is very interesting for the country, because life insurance means the accumulation of large financial resources for a long time that, as such, may be placed on the capital market, or used for other purposes. Of special importance is the fact that life insurance funds by nature long-term assets. It may be, from the standpoint of the national economy, rational focus in development financing primarily infrastructure projects. This is done primarily by buying government securities, and that the issue of municipal bonds to finance development of its environment.

3.4. Annuity insurance

Annuity insurance is insurance at the same time safe and profitable form of investment that allows the payment of monthly annuity for life or a limited period, if it chooses this form of annuitant. In the case of the monthly premium payment, the duration of payment, insurance coverage and Death to the agreed amount of insurance. Height annuity depends on the access age of the insured, the height of insurance premiums, time premium payment, if it is paid in yearly or monthly or quarterly installments, as well as the duration of annuity payments (depending on whether you are contracting a life or temporary annuity payments) . Annuity insurance is compatible with other types of life insurance, so that the sum insured, which is paid after the expiry of the insurance, can be used as a one-time payment of insurance premiums for a life or temporary annuity.

3.5. Voluntary pension and health insurance

Voluntary pension insurance is insurance which, on the basis of a contract, may provide rights to old age, disability, death and other risk insurance, to the extent prescribed by the law governing the mandatory pension and disability insurance or to a greater extent. The first pillar pension insurance is a mandatory state pension insurance, that is, the system of intergenerational solidarity. The second pillar is a mandatory supplementary pension insurance, which applies only to employees and administered by private pension funds. It works by making the law determined to be part of the percentage of compulsory contributions intended for the financing of the first pillar pointed to another, so that the employee is entitled to two pensions, the state of the first and the second private pillar. Finally, the third pillar is a voluntary supplementary pension insurance, intended for all citizens, regardless of whether they are employed or not, whether they have a regular income, study, engage in independent company, etc. Voluntary pension insurance in the Republic of Serbian will become even more important, given that the current system of pension and disability insurance in our country, based on the so-called pay-as-you-go basis, increasingly at a crisis of financial sustainability. Activities undertaken in the last decade have made some results, which, however, are not enough to, in the future, provide stable and sufficient pensions for all and increase the fairness of the pension system. Therefore, further reform processes imposed as a necessity, where its place is a voluntary pension insurance.

Voluntary health insurance is insurance which, on the basis of a contract, may provide rights to health insurance for persons who are not insured under the law, which regulates the mandatory health insurance, as well as persons who are insured under that law, and to ensure a greater scope of rights volume, which is provided by this law and other types of health insurance that are not provided by that Act. Voluntary or private health insurance should not be confused with the mandatory national health insurance, which in respect of employment exercised employed, and a social program of each country. Voluntary or supplementary health insurance payments can be made by insurance companies. This type of insurance provides economic protection of the individual and his family during the illness. In the Republic of Serbian, currently, additional health insurance, may be paid with a life insurance policy, but may be paid as a special form of insurance.

3.6. Compulsory insurance in traffic

Compulsory insurance in traffic are defined and regulated by a separate law. Speaking of compulsory transport insurance, talk, first, about the liability insurance. In addition, it is common that when we talk about mandatory insurance, then we think, in the first place, the automobile liability insurance and automobile liability. Because of different conceptions about the above terms, as well as the possibility of using other, we will, nevertheless, that, in this paper, use the term most often used in the literature and practice, and it is auto insurance. However, the obligatory insurance does not fall only car insurance, but also other types of compulsory insurance. Types of compulsory traffic insurance are the following:

- Insurance of passengers in public transport against accidents,
- Insurance of owners of motor vehicles against liability for damage caused to third lychee,
- Insurance of aircraft owners against liability for damage to third parties and passengers and
- Ensuring boat owners against liability for damage to third parties.

Compulsory insurance can not occur if there is no agreement on compulsory insurance, ie, the vehicle - a means of transport can not be put into operation if it is not concluded. So, the owners of the means of transport for public transport of passengers and owners of other vehicles, we, above mentioned, shall conclude a compulsory insurance contract, before the means of transport is put into operation. One of the topics, which will be given special attention, and concerning the status of contracts on compulsory insurance, is the bankruptcy of insurance companies. If you initiate bankruptcy proceedings against the insurance company, then signed contracts on compulsory insurance shall remain in force until the expiration of the period for which they are concluded.

The insurance company is obliged to conclude a contract of compulsory insurance in accordance with the terms of insurance and premium tariffs in force at the time of conclusion of the contract. However, the insurance company can not refuse an offer for conclusion of a compulsory insurance if the policyholder has accepted the conditions of insurance and premium tariffs Society for the type of insurance in force at the time of submission of tenders for the conclusion of insurance contracts

3.7. Other issues related to the functioning of insurance companies

The insurance company is obliged to provide liability insurance contract exceeding the retention. Retention is the amount the insurance company contract accepted risks that company retains as its own coverage and who can cover their own means. The insurance company shall always retain part of the risk retention. The insurance company is obliged to part of the retention reinsure risks in reinsurance. A reinsurance company is obliged to part of the risk can not cover its assets or reinsurance in the country, reinsure abroad. In this connection, the insurance portfolio is a collection of all the risks insured by an insurer. One can express the total number of the insurance contract, the sum of the sum insured or the sum of the insurance premium.

The founder of an insurance company or other legal entity which carries out activities directly related to insurance provides cash portion of the share capital in the amount prescribed by law. The insurance company is obliged to ensure that its operations basic capital of the company is always in the amount that is not less than the amount provided for by law.

Insurance companies that are ahead, mentioned, for its obligations with all its assets. Assets of insurance companies make money, ownership of immovable and movable property, securities and other property rights. Also, a significant portion of the assets of an insurance company there and in kind. The basic capital of the Company consists of its founders, who have to be in cash. Contributions in kind founders and shareholders expressed monetarily. All the funds which insurance company operates and which corresponds to can be distinguished in:

- Funding of the share capital,
- Insurance premiums,
- The means of technical reserves,
- Guarantee reserve assets and other resources.

Particular attention will be paid to the property and income of the insurance company. In a world, otherwise, it also supervises the operations of insurance companies through supervisory bodies representing the organizational part of the Ministry of Finance or through agencies which are directly responsible to the government.

For insurance companies, brokerage companies, insurance agencies and insurance agency providing other insurance services, the law governing the legal status of companies, if by law the special matters were not differently regulated. For natural person performing insurance agency, the law governing the legal status of contractors.

Insurance companies and face, providing services directly related to insurance, due to its activities in accordance with professional standards, best business practices and business ethics.

These are the most important issues related to insurance companies, ie, the joint stock company and mutual insurance company, as well as the companies and persons involved in the mediation, advocacy and other activities related to insurance. It is very important to bear in mind the business of insurance companies in other countries. Getting to know the basic characteristics of the status of insurance companies in other countries is essential and due to the future performance of the insurance industry in our territory by these companies.

4. Conclusion

In the insurance market of the Republic of Serbian in 2014 operated 12 insurance companies. Out of 12 insurance companies, with headquarters in the Republic of Serbian, 9 is engaged in activities of non-life insurance, and 3 insurance companies have performed the activity of non-life and life insurance. Also, in 2014 in the RS and operated 10 branches of insurance companies from FBiH and 7 companies from the RS had a license to conduct insurance business through a branch office in the Federation.

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FOND OSIGURANJA REPUBLIKE SRPSKE

Sažetak

Osiguravajuća društva su finansijske institucije koje se bave preuzimanjem rizika u korist svojih klijenata za naknadu koja se zove premija. Osiguranje je kompleksan sistem s dva osnovna obilježja. Osiguranje imovine i lica je dobrovoljno. U slučajevima koji su propisani, osiguranje imovine i lica može biti i obavezno u slučajevima propisanim zakonom. Poslovi osiguranja su poslovi životnih osiguranja i poslovi neživotnih osiguranja.

Ključne riječi: *osiguravajuća društva, osiguranje, životno osiguranje, neživotno osiguranje*

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