

Mira Erić-Jović: Compulsory insurance, damage compensation and security over receivables

Opening speech by Mrs Mira Erić-Jović, Vice-Governor of the National Bank of Serbia, at the 13th Annual Conference “Compulsory Insurance, Damage Compensation and Security over Receivables”, Belgrade, 16 September 2010.

* * *

Ladies and gentlemen,

It gives me great pleasure to greet you all on behalf of the National Bank of Serbia, sponsor of this 13th regular annual conference, as well as to point out the significance of this event and the importance of its agenda. Namely, all expertise acquired and activities taken in order to improve damage compensation procedures and upgrade fair and sound insurer practices will lead to more equitable damage compensation according to principles of fairness and justice. This, at the same time, represents a precondition for efficient consumer protection and building consumer confidence in the insurance business, which, in turn, is a prerequisite to insurance sector growth.

That is why this conference and its agenda – compulsory automotive insurance, damage compensation and security over receivables – are particularly significant at this point, i.e. after the enactment of the new Law which now has to be implemented fully in practice.

The solutions laid down by this law, particularly those relating to damage compensation, aim primarily to protect the interests of damaged parties. This is all the more so as such persons, for no fault on their part or even active participation in damage events, suffer the consequences of someone else’s reckless or accidental conduct, often for as long as they live.

Legal solutions therefore seek to ensure that those persons can exercise their right to damage compensation in full and as effectively as possible. I believe that, regulatory-wise, we have made significant progress in this segment of the system. Improvement of the regulatory framework should, of course, be accompanied with building good insurer practice, leading ultimately to their better performance, but also to improved court practice and practice of other parties in the process of damage evaluation and compensation.

The importance of adequate implementation of the Law cannot be stressed enough – this type of insurance holds a 30% share in the domestic insurance market, while as many as 11 of the 22 companies engaging in insurance business are involved in compulsory insurance. True, available data point to some positive trends in terms of timeliness in the claim resolution process, as well as in terms of reducing the number of overdue claims.

Nevertheless, it should be said that though improved, timeliness is still not satisfactory as suggested by the number of complaints against insurers’ operations received by the National Bank of Serbia through its Centre for Financial Services Consumer Protection. The analysis of those complaints has shown that the majority relate to none other than automobile liability insurance. Without going into further analysis, we may also say that this was rather expected as this type of insurance is by far the most common in the market. However, different conclusions may be drawn when one compares the market share of automobile liability insurance and the share of complaints against insurers’ operations in this field which currently stands at as much as 62%. Furthermore, majority of complaints in the first half of 2010 related, quite unexpectedly, to late payment of damage claims, amount of compensation offered and the refusal to pay the indisputable damage. Though not too high (58), the number of such complaints is rising, which points to inadequate practice contrary to the new Law. In the long run, this is certainly not in the interest of either the damaged parties or the insurers, and will surely hinder the development of the insurance market.

In view of the objectives of the new Law, most notably those regarding efficient payment of compensation and adequate protection of damaged parties, we believe this to be the right moment to discuss the issues of damage compensation at professional gatherings such as this one. Such consultations should and can give a significant contribution to establishing fair practice in the insurance sector.

I believe that this conference will provide an important contribution in this respect. And finally, I wish you all a lot of success in your work.