TRENDS IN THE DEVELOPMENT OF THE INSURANCE MARKET IN BULGARIA AND THECOUNTRIES OF THE WESTERN BALKANS REGION (2008-2016)

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Abstract: The paper examines the development of the insurance market in Bulgaria and the coutries of the western Balkans region and its change, focusing on the novelty of the topic. The essence of the insurance market as well as the state of the individual markets in the countries are reflected. The main issues related to the insurance market are presented and discussed. A brief overview of developments in gross domestic product, gross premium income, insurance penetration, and country insurance coverage is provided. The main factors influencing the development of the insurance market are discussed and highlighted. There is a qualitative and quantitative analysis of the development of the general insurance market.
Keywords: insurance market, gross written premiums, GDP, insurance penetration, insurance density

1.INTRODUCTION

Insurance is part of the economy because it is related to certain economic relations. These are related to the formation and distribution of an insurance fund. This fund is formed by the insurance contributions that are collected by the insured persons.Entities of the insurance market are above all insurance companies that offer insurance and insurance candidates looking for insurance protection. An important subject of the insurance market is also the insurance intermediaries that facilitate the connections between insurers and consumers. The place of insurance in the economy of a country is characterized by the indicators: insurance penetration and insurance density.

The aim is to follow the trends in the development of the insurance market, in particular the macroeconomic indicators that characterized it in Bulgaria and the countries of the Western Balkans. The initial year of research was chosen to be 10 years after Bulgaria's accession to the European Union.

The main goal is to address the following important tasks:

- outline the trends and trends in the development of gross domestic product in Bulgaria and the countries of the Western Balkans for the period 2008-2016.
- outline the trends and trends in the development of the gross premium income in Bulgaria and the countries of the Western Balkansfor the period 2008-2016.
- outline the trends and trends in the development of insurance penetration in Bulgaria and the countries of the Western Balkans for the period 2008-2016.
- outline the trends and trends in the development of the insurance density in Bulgaria and the countries of the Western Balkans for the period 2008-2016.

The subject of this study is the insurance market in Bulgaria and the countries of the Western Balkans for the period 2008-2016.

In order to solve the research tasks and to achieve the main objective of the study, modern approaches and methods are used, such as: method of analysis and synthesis; inductive and deductive method, empirical approach, comparative method and logical description.

The main statistics for the analyzes in the different parts of the survey are taken from the official websites of: the Financial Supervision Commission, Insurance Europe and Xprimm. They cover the period up to 31.12.2016 and do not take into account the changes that occurred afterwards. Data is presented in tables using MS Office Exel 2010.

The analysis will be limited only to the most important regularities related to the premium income of the insurance sector as a whole in both the insurance / general and life sections, as well as the development of the indicators: insurance penetration and insurance density.Outside the scope of the survey remains the state and development of the assets and liabilities of the insurance companies, the structure of the investment portfolio of the companies, the solvency margin and the insurance and technical reserves. Outside of the survey remains the development of the premium income realized by the insurance intermediaries, as well as the development of the structure of the insurance market by type of insurance.

2.STATE AND TRENDS IN THE DEVELOPMENT OF GROSS DOMESTIC PRODUCT OF BULGARIA

AND THE WESTERN BALKAN COUNTRIES FOR THE PERIOD 2008-2016

Insurance is part of the economy because it is related to certain economic relations. These are related to the formation and distribution of an insurance fund. This fund is formed by the insurance contributions that are collected by the insured persons. Entities of the insurance market are above all insurance companies that offer insurance and insurance candidates looking for insurance protection. An important subject of the insurance market is also the insurance intermediaries that facilitate the connections between insurers and consumers.

Gross domestic product is also one of the indicators for measuring economic activity. The most significant can be defined as the final result of the production activity of the economic entities in the country. Based on the data obtained for Gross Domestic Product, the income of the population as well as its purchasing power can be estimated.Gross domestic product measures the amount of finished goods and services produced in the economy for a given period (typically one year). Gross domestic product does not take into account the value of household products for own use as well as shadow economy or so-called economy. gray economy. It is also a quantitative indicator that does not take into account the value of leisure time.

Generally, gross domestic product is represented in nominal and real terms. Nominal Gross Domestic Product is the value of goods and services, measured at current prices, ie. at the prices of the respective year. It may increase either because prices are rising or because quantities are rising. The calculation of gross domestic product in this way is not suitable for determining economic well-being, as it does not reflect just how well the economy can satisfy the requirements of the subjects. Of course, we think a better measure of economic well-being is real gross domestic product. It shows the value of the goods if the quantities have changed, but the prices - no, ie. at comparable (constant) prices.

The transformation of the nominal gross domestic product into real is done by means of the so- deflator, which shows the overall price level in an economy. The function of the deflator is to clear the nominal gross domestic product from the impact of prices and to transform it into a real one. If it is higher than 100, the current price level is higher than the base price and inflation is. If less than 100, the current level is lower than the baseline, and deflation is observed.[213]

Table 1. Gross domestic product of Bulgaria and the countries of the
Western Balkans for the period 2008-2016

1.   /euro bilion/

Year \ Country	2008	2009	2010	2011	2012	2013	2014	2015	2016
Bulgaria	36,5	36,0	36,8	44,2	41,9	42,0	42,7	45,3	47,3
Serbia	30,9	30,0	29,1	32,6	31,5	33,8	32,3	33,2	34,0
Bosnia and Herzegovina	12,8	12,4	12,7	13,2	13,4	13,6	13,9	14,6	15,0
Albania	8,7	8,3	8,9	9,4	9,5	9,6	9,9	10,4	11,1
Macedonia	6,7	6,8	7,1	7,6	7,6	8,2	8,6	9,0	9,9
Kosovo	3,9	4,1	4,4	4,8	5,0	5,3	5,6	5,8	6,0
Montenegro	3,1	3,0	3,1	3,2	3,2	3,4	3,5	3,6	3,7

Source: www.xprimm.com

The data in Table 1 show that in the period 2008-2016 the growth of gross domestic product in Bulgaria has increased significantly. Continuous economic growth is observed both in the base year and in each subsequent year of the period. The exception is only in 2009 when the negative rate of change (-0.3% compared to the previous year) was reported as a result of the financial and economic crisis. The slow but real growth of the economy since 2009 is largely due to the stable banking system, the currency board and the EU funds. The absorption of EU funds has had a significant impact on the positive growth of the economy.In 2016 the Bulgarian economy reached its highest growth rate since 2008, with gross domestic product in real terms increasing by 3.4%, which is above the average level of this indicator (2.3%) for all countries of Central and Eastern Europe. Despite the positive trend, Gross Domestic Product is still below the level of development before the accession of Bulgaria to the European Union.

Regarding the development of Gross Domestic Product, the indicator in Bulgaria is significantly ahead of the countries of the Western Balkans. Compared to Serbia, Bulgaria's gross domestic product is nearly 1/3 more.

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[213]Vasilev Y. (2014). Economics. AI "Tsenov", Svishtov

Compared to Bosnia and Herzegovina, the increase is more than 3 times, compared to Albania over 4 times, compared to Macedonia over 5 times, Kosovo over 8 times and Montenegro over 13 times.

3. STATE AND TRENDS IN THE DEVELOPMENT OF GROSS PREMIUM INCOME OF INSURANCE COMPANIES IN BULGARIA AND THE WESTERN BALKAN COUNTRIES FOR THE PERIOD 2008-2016

The insurance market is defined as a pool of potential users of insurance services, insurance companies that offer these services, and intermediaries that create additional prerequisites for the implementation of the purchasing process.[214]

The relations between the insurer and the insured are governed by the insurance contract. It represents "an agreement between an insurer who, against a fixed amount called an insurance premium, undertakes to pay the insured a certain amount of money (insurance indemnity or insurance amount) upon the occurrence of an insurance case or other condition stipulated in the contract".[215]

A well-developed insurance sector is an integral part of any modern economic system. In the economic area of the European Union, the contribution of the insurance sector to the economies of the Member States is of the utmost importance. As far as the other European Union countries are concerned, in Bulgaria the share of insurance in the national economy is significantly lower. At the same time, there are relatively good prospects for increasing this share and increasing the contribution of the insurance sector to the Bulgarian economy. Provided insurance protection against the consequences of adverse events enables companies and citizens to receive monetary compensation and to cope with the difficulties encountered. In this sense, insurance helps to achieve stability in the economies of individual countries.

The main measure of the state and development of the insurance market gross premium income. The economic nature of premium income is reflected in the fact that it forms part of the national income (or part of the gross domestic product). It is generated by policyholders to ensure their interests from the adverse impact of adverse events.

Table 2. Gross premium income of Bulgaria and the countries of the Western Balkans for the period 2008-2016
/euro bilion/

Year\Country	2008	2009	2010	2011	2012	2013	2014	2015	2016
Bulgaria	926	860	830	825	820	884	907	1,004	1,048
Serbia	590	558	536	547	540	559	574	665	722
Bosnia and Herzegovina	232	234	241	250	258	269	287	305	324
Albania	104	101	106	111	114	117	124	134	142
Macedonia	57,3	57,1	59,2	60,0	64	61	83	103	114
Kosovo	56,4	67,8	71,2	78,1	82	77	80	79	81
Montenegro	61	66	63	65	67	73	72	77	80

Source: www.xprimm.com

The data in Table 2 show that in 2016 the gross premium income of all insurance companies in the territory of Bulgaria exceeds 1 bln. Euro. There is also a steady trend towards premium income growth throughout the study period. In 2016. the premium income of the insurance companies in Bulgaria accounted for 3.34% of the total insurance premium income in the countries of Central and Eastern Europe. In terms of premium income, Bulgaria is significantly ahead of the Western Balkan countries. The ratio is as follows: Serbia - 45%, compared to Bosnia and Herzegovina - over 3 times Albania - more than 7 times, compared to Macedonia - almost 10 times, compared to Kosovo and Montenegro - nearly 13 times.

Table 3. Growth rate of Gross Premium Income of insurance companies in Bulgaria and the countries of the Western Balkans for the period 2009-2016

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[214]Erusalimov, R., Vasilev, V., Paneva, A.,Mitkov, M, Ninova,V. (2015), *Introduction to Insurance*, Faber V. Tarnovo

[215]Vasilev, V, Mitkov, M. (2016).*General insurance*, Faber, V. Tarnovo

2.   /в %/

Year Country	2009	2010	2011	2012	2013	2014	2015	2016
Bulgaria	-7,2	-4,5	-0,6	-0,6	7,8	2,6	10,7	4,3
Serbia	-5,5	-4,0	2,0	-1,3	3,5	2,7	15,8	8,2
Bosnia and Herzegovina	0,8	3,0	3,7	3,2	4,2	6,6	6,3	6,4
Macedonia	-2,9	4,9	4,7	2,7	2,6	6,1	8,1	5,5
Albania	-0,01	3,5	1,7	6,7	-4,7	36,2	24,1	11,3
Kosovo	19,3	4,4	9,8	5,2	-6,1	3,5	-0,1	2,9
Montenegro	8,2	-4,5	3,2	3,1	8,9	-0,5	6,9	4,1

Source:own calculations

Table 3 presents the growth rate of premium income for 2009-2016. The data show that the rate of increase in the premium income in Bulgaria in the year 2016 is 4.3%, which is almost 3 times the average for the countries of Central and Eastern Europe. The above-mentioned growth rate is significantly higher than the rates of macroeconomic indicators and of the indicators for the development of important economic sectors. Achieved results are due to three main factors: macroeconomic stabilization based on the currency board principles introduced in 1997; the timely changes in the legislative normative basis of the insurance activity in connection with the accession of Bulgaria to the European Union; good control over the insurance sector by insurance supervision.Despite these good outcomes, the insurance market remained modest in this period compared to Western developed markets. With regard to the rate of development of premium income, Bulgaria lags behind countries such as Serbia, Bosnia and Herzegovina, Macedonia and Albania. On the other hand, Bulgaria is ahead of Kosovo and Montenegro.

4. STATE AND TRENDS IN THE DEVELOPMENT OF INSURANCE PENETRATION AND INSURANCE DENSITY IN BULGARIA AND THE COUNTRIES OF THE WESTERN BALKANS FOR THE PERIOD 2008-2016

The potential for the development of the insurance market could be assessed through a number of indicators such as: gross premium income; insurance penetration; insurance density. Unlike gross premium income giving only quantitative representation of the amount of premiums written as absolute values, insurance penetration takes into account the change in the role of insurance for economic development. Insurance penetration is calculated as the ratio of gross premium income to gross domestic product as a percentage. It is one of the most important indicators and reflects the place of insurance in the overall economic activity of the country.

3. $$Insurance\ penetration = \frac{Gross\ Premium\ Income}{Gross\ domestic\ product} \times 100$$ /1/

Table 4. Insurance penetration in Bulgaria and the countries of the Western Balkans for the period 2008-2016
/в %/

Year Country	2008	2009	2010	2011	2012	2013	2014	2015	2016
Bulgaria	2,54	2,38	2,26	2,06	1,96	2,1	2,12	2,22	2,21
Bosnia and Herzegovina	1,81	1,89	1,9	1,89	1,93	1,97	2,06	2,08	2,16
Montenegro	1,96	2,20	2,00	2,00	2,10	2,16	2,09	2,12	2,15
Serbia	1,90	1,86	1,84	1,68	1,71	1,65	1,78	2,00	2,12
Macedonia	1,55	1,49	1,48	1,47	1,50	1,43	1,45	1,48	1,44
Kosovo	1,45	1,66	1,62	1,62	1,61	1,45	1,44	1,36	1,34
Albania	0,66	0,69	0,66	0,64	0,67	0,63	0,83	0,98	1,03

Source:www.xprimm.com

From the data in Table 4 it is noted that the growth rate of insurance penetration for the period 2008-2016, 10 years after the accession of Bulgaria to the European Union, ranged from 1.96% to 2.54%. In the period 2008-2012 there

is a steady decline in insurance penetration due to the global financial crisis. The strongest decrease is observed in 2012, the value of which is about 2%. In the last four years, insurance penetration has increased and remained at 2.2%, which means that in the coming years, with the dynamics of gross income growth, this indicator has a considerable potential to increase. Despite the observed growth rate of the insurance penetration indicator, which characterizes insurance in Bulgaria, it is still not sufficiently developed compared to insurance in Western European countries. On the other hand, Bulgaria is ahead of all the countries of the Western Balkans by the insurance penetration indicator.Despite the observed growth rate of the insurance insurance indicator, which characterizes insurance in Bulgaria, it is still not sufficiently developed compared to insurance in the European Union countries (see Table 5).

Table. 5. State and development of the indicator "insurance penetration"
in countries in Europe for the period 2010-2016

Страни	2010г	2011г	2012г	2013г	2014г	2015г	2016г
	%	%	%	%	%	%	%
Finland	9,9	9,1	9,8	11,3	11,2	11,4	10,5
Netherlands	12,3	12,2	11,7	12,5	11,1	10,7	9,9
Denmark	9,2	9,6	9,7	9,5	8,8	9,2	10,7
France	10,3	9,1	8,6	9,1	9,2	9,4	9,4
Italy	7,8	6,7	6,5	7,6	8,9	9,0	8,0
Ireland	5,8	4,9	4,6	6,9	7,2	7,3	5,8
Sweden	7,9	7,2	6,5	6,9	7,3	7,3	6,7
Portugal	8,6	6,2	6,1	7,9	7,8	6,7	5,5
Belgium	7,9	7,5	8,1	7,3	6,8	6,4	6,1
Germany	6,9	6,6	6,6	6,8	6,6	6,4	6,2
Austria	5,7	5,3	5,2	5,3	5,2	5,1	4,9
Spain	5,2	5,6	5,5	5,4	5,3	5,1	5,6
Slovenia	5,8	5,7	5,7	5,5	5,1	5,0	5,1
Malta	4,9	4,6	3,8	4,1	4,2	4,9	5,0
Czech Republic	4,0	3,9	2,8	3,7	2,7	3,1	2,5
Poland	3,8	3,7	3,8	3,5	3,2	2,9	3,0
Slovakia	3,0	2,9	2,8	3,0	2,7	2,8	2,5
Croatia	2,8	2,8	2,7	2,8	2,6	2,6	2,6
Hungary	3,1	2,9	2,7	2,8	2,6	2,5	2,5
Bulgaria	2,3	2,1	2,1	2.2	2,1	2,2	2,2
Estonia	2,0	1,7	1,7	1,7	1,7	1,8	1,8
Romania	1,6	1,3	1,4	1,3	1,1	1,3	1,2
Latvia	1,8	2,0	1,6	0,9	1,7	0,9	1,8

Source:www.insuranceeurope.eu.

The other indicator used in the insurance sector to measure the place of insurance in the economy is "insurance density". Insurance density shows the contribution of each user of insurance services to an increase in the volume of premium income realized by insurance companies. Unlike premium income and insurance penetration, it is calculated as a ratio between the gross premium income for a given period and the population over the same period. The population density in the country is also used in calculating the insurance density.

$$Insurance\ density = \frac{Gross\ Premium\ Income}{Population} \text{ x } 100 \qquad /2/$$

Table 6. Insurance density in Bulgaria and the countries of the Western Balkans
for the period 2008-2016
/euro/

Year Country	2008	2009	2010	2011	2012	2013	2014	2015	2016

Bulgaria	121,71	113,66	110,60	112,61	112,63	122,17	125,9	140,39	147,38
Montenegro	98,18	106,10	100,46	104,33	107,76	117,19	116,43	123,69	128,64
Serbia	80,14	76,26	73,48	75,71	75,06	77,94	80,45	93,90	102,82
Bosnia and Herzegovina	59,23	60,07	61,93	64,16	66,49	69,49	74,25	78,86	84,12
Macedonia	51,03	49,23	51,23	53,74	55,31	56,61	59,99	64,91	68,43
Kosovo	30,97	37,22	39,13	42,89	45,81	43,48	44,99	44,25	45,64
Albania	19,56	19,71	20,61	21,10	22,11	21,02	28,66	35,52	39,59

Source:www.xprimm.com

The data in Table 6 show that the insurance density in Bulgaria reaches EUR 147.38. There is also a steady upward trend in insurance density throughout the survey period. For the whole period 2008-2016 the growth rate of the insurance density is over 20%. In the period 2008-2010 the insurance density decreased, then gradually increased. This means that residents of the country allocate more money for insurance. For the whole period 2008-2016, the growth rate of the insurance density outpaces the pace of development of the insurance market. This increase is due, on the one hand, to the increase in gross premium income and, on the other, to a decrease in the population. With regard to the insurance density indicator, Bulgaria is ahead of all the countries of the Western Balkans.

Despite the observed growth rate of the insurance density indicator, which characterizes insurance in Bulgaria, it is still not sufficiently developed compared to insurance in the European Union. (see Table 7). Moreover, according to this indicator, Bulgaria lags behind both the Western European countries and Central and Eastern European countries.Bulgaria on the indicator of insurance density is ahead of countries: Greece, Estonia, Romania, Latvia and Turkey.

Table. 7. Condition and development of the indicator "Insurance Density"
in countries in Europe for the period 2010-2016

Country	2010г	2011г	2012г	2013г	2014г	2015г	2016г
	euro	euro	euro	euro	euro	euro	euro
Norway	2912	3109	3587	3171	3186	2947	3120
Finland	3446	3337	3636	4014	4232	4359	4089
The Netherlands	4699	4728	4492	4497	4390	4284	4094
Great Britain	3284	3461	3638	3703	3720	4163	3835
Switzerland	5624	5804	5892	5964	6013	6628	6457
Denmark	4070	4275	4409	4213	4142	4323	5180
France	3173	2890	2742	2870	2992	3138	3123
Italy	2118	1850	1763	1990	2358	2417	2212
Ireland	2129	1856	1778	2986	3033	3412	3249
Sweden	3119	3104	2902	3014	3261	3479	3133
Portugal	1466	1028	976	1250	1304	1163	986
Belgium	2650	2593	2826	2490	2419	2320	2284
Germany	2186	2220	2261	2284	2384	2388	2365
Austria	2005	1964	1966	1966	2016	2029	1960
Spain	1215	1281	1204	1182	1170	1187	1345
Slovenia	1023	1020	1000	960	940	971	985
Malta	790	747	642	702	836	1013	1139
Luxembourg	4143	3170	3544	3877	5225	3876	4783
Cyprus	1000	990	862	886	848	880	901
Czech Republic	595	573	431	396	395	407	416
Poland	360	340	402	357	339	338	333
Slovakia	372	379	376	384	389	373	366
Croatia	**292**	**283**	280	279	263	271	278
Hungary	301	262	262	275	268	270	290

Bulgaria	110	112	112	121	126	140	148
Greece	476	448	398	342	362	333	349
Estonia	222	212	224	240	260	275	296
Romania	92	86	92	91	88	96	106
Latvia	145	162	218	232	258	267	270
Turkey	94	94	111	108	118	123	137

Source:www.insuranceeurope.eu.

CONCLUSION

For the successful development of the insurance market in the countries of the Western Balkans and reaching the levels in Bulgaria and the European Union, it is necessary to increase the gross premium income. All this can be achieved by offering new insurances and a new way of offering the insurance service in connection with the increasing development of information technology in recent years. One way is to offer online insurance, thus increasing revenue and the importance of insurance in the development of the economy as a whole.

With increasing population incomes and declining unemployment in countries, the purchasing power of the population is expected to increase, thus increasing the premium income of insurance companies, and hence the indicators that characterize the place of insurance for the development of the economy.

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