

# Economics and Business Review

Volume 1 (15) Number 3 2015

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Paper based publication

**ISSN 2392-1641**

POZNAŃ UNIVERSITY OF ECONOMICS PRESS  
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postal address: al. Niepodległości 10, 61-875 Poznań, Poland

Printed and bound in Poland by:  
Poznań University of Economics Print Shop

Circulation: 300 copies

## Introduction

The insurance industry continues to play an important role in economic development in every domestic and regional market as it does for the global economy as well for as societal well-being. As its importance rises it is subject to the ever-increasing oversight from regulatory authorities – not only within the industry but also in the financial services sector. We observe changes in legislation, economic fluctuations and many more processes that are arising in every corner of the world. At the same time insurance markets are not free from various disturbances or recession, let alone the impact of the recent financial crisis on the markets. Therefore we should strive to better understand the relationship between insurance market development, economic growth and societal well-being, especially in countries with fast growing insurance markets.

This issue of the *Economics and Business Review* on Risk Management and Insurance includes a number of studies that examine topics related to the functioning of modern insurance markets and in particular in selected Southern and Northern European markets. As there are differences in market development and the availability of research sources there are some differences in the depth and scope amongst the papers in this issue. We consider that such differences should be regarded as a starting point for the further development of the national markets covered in this issue.

The first paper entitled “The changing architecture of the safety net in insurance worldwide: post-crisis developments” provides a review and analysis of the direction of the evolution of the structure of the safety net in insurance as compared to that of banking. It also discusses the influence of recent regulatory initiatives in insurance markets. Special attention is paid to macroprudential supervision which has been revived as a major regulatory factor in the aftermath of the recent global financial crisis. Matters related to Global Systemically Important Insurers are also covered.

All the remaining papers analyze issues in domestic insurance markets. We list them in geographical sequence from Southern to Northern Europe. All together these papers cover ten countries: Albania, Belarus, Bosnia and Herzegovina, Croatia, Macedonia, Moldova, Poland, Russia, Serbia and Ukraine. The first paper entitled “The determinants of nonlife insurance penetration in selected countries from South Eastern Europe” examines the factors influencing non-life insurance penetration in South Eastern European markets during 1995–2011. By applying a panel vector error correction model the authors find a significant relationship amongst non-life insurance penetration and GDP per capita, the number of passenger cars per 1,000 people and local regulation.

The article titled “Microeconomic and macroeconomic determinants of the profitability of the insurance sector in Macedonia” identifies the micro- and macroeconomic factors affecting the profitability of the Macedonian insurance market. These determinants include, but are not limited to, the value of assets and interest rates. The author suggests recommendations from micro-perspectives (e.g., productive use of resources, innovative products, portfolio enhancement and recapitalization) and from macro-perspectives (e.g., structural reforms, extension of savings and investments, new financial instruments, mutual projects between the insurance and banking sectors).

“Policyholder and insurance policy features as determinants of life insurance lapse – evidence from Croatia” deals with issues related to life insurance lapse. The authors investigate the drivers behind such lapses in Croatia using survey data. They find that the main determinants include the number of children, income level, the financial status of policyholder as well as duration of the life insurance contract.

The study titled “Longevity risk and the design of the Polish pension system” focuses on the management of longevity risk in the reformed pension system in Poland. The author examines whether the current Polish pension scheme is more resistant to the risk of longevity than the previous one, especially the impact of pension account changes from defined benefit to defined contribution.

“Polish farmers’ perception of spring frost and the use of crop insurance against this phenomenon in Poland” presents the findings from a March 2012 survey using a focus group of 750 farmers across Poland. The authors describe how farmers assess spring frost in the context of other sources of risk and investigate if there are any interdependencies between the perception of spring frost and the use of crop insurance to cover this peril. The analyses indicate that spring frost perception primarily depends on a farmer’s experience in terms of most natural perils. That is, any kind of loss, regardless of its cause and scale, is conducive to ranking spring frost risk.

The final article entitled “Insurance and risk management systems in Russia” covers issues related to corporate insurance in the Russian Federation, the method of formation of corporate insurance systems, the assessment tools used to assess the financial condition of insurers and insurance service users. The author adds recommendations for improvements to the insurance systems in the Russian Federation. This study offers a summary of statistical data on the Russian insurance market in recent years.

We, the editors of this issue of the *Economics and Business Review*, would like to express our sincere thanks to the anonymous reviewers for comments and suggestions as well as to the Language Editor for making this issue possible.

*Piotr Manikowski, W. Jean Kwon*

## Aims and Scope

Economics and Business Review is the successor to the Poznań University of Economics Review which was published by the Poznań University of Economics Press in 2001–2014. The Economics and Business Review is a quarterly journal focusing on theoretical and applied research work in the fields of economics, management and finance. The Review welcomes the submission of articles for publication dealing with micro, mezzo and macro issues. All texts are double-blind assessed by independent reviewers prior to acceptance.

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E&BR is listed in ProQuest, EBSCO, and BazEkon.

Subscription rates for the print version of the E&BR: institutions: 1 year – €50.00; individuals: 1 year – €25.00. Single copies: institutions – €15.00; individuals – €10.00. The E&BR on-line edition is free of charge.

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