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FACULTY OF ECONOMICS

DEPARTMENT: FINANCIAL MARKETS AND BANKS

MASTER THESIS

**RISK MANAGEMENT IN THE INSURANCE COMPANIES IN KOSOVO
(SIGMA COMPANY)**

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INTRODUCTION

The risk in the broader sense poses a certain risk, uncertainty, loss, falling into "gamble", ie an uncertain future event that may also have desirable consequences.

Risk management techniques have been initially developed by banks and are subsequently adapted from firms, insurance companies, funds and industrial corporations. The underlying risk management strategy at firm is to identify market risk factors and their effects on the sustainability of income as well as to measure the effects of these factors. By its essence, the risk of firms varies considerably from the risk of financial institutions. Firms need to permanently take care of the risk and find the ways to minimize its impact on business. Risk effects are important to be taken into account during planning and budgeting in order to truly estimate the profit or loss of the firm. Businesses engage in unwillingness to reduce or control their risk. For example, they practice concluding long-term contracts with suppliers or customers, in order to reduce demand and unpredictable bidding. Management theory and various researches have provided models that optimize inventory levels and offer different models for outsourcing.

However, although firms engage in unceasing efforts to manage risk, they often do not have a formal system for monitoring their overall risk and also assess the impact of various measures to reduce the risk. Firms are often exposed to interest rate risk when they have to borrow money from their banks or offer credit to their customers. Firms are also exposed to foreign exchange rate risk for exports of products and services or when they depend on external supplies. Many firms suffer losses because their customers do not pay their debts, so it adds to the risk of facing creditors. With all of these problems, there are substantial differences between financial and non-financial organizations in terms of dealing with risk. Business risk is not expressed at the same intensity as the risk of banks and other financial institutions. The reason lies in the fact that the biggest risk to the firms belongs to business risk, while market risk and credit risk come in second. Non-financial organizations are also not heavily tied to the debt leverage compared to financial organizations. The total debt rate in the United States for non-financial organizations is about 30%, while in Japan it is about 50%. In banks this rate is 82% to 92%. Generally, the debt leverage for non-financial organizations is linked to creditors, who are usually banks and financial institutions, while the less is concerned with citizens and savers.

METHODOLOGY OF THE RESEARCH

Aim of the study

The purpose of this research will be the services of the Sigma insurance company which this company offers to market trends in Kosovo. We will also analyze the risk management that insurance companies face in the Kosovo market. We will also analyze the products and services offered by this company, and we will conduct an analysis of how real these companies are for the services that this company offers.

Organization of the study

I have summarized this work in five chapters:

The theme contains these chapters, based on the research methodology, then with the risk concept, also includes risk management, risk management of the portfolio, also contains the key topic for which we are defined, ie it is about risk management in insurance companies in Kosovo.

Study approach

This paper will be based on literature research and the collection of appropriate data on the state and perspective of insurance in Kosovo. The literature on which this paper is based will be local and international. The paper will use primary and secondary data.

CONCLUSION

"Risk management in the insurance companies in Kosovo" research - case study Sigma Insurance Company. The paper gives insight on risk management in insurance companies in Kosovo as well as in Sigma insurance companies as a case study.

The products and services offered by this company (Sigma) have been analyzed around this topic and an analysis of how real these companies are for the services they offer.

This paper is based on literature research and proper data collection on the state and perspective of insurance in Kosovo. The literature on which this paper is based is local and international literature. The paper possesses primary and secondary data.

The work in general is based on the data of the companies that have accumulated during their activities, for their needs. It is also analyzed the results of surveys conducted by insurance companies themselves that will provide additional information about the insurance and insurance risks. While primary data has been collected through consultations conducted with consultants of this paper and insurance literature and insurance risk management.

These are taken from institutions that are published, collected, analyzed, compared and we come to a conclusion about how the existing state of insurances in Kosovo is and developments in this field.

The insurer is obliged, for damages in person, to leave within sixty (60) days, while for damage to property, within fifteen (15) days from the day when the request for damages was made handle the request and notify the injured party in writing with:

- Bids for compensation with relevant explanations;
- The decision and the legal reasons for rejecting the request for compensation, when the responsibility and the height of the damage are controversial.

If the submitted referral is not completed with evidence and documentation necessary to decide on the payment of damages, the insurer is obliged to notify in writing within three (3) days from the day of receiving the request for compensation, to notify the injured person by specifying which of the evidence and documentation must be completed. From the day of admission, respectively

completion of the application documentation, the deadlines from paragraph 1 of this article begin to apply to the insurer's obligation to deal with claims for compensation.

The CBK issues a sub-legal act for the determination of the compensation procedures, including the determination that when the request with the evidence and the documentation necessary to decide on the payment of compensation is considered complete.

Unable to determine the damages, respectively the treatment of the damages as a whole, the responsible insurer is obliged to pay to the injured party the non-controversial part of the dam in the form of an advance, within the time limit from paragraph 1. of this article.

If the responsible insurer does not respond to the injured party within the time limits specified in paragraph 1 of this article, the injured party has the right to file a claim with the competent court.

In the event of non-compliance with the time limits set forth in paragraph 1. of this article, and the non-fulfillment of the obligation to pay the compensation referred to in paragraph 4 of this article, the responsible insurer is considered to be late in complying with the obligation to repay, by paying the interest for the delay. This interest is paid in the amount of 12% of the annual interest and is calculated for each day of delay until the payment of the damages by the responsible insurer, starting from the date of submission of the claim for damages.

The provisions of paragraphs 1, 2, 3 and 5 of this article shall also apply accurate method to cases of treatment of claims for damages which are the obligation of the bureau for damages from the border security base and the compensation fund obligations.

Requests for damages from the International Insurance Card System apply special procedures and terms according to the Cretan Agreement.