National Bank of Serbia

INSURANCE SUPERVISION DEPARTMENT

INSURANCE SECTOR IN SERBIA

Report for 2024

Contents:

List of abbreviations

mn	million
bn	billion

1 Introduction

According to legal regulations, the National Bank of Serbia (NBS) is entrusted with supervising the major part of the Serbian financial sector. At end-2024, the financial sector under the NBS's supervision included 20 banks, 20 (re)insurance undertakings, 15 financial lessors, 7 voluntary pension funds, 8 payment institutions, 7 electronic money institutions and 2 virtual currency service providers.

2 Activities of the National Bank of Serbia in 2024

In view of the persisting global challenges, such as the geopolitical tensions, energy crisis, climate changes, the effects of inflation and tightened global financial conditions, the significant role of the insurance sector in protecting the insured and the importance of ensuring the continuity of insurance provision in the face of a changing risk landscape, the NBS's activities in 2024 were aimed at maintaining the stability of the insurance sector, setting up the conditions for the development of this sector and of the supervisory function and, by extension, for the protection of rights and interests of the insured, insurance beneficiaries and injured parties.

The NBS's supervisory function, within the scope of maintaining the stability of the insurance sector, is carried out through analyses, monitoring and reviewing the reports and other documents and data on the operations of supervised entities, i.e. through off-site supervision and on-site examinations of their operations.

On-site examinations

Supervisory activities included prudential supervision and market conduct supervision.

In the segment of prudential supervision, both planned procedures were completed and one *ad hoc* targeted examination took place. The subject of the first planned on-site examination was the verification of calculation of all elements of the guarantee reserve, and of the fulfilment of capital adequacy requirements of the insurance undertaking where it was assessed that the failure to take appropriate activities could result in the undertaking's breach of risk management requirements. In the second case, the examination focused on the forming, calculation and verification of sufficiency of the mathematical reserve and review of the established internal controls system and its functioning. The *ad hoc* targeted examination focused on controlling operating costs. In addition to this, a series of activities were carried out in relation to examination procedures initiated in earlier reporting periods.

In the segment of market conduct supervision, in 2024 the NBS carried out planned activities and follow up activities related to past procedures. The subject of these examinations were: manner in which insurance undertakings provide information to policyholders and sell the insurance service, manner in which they handle damage claims for motor third party liability (MTPL) insurance, voluntary health insurance, life insurance and other, and the manner of handling complaints. Supervision of sale of life insurance with an investment component was included as well.

Off-site supervision and examinations

In parallel with on-site examinations, the NBS conducted off-site supervision, both in the area of prudential supervision and in the area of market conduct supervision.

Prudential off-site supervision included continuous monitoring of (re)insurance undertakings both from the financial-economic and actuarial aspect, as well as taking activities to clarify the submitted data and information and to remove the identified irregularities. Specific off-site prudential supervision activities included: (1) risk monitoring through supervisory risk matrices of (re)insurance undertakings, (2) analysis of quarterly certified actuary's opinions, certified actuary's opinion on financial statements and annual reports on the operations of undertakings, certified actuary's opinion on the implementation of the coinsurance and reinsurance policy, analysis of undertakings' internal audit reports, analysis of the submitted internal acts of (re)insurance undertakings; (3) analysis of submitted annual, quarterly and monthly data of (re)insurance undertakings; and (4) preparing monthly, quarterly and annual reports about the situation in the insurance sector. Off-site prudential supervision placed special emphasis on implementing legal provisions on solvency requirements. The accent was also placed on examining the forming of the prescribed technical provisions and whether they are sufficient to meet all future liabilities to insurance beneficiaries, carrying out coinsurance and reinsurance policies, adequate investment of insurance assets and preserving their real value, liquidity, assessment of balance sheet positions, insurance administration costs etc. Off-site prudential supervision is focused on monitoring the identified operating risks, with a view to preserving financial stability and solvency, improving the system of internal controls and corporate governance of (re)insurance undertakings.

Within off-site supervision of market conduct of insurance undertakings, the supervisors regularly monitored market conduct risks, based on the analysis of qualitative and quantitative indicators, recognising aspects in the operations of some insurance undertakings and other supervised entities that could be enhanced. Those aspects of operations and/or activities of insurance undertakings and other supervised entities which were recognised as potentially detrimental to the interests and rights of insurance service consumers were covered by examination procedures in order to timely examine these activities and take appropriate measures to protect the rights and interests of insurance service consumers. In parallel, the supervisors conducted numerous thematic analyses, provided the sought opinions to insurance service consumers, supervised entities, journalists, and other interested parties as regards the introduction of new insurance products, advertising and sale of insurance, channels of distribution of various types of insurance, distance contract conclusion, contents of insurance conditions, the right to compensation under the insurance contract and other.

Supervisors also conducted regular analyses of annual reports for 2023 on brokerage/agency activities submitted to the National Bank of Serbia by 223 other supervised entities (insurance brokerage/agency undertakings, agents – entrepreneurs, banks, financial lessors, public postal operator), based on which supervisory activities were undertaken (written warnings, off-site examination).

Licences, approvals and other regulatory supervisory activities

As part of insurance supervision, the NBS carried out a series of other, regular activities, such as processing different kinds of licence and approval applications, issuing expert opinions, and similar.

In relation to this, based on prior analyses and assessment of the economic impact on the operations of the insurance company, the NBS issued: 76 prior approvals to perform the function of a member of management and one decision denying the application for such prior approval, 20 prior approvals for selection of the audit company and two prior approvals for acquisition of qualifying holding, one prior approval to invest in another legal person, and three prior approvals for change of the head office address. The NBS also issued 35 certificates confirming that (re)insurance licences are still valid. When it comes to other supervised entities, the NBS issued insurance brokerage licences (4) and insurance agency licences to natural persons – entrepreneurs, insurance agents (9). Four licences expired, including one insurance brokerage licence and three insurance agency licences. The NBS also issued prior approvals for engaging in insurance agency as supplementary activity to financial lessors (2), for acquisition of qualifying holding in insurance agency/brokerage undertakings (11); to perform the function of a member of management in an insurance agency/brokerage undertaking (16) and for change of the business name, head office and/or head office address of the insurance brokerage/agency undertaking and natural person – entrepreneur, insurance agent (13). One assessment was carried out of the fulfilment of the requirements for conferring the business on the manager of an insurance agent.

In 2024, the aim of the NBS's activities was to establish the conditions for insurance sector development, and focus on European integration and regulatory activities.

The NBS keeps a close eye on EU regulations on insurance and aligns national legislation in order to adequately prepare the Republic of Serbia for joining the EU, taking care of insurance market stability and protecting the rights and interests of insurance service consumers.

In 2024, the NBS continued its work on drawing up preliminary draft regulations in order to set up a new regulatory framework for carrying out the (re)insurance activity which would be fully aligned with the relevant EU *acquis,* including the Solvency II Directive, Insurance Distribution Directive, new accounting framework, etc. The Fifth Revised **National Programme** for the Adoption of the Acquis (NPAA), adopted on 24 October 2024, confirms Q4 2027 as the deadline for adopting a new Insurance Law.

In 2024, the NBS adopted the following bylaws: Decision on Amendments and Supplements to the Decision on Implementing Provisions of the Insurance Law relating to the Issuance of License to Carry on Insurance/Reinsurance Activities and Specific Approvals of the National Bank of Serbia[1], Decision on Amendments and Supplements to the Decision on the System of Governance in an Insurance/Reinsurance Undertaking[2], Decision on Amendments and Supplements to the Decision on Investment of Insurance Funds[3], Decision on Amendments to the Decision on Reporting by Insurance/Reinsurance Undertakings[4] and Decision on Amendments and Supplements to the Decision on the Chart of Accounts and Content of Accounts in the Chart of Accounts for Insurance Undertakings[5].

Development activities

The NBS’s activities aimed to establish conditions for insurance sector development in Serbia and focused primarily on preparing for the implementation of Solvency II.

In line with the timeframe defined in the Strategy for Implementation of Solvency II in the Republic of Serbia, in 2024 the NBS continued with the drawing up of the preliminary draft version of regulations

[1] RS Official Gazette, No 44/2024.
[2] RS Official Gazette, No 82/2024.
[3] RS Official Gazette, No 82/2024.
[4] RS Official Gazette, No 82/2024.
[5] RS Official Gazette, No 106/2024.

to set up a new regulatory framework for carrying out (re)insurance activities which would be fully aligned with the relevant EU *acquis,* including the Solvency II Directive.

To develop its supervisory function, in 2024 the NBS worked on: ongoing improvement of work methods; participation in supervisory collegiums; ongoing education and professional development of the NBS staff, etc.

Professional examinations

The NBS devotes special attention to the education of certified insurance brokers and agents, as well as certified actuaries. According to the regulations, prior to taking professional examination at the NBS, candidates should pass the appropriate levels of training to acquire all the necessary knowledge for the successful performance of their tasks.

In order to raise the level of competence of candidates certified for insurance brokerage/agency activities and to finalise the list of active insurance brokers/agents, continuous education was introduced as a requirement for renewing the membership in the registry and staying in the business.

Based on Agreement on Training for Certification Exam for Acquiring the Title of a Certified Broker or Certified Agent in Insurance and Continuous Professional Education of Certified Insurance Brokers/Agents which was signed between the NBS and the Serbian Chamber of Commerce, trainings and certification examinations were organised for insurance brokers/agents in regular exam terms in 2024.

The NBS organised two professional examinations for certified actuaries.

Based on the final results of examinations, it issued 450 decisions on acquiring the title of a certified broker or a certified agent in insurance, and six persons acquired the title of a certified actuary.

In 2024, the NBS regularly supervised continuous professional development of certified insurance brokers and agents and certified actuaries. Evidence of continuous professional development for 2024 was submitted by 58 certified actuaries and the requirement of continuous professional development was fulfilled by 3,491 certified brokers and agents.

3 Insurance market[6]

3.1 General indicators[7]

As signs of stabilisation appeared after a long and challenging period of shocks, global GDP growth in 2024 is estimated at 3.3% in real terms. Amid uncertainties climbing to new peaks (escalating trade tensions and extremely elevated global political uncertainty), global growth is forecast to be somewhat slower in 2025 and to measure 2.8%, which is well below the historical average of 3.7% (in the 2000–2019 period).

[6] The report is based on data that (re)insurance undertakings are obliged to submit to the NBS.
[7] Source: World Economic Outlook, IMF, April 2025; Global economic and insurance market outlook 2025/26, Swiss Re, Sigma No 5/2024, November 2024; World insurance, Swiss Re, Sigma No 3/2024, July 2024 and the NBS.

The real growth of the global insurance market is estimated at 4.6% in 2024, but is expected to be lower in the next two years (2025 and 2026), measuring 2.6%. This is still higher than the five-year average of 1.6% (2019–2023).

The real growth in global non-life insurance premium, and in non-life insurance premium in advanced and developing economies, is estimated at 4.3% in 2024. Forecasts place average real growth in global non-life insurance premium in the next two years at 2.3%.

The real growth in global life insurance premium is estimated at 5.0% in 2024. It grew by 4.0% in advanced economies and by 7.9% in developing economies. Global life insurance premium is expected to increase by 3.0% on average in the next two years.

Five countries with the largest share in the global premium (the US, China, the UK, Japan and France) covered 69.1% of the market according to the latest published data in 2023.

According to the level of development, measured by the ratio of total premium to GDP and total premium per capita, the Serbian insurance sector is considerably below the average for EU member states, primarily due to the impact of these ratios in specific EU states.

Premium to GDP ratio for Serbia in 2023 equalled 1.8%[8], compared to as much as 6.2% for EU member states. However, when compared with the 3.3% average for developing economies and 2.3% average for developing economies in Europe and Central Asia and given that countries such as Russia and Turkey are behind Serbia, it may be concluded that Serbia holds a satisfactory position, with the potential for further improvement.

Premium per capita in the Republic of Serbia stood at USD 216 or EUR 200[9] in 2023. The same indicator for EU member states equalled USD 2,516, for developing economies of the world – USD 195, and for those in the European and Central Asia region – USD 207. The USA hold the top position with USD 9,640, followed by Hong Kong and Singapore.

In 2024, the premium to estimated GDP ratio in the Republic of Serbia stayed unchanged from 2023 at 1.8%, while premium per capita rose to USD 248 or EUR 229.[10]

Table 3.1.1. **Share in total financial sector**
(in %)

	Banks		Leasing		Insurance		VPF	
	2023	2024	2023	2024	2023	2024	2023	2024
Balance sheet total	90.9	90.7	2.5	2.8	5.7	5.7	0.8	0.8
Capital	89.8	89.9	1.4	1.5	8.7	8.6		
Number of employees 1)	64.7	65.2	1.1	1.2	33.8	33.2	0.4	0.4

1) Within VPF is shown the number of employees in VPF management companies.

Source: NBS

In the financial sector supervised by the NBS (banks, insurance, leasing and voluntary pension funds),[11] insurance ranked second by its balance sheet total, capital and employment levels. Of the total

[8] In 2024, the Statistical Office of the Republic of Serbia revised GDP data (from 1995 onwards) in line with the Eurostat's major revision programme (press release of 1 October 2024).
[9] Premium is calculated at the average annual NBS middle exchange rate for 2023, the data on the population include the annual average published in July 2024 on the website of the Statistical Office of the Republic of Serbia.
[10] Premium is calculated at the average annual NBS middle exchange rate for 2024, the data on the population include the estimated figure published on 1 January 2024 on the website of the Statistical Office of the Republic of Serbia.

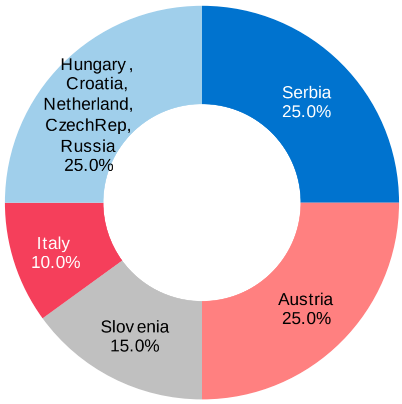
financial sector balance sheet worth RSD 7,317 bn, banks accounted for 90.7%, and (re)insurance undertakings for 5.7%.

3.2 Market participants

Insurance and reinsurance undertakings

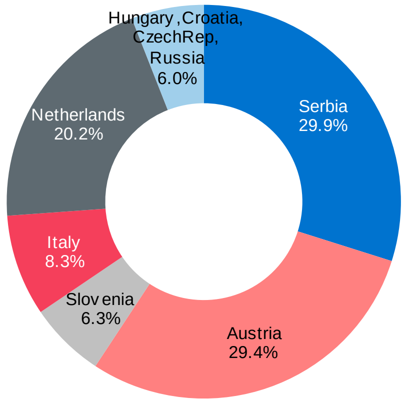
At end-2024, there were 20 (re)insurance undertakings operating in the Republic of Serbia, the same as last year. Sixteen undertakings engaged in insurance activities only and four in reinsurance activities. Of the insurance undertakings, four were exclusive life insurers, six were exclusive non-life insurers, while six provided both life and non-life insurance.

Chart 3.2.1 **Structure of (re)insurance undertakings in Serbia by ownership** (in 2024)



Source: National Bank of Serbia.

Chart 3.2.2 **Balance sheet total of (re)insurance undertakings in Serbia by ownership** (in 2024)



Source: National Bank of Serbia.

The breakdown by ownership at end-2024 shows that of 20 undertakings, 15 were in majority foreign ownership.

At end-2024, foreign-owned insurance undertakings held the dominant share of: 84.7% in life insurance premium, 60.1% in non-life insurance premium, 70.1% in total assets and 65.5% in the number of employees.

Other market participants

Beside (re)insurance undertakings, the sales network also included: 15 banks, 11 financial lessors and a public postal operator which are licensed for insurance agency activities, 115 legal persons (insurance

[11] Excluding payment institutions, electronic money institutions and virtual currency service providers.

brokerage and agency undertakings), 84 insurance agents (natural persons – entrepreneurs) and 4,810 active certified agents/brokers in insurance.

3.3 Insurance portfolio structure

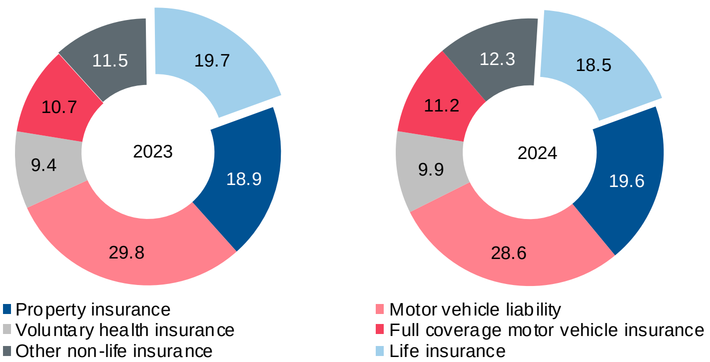
Total premium of insurance undertakings in 2024 amounted to RSD 177.4 bn (EUR 1.5 bn or USD 1.6 bn),[12] which is a y-o-y increase of 14.3%.

The share of non-life insurance in total premium was 81.5%, while the share of life insurance dipped from 19.7% in 2023 to 18.5% in 2024, due to higher nominal growth in non-life insurance premium (15.9%) than in life insurance premium (7.4%).

Five types of non-life insurance – voluntary health insurance, full coverage motor vehicle insurance, property insurance against fire and other hazards, other property insurance and MTPL insurance – accounted for 69.2% of the overall portfolio.

MTPL insurance remained dominant in total premium, accounting for 28.6%, followed by property insurance and life insurance (19.6% and 18.5%, respectively).

Chart 3.3 **Total premium according to the types of insurance**
(in 2023 and 2024, in %)



Source: National Bank of Serbia.

The share of accident insurance which, among other things, also includes compulsory insurance such as insurance of passengers in public transport and insurance of employees against occupational injury and illness, measured only 2.4% in 2024.

Voluntary health insurance premium gained 20.4%, and its share in total premium climbed from 9.4% in 2023 to 9.9% in 2024, with three insurance undertakings covering 62.0% of the market for this type of insurance.

Full coverage motor vehicle insurance premium went up by 18.7%, property insurance premium – by 18.0% and MTPL insurance premium – by 9.8%[13].

[12] At the average annual exchange rate of the National Bank of Serbia for 2024.
[13] In May 2024, the price of mandatory MTPL insurance rose by 5.26%, and in August 2024 seven companies raised this price by between 2.2% and 2.6%.

In terms of non-life insurance premium, there was no change in the ranking of the top five insurance undertakings, which accounted for 74.3% of non-life insurance premium. However, in terms of the total premium and life insurance premium, there was a change in the ranking of the top five insurance undertakings which accounted for 73.5% and 81.9% of the above categories, respectively.

Table 3.3.1 **Ranking list of five largest insurance undertakings** (RSD mn, %)

	2023			2024			Ranking change
	Amount	Share	Rank	Amount	Share	Rank	
by total premiums							
Dunav	40276	25.9	1	46206	26.0	1	-
Generali	28977	18.7	2	31628	17.8	2	-
DDOR	16895	10.9	4	19616	11.1	3	**increase**
Wiener	17477	11.3	3	19489	11.0	4	**decrease**
Triglav	11352	7.3	5	13449	7.6	5	-
by non-life premiums							
Dunav	36033	28.9	1	41189	28.5	1	-
Generali	21625	17.3	2	23902	16.5	2	-
DDOR	14326	11.5	3	16761	11.6	3	-
Wiener	10838	8.6	4	12889	8.9	4	-
Triglav	10615	8.5	5	12680	8.8	5	-
by life premiums							
Generali	7352	24.1	1	7726	23.6	1	-
Wiener	6639	21.8	2	6600	20.1	2	-
Dunav	4243	13.9	4	5017	15.3	3	**increase**
Grawe	4511	14.8	3	4643	14.2	4	**decrease**
DDOR	2569	8.4	5	2855	8.7	5	-

Source: National Bank of Serbia.

Observed by distribution channels, the major portion of *total premium* in 2024 was generated via: insurance undertakings (59.7%), insurance brokerage undertakings (16.0%), technical inspections (9.0%), insurance agency undertakings (5.0%) and banks (4.9%).

Within non-life insurance premium, 58.6% of the total was collected via insurance undertakings, 19.2% via insurance brokerage undertakings and 11.1% via technical inspections. Banks collected as much as 60.2% of the total loan insurance premium, brokers 54.7%, 52.3%, 43.9% and 33.0% of the total premium of insurance of goods in transport, voluntary health insurance, general liability insurance, and insurance against financial losses, respectively, while 31.5% of total MTPL insurance premium was collected via technical inspections of vehicles.

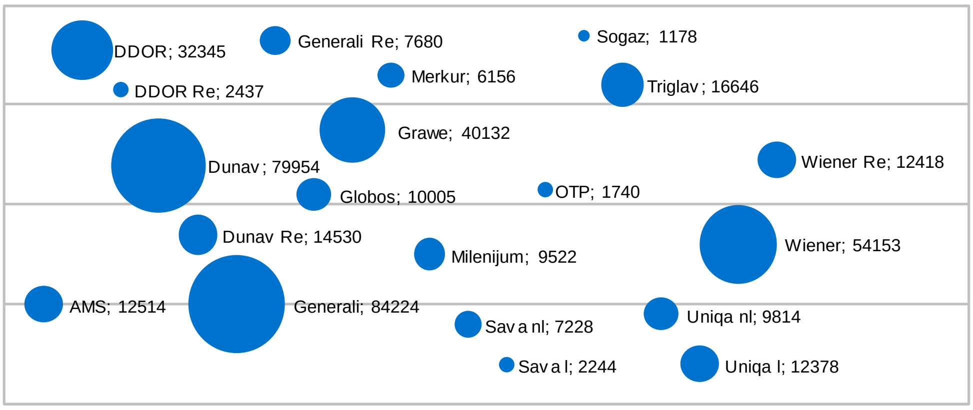
The largest portion of life insurance premium was collected through sales by: insurance undertakings (64.5%), banks (16.8%) and insurance agency undertakings (12.5%).

3.4 Balance sheet total and balance sheet structure

Balance sheet total

The balance sheet total of (re)insurance undertakings increased to RSD 417.3 bn at end-2024 (EUR 3.6 bn or USD 3.7 bn),[14] up by 11.1% y-o-y.

Chart 3.4.1. **Balance sheet total of (re)insurance undertakings**
(as at 31/12/2024, in RSD mn)



Source: National Bank of Serbia.

In terms of the sector's balance sheet total, there was no change in the ranking of the top five insurance undertakings, which accounted for 76.5% of the total.

Structure of assets

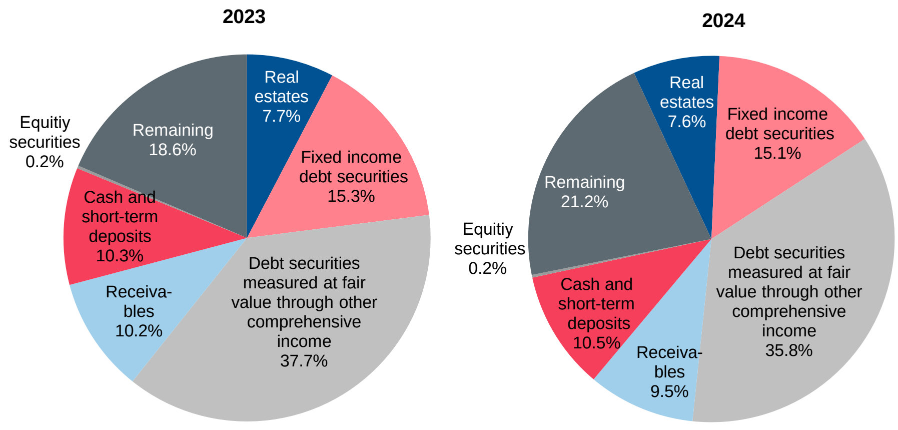
In the structure of assets of (re)insurance undertakings, as at 31 December 2024 the dominant share was held by debt securities, of which: debt securities measured at fair value through other comprehensive income (35.8%) and fixed income debt securities (15.1%), followed by: technical provisions charged to coinsurer, reinsurer and retrocessionaire (10.9%) (as part of the category "Other"[15] in Chart 3.4.2), cash and short-term deposits (10.5%), receivables (9.5%), and property, plant and equipment (7.6%).

Compared to 2023, the share of debt securities measured at fair value through other comprehensive income decreased in 2024, while on the other hand, that of technical provisions charged to coinsurer, reinsurer and retrocessionaire went up.

[14] At the middle exchange rate of the NBS as at 31 December 2024.

[15] Other includes: intangible investments, goodwill, software and other rights, participating interests, other long-term financial investments (with the exception of fixed income debt securities), other long-term assets, deferred tax assets, inventories, non-current assets held for sale, other securities within financial investments, other short-term financial investments, value added tax, prepayments and accrued income and technical provisions charged to coinsurer, reinsurer and retrocessionaire.

Chart 3.4.2 **Structure of assets**
(as at 31/12/2023 and 31/12/2024)



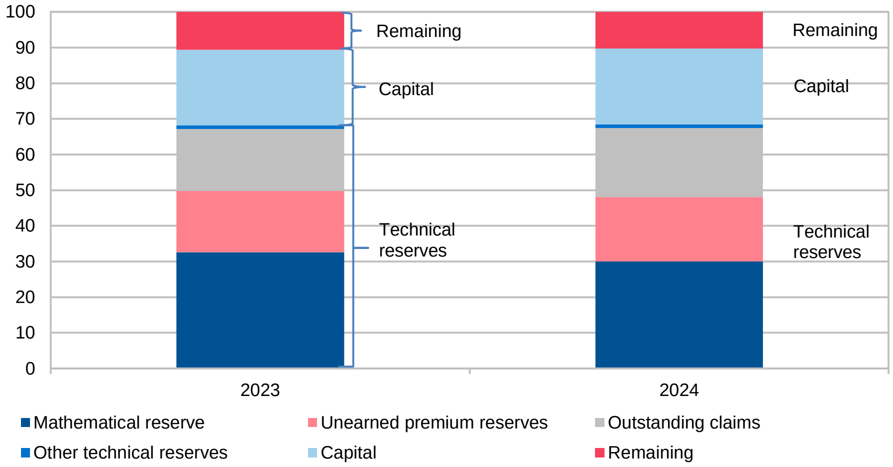
Source: National Bank of Serbia.

Structure of liabilities

In the structure of liabilities as at 31 December 2024, technical provisions accounted for 68.5%, and capital for 21.2%.

In 2024, capital equalled RSD 88.6 bn, rising at the rate of 11.3%, while technical provisions reached RSD 285.9 bn, recording a growth of 11.7%. Mathematical reserve kept the dominant share in technical provisions, rising mildly by 2.3% relative to the end of last year.

Chart 3.4.3 **Structure of liabilities**
(in %)



Source: National Bank of Serbia.

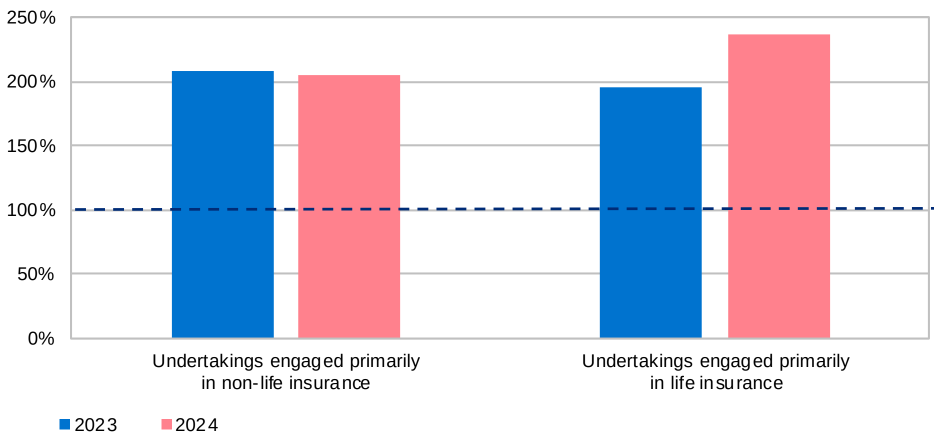
4 Performance indicators

4.1 Capital adequacy

The solvency of (re)insurance undertakings largely depends on the sufficiency of technical provisions for undertaken obligations and on meeting the conditions related to capital adequacy, which have been established as the ratio of the required and available solvency margin.

The available solvency margin of (re)insurance undertakings in Serbia as at 31 December 2024 amounted to RSD 61.3 bn, and the required solvency margin – to RSD 28.7 bn. This marked the end of the downward trend in the **main capital adequacy indicator** (ratio of the available to the required solvency margin) recorded in 2022 and 2023. This indicator measured 204.8% for undertakings primarily engaged in non-life insurance, 237.5% for undertakings engaged in life insurance, and 214.7% for reinsurance undertakings. The above indicators reflect good capitalisation.

Chart 4.1.1 **Capital adequacy of insurance undertakings**



Source: National Bank of Serbia.

A non-life insurer's ability to absorb the risk of inadequate premium pricing, unforeseen claims and inadequate transfer of risk to coinsurance and reinsurance etc. (insurance risk) is measured, among other things, by the **ratio of retained premium to total capital**. Retained premium[16] is an approximation of undertaken risks and must be sufficient to cover the insurance claims and compensations. In case of inadequacy of premium pricing or risk transfer to coinsurance and reinsurance, as well as in case of other insurance risks, total capital or parts thereof are used to guarantee the coverage.

In 2024, the capital coverage ratio of the non-life insurance sector, i.e. all insurance undertakings in Serbia engaged primarily in non-life insurance, stood at 186.2%, compared to 182.1% in 2023. This change resulted from retained premium growing somewhat faster than capital in these undertakings.

[16] Retained premium is also aimed at covering insurance administration costs.

The capital coverage ratio of the life insurance sector, as a ratio of total capital to technical provisions of undertakings engaged primarily in life insurance, increased from 22.5% in 2023 to 23.6% in 2024, reflecting a higher increase in capital than in technical reserves.

Such ratio meant that in 2024 there was a "reserve" of 23.6% to cover inadequate assumption of risks by these undertakings (in life insurance, technical provisions represent a good approximation of risks).

4.2 Quality of assets

The share of intangible investment, property, investment in non-tradable securities and receivables in total assets of undertakings engaged primarily in non-life insurance, i.e. the **ratio of less marketable assets,** measured 19.8% in 2024, decreasing from the year before (20.3% in 2023).

In undertakings engaged primarily in life insurance, this indicator decreased mildly, from 7.3% in 2023 to 7.2% in 2024.

Apart from calculating sufficient premium to compensate for the damages and insurance administration costs, it is also necessary to ensure premium collection. Otherwise, the insurer may face the risk of being unable to fulfil its obligations, including obligations to the insured.

The receivables ratio, defined as a ratio of premium receivables to total premium written for all non-life insurers increased slightly, from 14.6% in 2023 to 15.0% in 2024, as a result of premium receivables increasing somewhat more than total premium written.

In undertakings primarily engaged in life insurance, this indicator rose slightly from the year before, from 4.1% in 2023 to 4.4% y 2024.

4.3 Investment of technical provisions

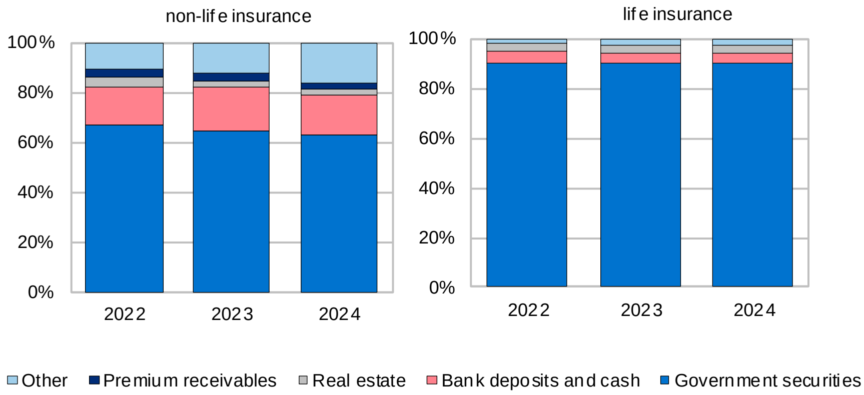
In order to protect the interests of the insured and injured parties and to ensure timely payment of damage claims, insurance undertakings need not only allocate adequate technical provisions, but also invest these assets so as to ensure that their real value is maintained and increased, as well as that the undertaken obligations may be fully and timely met, both at present and in the future period. To be able to meet its liabilities, an undertaking must invest its assets taking due account of the risk profile and risk tolerance limits (qualitative and quantitative), by pursuing its investment policy.

Technical provisions were fully invested in the prescribed types of assets, in both non-life and life insurance undertakings, as well as in reinsurance undertakings in 2024.

In 2024, non-life insurance technical provisions of all insurance undertakings in Serbia were mostly covered by government securities (63.0%), bank deposits and cash (15.9%), technical provisions charged to coinsurer, reinsurer and retrocessionaire (15.6%), unearned premium receivables (2.5%) and real estate (2.3%). Compared to the end of the last year, the shares of government securities and deposit and cash went down, while an increase was recorded for technical provisions charged to coinsurer, reinsurer and retrocessionaire.

The composition of investment of life insurance technical provisions shows no major changes – investment in government securities decreased slightly to 90.0% and in real estate to 2.9%, while the share of investment units of investment funds edged up to 1.3% (as part of the category “Other” in Chart 4.3 for life insurance).

Chart 4.3 **Structure of investment of technical reserves**



Source: National Bank of Serbia.

4.4 Reinsurance

Reinsurance and coinsurance provide the so-called risk offsetting and protection of insurers against major or massive losses that may jeopardise their operations. In relation to the portion of risks which is retained, the undertaking’s capital is used as a buffer for unforeseen events and inadequate premium prices.

The **premium retention ratio,** i.e. the share of earned net premium in total earned premium, points to the extent of risks transferred to reinsurance and coinsurance. In undertakings engaged primarily in non-life insurance, this indicator went up from 75.7% in 2023 to 76.9% in 2024.

In terms of types of insurance, the percentage of risk transfer to reinsurance was the largest in aircraft liability insurance and aircraft insurance, followed by marine liability insurance, property insurance against fire or other perils, cargo insurance, railway vehicles insurance, loan insurance, general liability insurance and insurance against financial losses, which corresponds to the nature of those types of insurance and the level of risks assumed.

As regards life insurance undertakings, this indicator measured 94.8% in 2024, posting a decrease relative to the year before (95.8% in 2023). High indicator values resulted from the transfer of a portion of pure risk premium to reinsurance, while the investment portion (as a significantly larger portion of life insurance premium) remained in insurers’ portfolio holdings.

4.5 Profitability

In 2024, the insurance industry posted a positive net result, which after tax[17] came at RSD 12.4 bn.

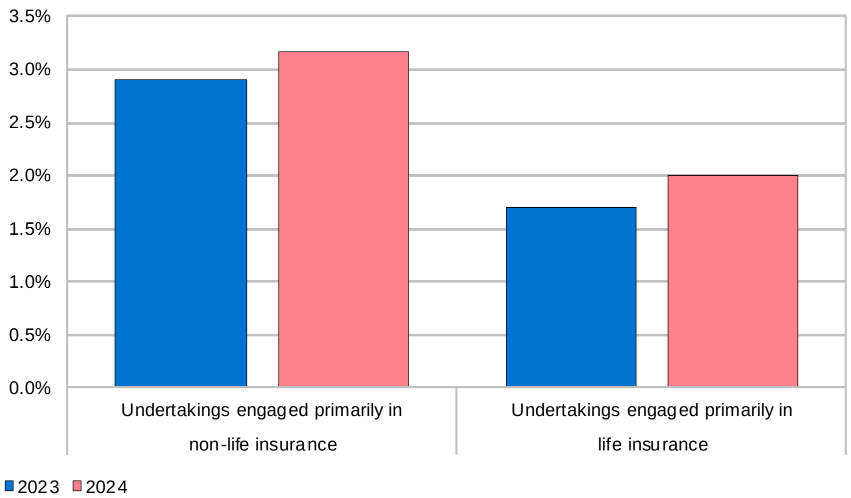
A measure of profitability of an insurance undertaking is the net **combined ratio** (the sum of net claims and underwritten expenses less the reinsurance and retrocession commission, relative to earned net premium). A ratio below 100% indicates that an undertaking is able to cover damage claims and insurance administration costs less the reinsurance and retrocession commission out of the premium written, while a ratio above 100% means that in premium pricing it takes into account potential income received from investments in the financial and real estate market, while taking into account market and counterparty risks. In undertakings engaged primarily in non-life insurance, the net combined ratio improved from the year before, measuring 92.3% (93.4% in 2023).

For undertakings mainly engaged in non-life insurance, **the net loss ratio** (the ratio of net claims to earned net premium), as an indicator of price policy and adequacy, i.e. sufficiency of the premium to cover liabilities arising from insurance contracts and adequacy of the transfer of risk to reinsurance and coinsurance, decreased from 58.8% at end-2023 to 57.5% at end-2024.

For undertakings engaged primarily in life insurance, the **benefit ratio**[18] declined from 83.4% at end-2023 to 82.0% at end-2024. That is a result of faster growth in the earned net premium compared to the sum of net claims and changes in technical provisions.

For undertakings carrying out primarily non-life insurance business, **RoA** (as a measure of return on total assets generated by their engagement in insurance, investment activities etc.)[19] was positive in 2024 at 3.2% (2.9% in 2023).

Chart 4.5 **Return on assets - RoA**



Source: National Bank of Serbia.

For undertakings carrying out primarily life insurance business, RoA equalled 2.0% (1.7% in 2023).

[17] Includes only tax expenses which (re)insurance undertakings carried until submission of data to the NBS.
[18] Ratio of the sum of net claims and changes in technical provisions to earned net premium. In interpretation, one needs to take into account the long-term character of life insurance and the significant impact of changes in technical provisions on this indicator.
[19] Includes only tax expenses which (re)insurance undertakings carried until submission of data to the NBS.

Overall, the Serbian (re)insurance sector posted a positive RoA of 3.0% (2.7% in 2023).

4.6 Liquidity

To be able to meet its liabilities, an insurance undertaking must ensure an asset liability maturity match and make sure its assets are marketable and of adequate quality. As the size and timing of individual damage claims cannot be predicted, an insurance undertaking must carefully plan the composition of its assets in order to be able to meet first its liabilities under damage claims, and then all other liabilities.

The liquid assets to liquid liabilities ratio[20] for the (re)insurance sector in 2024 amounted to 109.2%, suggesting that liquid assets were sufficient for servicing short-term liabilities in the insurance sector.

5 Social responsibility and protection of citizens' rights

Supervision of insurance business conducted by the NBS safeguards the stability and solvency of the insurance sector, as an important segment of the financial sector in Serbia, but above all, it protects our citizens and businesses – users of insurance services (policyholders, the insured and injured parties). The NBS carries out monitoring and takes timely actions in order to maintain the solvency of insurance undertakings, so that they are able to meet their liabilities toward insurance service consumers at all times. However, apart from this aspect, it is extremely important in what way insurance undertakings and other participants in the insurance market sell insurance services and whether and in what way insurance undertakings meet their liabilities toward their clients (deadlines and the size of compensation per claim event etc.), which is why special attention is paid to that segment of insurance business.

The NBS takes actions from its competence to make sure that insurance services are easily accessible and understandable to all consumers, that conclusion of insurance contracts is voluntary (unless otherwise determined by law), that services are sold by authorised persons possessing adequate knowledge and qualifications and, especially, that upon the occurrence of the insured event (the event covered by the policy, as a type of protection) the insurance compensation is paid out in a timely and fair manner.

In order to meet these objectives, the NBS analyses quantitative and qualitative indicators of market conduct of participants in the insurance market (data on the number and type of complaints etc.), which helps to identify problematic segments of operation of insurance undertakings and insurance agents/brokers. The risks of inadequate market conduct that are recognised as the most important from the aspect of protection of rights and interests of insurance service consumers are covered by the examination plan, in order to timely inspect activities of insurance undertakings and other participants in the insurance market and thus to ensure the necessary protection of rights and interests of insurance service consumers.

[20] For the purposes of this Report, liquid assets comprise: financial investments, cash and deposits with banks and other long-term financial investments, while liabilities refer to: short-term liabilities, accrued costs and deferred revenues, outstanding claims and other technical provisions in insurance up to one year.

6 Conclusion

The comparison of indicators at end-2024 and end-2023 points to the following changes in the year under review:

- A total of 20 (re)insurance undertakings operated in the Serbian market, same as in the previous year, while employment edged down slightly, by 0.8% to 11,357 persons;
- The insurance sector balance sheet total rose by 11.1% to RSD 417.3 bn;
- Capital increased by 11.3% to RSD 88.6 bn;
- Technical reserves rose by 11.7% to RSD 285.9 bn, and were fully covered by the prescribed types of assets;
- Total premium went up by 14.3% to RSD 177.4 bn;
- Non-life insurance continued to hold a dominant share in total premium (81.5%). Non-life insurance premium increased by 15.9%, with all major types of insurance recording two-digit percentage growth, namely, property insurance, full coverage motor vehicle insurance – "kasko" and voluntary health insurance;
- Life insurance premium rose by 7.4%, while its share in total premium declined from 19.7% to 18.5%.

The current insurance regulations in the Republic of Serbia have laid the legislative groundwork for further convergence of the Serbian insurance sector to that of the EU.

Still, major changes in the insurance supervision regulatory framework are yet to be made, both when it comes to full alignment with the Insurance Distribution Directive (IDD) and implementation of Solvency II.

IDD brings solutions which regulate in more detail the supervision and management of insurance products in order to ensure that they meet actual consumer needs. It also prescribes the methods of informing of consumers and distribution of insurance products, in order to improve the level of protection of rights and interests of insurance service consumers.

For the sake of further improvement of prudential supervision regulatory framework, in the forthcoming period continuation of the alignment of the regulations with the Solvency II Directive is planned (in line with the Strategy for Implementation of Solvency II from May 2021) which will change the manner of quantification of the level of risks to which insurance and reinsurance undertakings are exposed in their operations and therefore capital adequacy requirements and the manner of management of those risks. Completing the first phase of strategic activities aimed at implementing Solvency II – compliance analysis, implementing ongoing activities which are integral to the second phase – impact assessment, and moving to the harmonisation of the regulatory framework as the third phase, will enable the insurance sector to respond to future challenges with a view to ensuring long-term stability of the insurance sector and protecting insurance service consumers.

In the face of mounting global uncertainty, one of the primary strategic objectives set by the NBS and Government for 2024 was met, i.e. *the award of investment-grade rating to Serbia*. The NBS responded to challenges from the international environment by gradual monetary policy tightening and raising the key policy rate, with a view to ensuring inflation's return within the bounds of the target, which yielded expected results in May 2024, consistent with the NBS's projections. In view of the insurance sector's importance in providing protection to citizens and/or insured persons and ensuring the continuity of provision of the insurance service, the NBS will take all the necessary measures within its competence to mitigate the effects of the prevailing risks on the insurance sector. The activities will be aimed at maintaining the stability of the insurance sector (by implementing the on-site examinations plan, continuous off-site supervision of (re)insurance undertakings and other supervised entities, and regulatory amendments) and improving the supervisory function, all with a view to ensuring the stability of the insurance sector and protecting the insured persons, insurance service consumers and injured parties.