Characteristics of Insurance Companies in the Non-Bank Financial Market

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Abstract
The financial market appears as a mechanism which has to affect the optimal allocation of the financial assets, including the balance between the supply and money demand and accumulation.(Fadil Govori, 1998, page 101) The financial market is a market where transfers of financial assets take place from the subjects that own a redundancy of these assets to those who lack them. This kind of transfer of the assets is done through financial institutions like banks, insurance companies, investment funds, financial companies, investment banks, savings and credit cooperatives, cash savings, pension funds.
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The development of the financial market has begun from the XIX century. It is divided in banking financial market and non-banking financial market, we will focus on the latter.
Non-bank financial market consists of insurance companies and pension funds, which are considered to be the financial connection because they take from their clients assets for future investments, and they also invest their own assets from which they gain money. (Frederic Mishkin, 2009, page 234)
Insurance companies are companies that deal with the risk taking on their clients' behalf, in exchange of the compensation called prim, whereas they benefit from the collection of the primes that are sufficient for damage compensation. Sometimes we may even ask, why do we have to pay for insurance? Our life would be much different if the insurance companies did not exist. We would always have to save a fair amount of money that we could use to pay the possible damages that would take place.
Pension funds are investment funds established and ran by the company that deals with pension funds, according to which the employees that paid for insurance will share their pension contribution from their current income, with which the pensions of the current pensioners will be paid. (Nevruz Koci, 2002, page 341)
The definition of the term pension would be this: it is a long-term salary given to those people that reach a certain age and are not capable of working. It may be as a result of a particular disease, accident at work etc.
There are several pensions that can be divided into: pensions for old people who have reached a specific age for a pension, which is 64 years old for men and 62 years old for women, pensions for the handicapped given to those people who at some point have experienced an accident at their workplace or suffer from a certain disease that makes them incapable of working, and family pensions that are given to the other members of the insured person after that person's death.
The system of the pension funds in The Republic of Macedonia is divided in three branches: the first branch is the obliged fund of the state where contributions are paid from the wage of the insured people, the second branch contains the private obliged pension funds, and the third branch represents the private pension funds which is done by those people who offer a possibility for the achievement of higher pensions voluntarily from their own salary.
The need for insurance has appeared from the ancient times because even then their wealth has been exposed to risk. Around the XIX century with the development of the economy there was also a perfection of the insurance forms.
The term "insurance" represents an institution which pays the damages that occur in a company, economic damages or injuries of people, as a result of natural disasters and catastrophes. (Xhevat Bakraci, 2004, page 8)
Insurance can also be defined as a method that does the transferring of the risk from the one that has paid for insurance to the one that the insurance is paid to, whereas the insurance company pays for the eventual damage that may occur to the person only if the person has made a prior payment for insurance.
The essential elements that the insurance contains are: the object of insurance (it can be a person, animal, material etc.), the risk from which it is secured (the risk of earthquakes, floods, being robbed etc.), the term of the insurance (the period of which the insurance takes place), and the form of covering the damage (the way a verification of indemnity will be completed).
The development of insurance has begun 3000 years B.C and the very first dispositions written about the risk sharing, covering the losses, compensations from robbing, death, the lost vessels at sea during the transport and much more have been found on the Hammurabi's Code. Although, more developed forms of insurance appeared during feudalism where there were established several insurance organizations. The first dealer

contract that had to do with insurance in general was compiled in the form of a document in 1347 and was kept safe in Genoa, Italy while the first known insurance policy was released in Pisa, Italy in 1384.
The place where the buying and selling of insurance takes place is the insurance market. The insurance market in Macedonia is compiled of 13 insurance companies, of which only 2 are life insurance companies. The laws on which the insurance in Macedonia is based are the law for obliged insurance in traffic, the law of insurance supervision, the law of obligations and the law for the marketing companies.
In Macedonia the insurance companies are a possession of the foreign investors, of which 80,8% is a full property that they own and only one of the insurance companies is in full possession of the native investors.
The profit of the insurance department in 2010 has reached the value of 75 million MKD, out of which 43,2 million MKD has been a profit from the field of life insurance, and 31,8 million MKD of general insurance.
In 2010 in The Republic of Macedonia a very common insurance has been the insurance of motorcycles (59,6% of the total GWP)
For any kind of insurance, regardless the field, a contract must be signed, where the insurer is obliged to pay a certain amount of money to the insured person if the insured event occurs.
The insurance contract also defines the rights and obligations of the insurer and the insured.
The insurance contract begins with the submission of the offer, which can be on a written form or orally.
The insurance contract should contain: the object of the insurance, volume of the coverage, duration of the contract, the exceptions of the insurance, insurance prime, the conditions for the increasing or decreasing of the prime, ways of damage display and ways of resolving the problems. (Ksenija Klasiq, 2002, page 266)
Insurance can be divided in two types: life insurance and non-life insurance. Life insurance is a combination of saving and the security which offers protection and creates financial security of the individual, his/her family or his/her business. Life insurance contract can sign healthy people from 15 to 55 years old and can be contracted for a period of time of 10 to 30 years.
As conditions for the payment of the insured amount in case of the person's death occurs, his death must have occurred by chance or accidentally and without premeditation.
The main non-life insurances are: property insurance, wealth insurance, liability insurance, transport insurance, vehicle insurance etc.
Other types of insurance are coinsurance and reinsurance. Coinsurance is a method for a large risk sharing between two or more insurance companies, which sign an insurance contract and each insurer takes upon themselves a part of the risk.
Reinsurance occurs when one insurance company insures at another insurance company one part of the risk that has undertaken, which means the insurance company pays insurance for itself.
The oldest insurance contract has been signed in 1370 in Geneva, Switzerland.
The reinsurance market is a market where the sale and purchase of reinsurance products take place, where as buyers appear the insurance companies and sellers are reinsurance companies.
A question may arise about the number of the reinsurance companies in the market? According to professors Power and Shubik from Yale University the number of the reinsurance companies must be equal to the square root of the number of insurers in the market. Does this rule match the insurance market that we have in Macedonia? According to the information taken from the Republic of Macedonia, there are no reinsurance companies, so we can see clearly that this rule does not take place in our market.
During the linkage of the insurance the evaluation of the risk must be done and the height of the prime must be calculated. Risk evaluation is a phase where the intensity and frequency of the risk is determined. It is more likely that there will be small damages instead of huge ones.
The insurance prime is an amount of cash that the insured must pay to the insurer for the risk they're about to take, based on the insurance contract. How high the prime will be it will depend completely on the object that is going to be insured.
In case the insured event occurs, in case of a damage, the insured is obliged to inform the insurer within 3 days. When the insured event occurs the insurer is obliged to make the damage payment within 14 days, except for the case when the contract is invalid, when the contract does not include a damage of that kind or when the particular damage does not meet the public policy.

Conclusion
The insurance industry has an important impact on the economic development of the state. The insurance market in the Republic of Macedonia is among the emerging markets with a significant potencial, especially in the life insurance sector, which is expected to have a dynamic growth in the coming years.

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