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Dear readers,

The public has almost become a kind of used to the expectation that *Horizons* scientific journal with its every new edition, to trace a new pathway towards its further establishment on the international educational and scientific-research areas.

In its pronounced strive to achieve an increased level of quality, the *Horizons* that we know from before has been transformed and now it is coming out as two separate issues of the same brand name, but with an improved recognizability and an increased particularity in terms of the scientific-research contents it brings.

It is important to stress that, *Horizons* will, for the coming period, just as it did previously, continue respecting the principles of scientific impartiality and editorial justness, and will be committed to stimulating the young researchers in particular, to select *Horizons* as a place to publish the results of their contemporary scientific and research work. Also there is an emphasized need for those who, by means of publishing This is also in line with the need to provide place incorporated within the publishing activity for all those who through publishing their papers in international scientific journals, such as the two new series of our University Horizons, view their future career development in the realm of professorship and scientific-research profession.

The internationalization of our Horizons magazine is not to be taken as the further most accomplishment of our University publishing activity. Just as the scientific thought does not approve of limitations of exhaustive achievements, so is every newly registered success of the Horizons editions going to give rise to new “appetites” for further objectives to reach.

Taken from the aspect of quality gradation, it is well justified if we announce the publishing of the international scientific journal Horizons with a significant quantifier – journal with impact factor. This initiative of “St.Kliment Ohridski” University – Bitola is given a substantial place in the future undertakings outlined in the plan for

increasing the overall quality of organization and functioning of the University.

Las, but not the least, as we have made public our future steps, we would like to express our sincere appreciation for the active part you all took in the process of designing, creating, final shaping and publishing the scientific journal. Finally, it is with your support that Horizons is on its way to attain its deserved, recognizable place where creative, innovative and intellectually autonomous scientific reflections and potentials will be granted affirmation, as well as an opportunity for a successful establishment in the global area of knowledge and science.

Sincerely,
Editorial Board

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THE MANAGER CULTURE – AS A FACTOR FOR DEVELOPMENT OF THE COMPANY[1]

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Abstract

The strength of power and influence (besides the other factors) is the most important in shaping company strategy. Leaders with their abilities and inventions have to determine the goals, which are defined in company's strategy, in order to make it successful, i.e. to have stable development.

Key words: manager, managing culture, power, influence, strategy

INTRODUCTION

The strength and power of the manager are the most important in forming company's strategy. The manager with his/her ability and invention has to determine the highest range expressed by company's strategy, aiming it to be strong and have strong development. But the strength and influence cannot be reached only by the fact that someone is good at his/her work position. It is only a precondition, but it is not enough.

Enterprise's managers must be ready to transfer their power and influence to the others. In the new millennium that has already begun, transferring power will be a key for achieving results. Transferring power to his/her collaborators provides the manager with strong companie's power.

Building managing culture is also one of the basic strategic principles for successful working of any company. In the management culture the four principles of success are successfully applied: dual principle, FOSI principle, coordinating principle and pathology principle.

Being introduced and applying these principles can significantly contribute to a companie's success.

The complication of economic conditions will in future lead to the fact this management culture to be one of central requests. Every manager

[1] professional paper

368.03(497.7)

THE ROLE OF THE INSURANCE FUNDS IN THE ECONOMY WITH SPECIAL REFERENCE TO THE REPUBLIC OF MACEDONIA[31]

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Abstract

The insurance sector occupies a significant place in the global financial system because these companies emerge as managers of pension funds, investment funds, holders of the insurance sector, etc. Comparative analyses of the insurance sector worldwide show that the insurance companies are a relatively small sectors with a high share of foreign capital. From the statistic data it is evident that the insurance market, despite the negative effects of the global economic crisis, has a trend of increasing insurance premiums for about 10.6%. Unlike developed countries, in transition economies the rate of penetration is 17.6%, which is expressed as a share of the value of insurance premiums in the GDP, shows the importance of the insurance sector in terms of total economic activity in a certain country. In this paper we will discuss the limiting factors for development of financial markets and institutions such as: the transition process, the painful and long inside privatization, the non-integrity of the Macedonian financial market with the international market and others. Further on, we will give the pathways for development of domestic financial markets and consequently, of the insurance sector.

Keywords: financial markets, financial institutions, insurance companies, premium

[31] professional paper

INTRODUCTION

Insurance is a legal relation established in a contract in which the insurance company is committed to compensate for damage over an insured object to the policy holder or a third party, accordingly to the punctual payment of the premiums on behalf of the policy holder. Beside its preventive aspect in protection from damage, the insurance is the best mode of sharing of part of the risk of undesired events or circumstances with a specialized company which would overtake entire or partial compensation for the damage in financial terms or by physical reparation of the insured object.

MODE OF FUNCTIONING OF THE INSURANCE COMPANIES

The insurance companies invest the accumulated finances from the premiums as well as their own capital on the capital market, on the capital market and other financial institutions and thus they produce effective capital and its distribution in the economy. Further on, they contribute for its adequate allocation and utilization. The types of insurance and the choice of the strategy of investment of the means can be different. The long-term character of the means gathered from the premiums of life insurance gives the insurance company a possibility for long-term investments.

The insurance market size is expressed using several indicators including[32]:

- number of contracts concluded in a particular branch or sub-branch of insurance;
- volume of collected insurance premiums;
- amount of undertaken insurance obligations;
- amount of paid indemnities etc.

In the framework of the analysis of the incomes and outcomes of the means (as well as the character of the premiums, the dynamics and the proportion of their payment), the insurance company decides on the mode of investing and the size of the invested means. Within the limiting factors in the choice of investments, the inflation (on which the value of the means depends) and the tax regulations - have to be taken into consideration. In the market constellation of terms and competition among the financial institutions, the insurance companies expand their activity through

[32] Bistriceanu Gheorghe D. - *Asigurări şi reasigurări în România*, Editura Universitara, Bucureşti, 2006, p.478-480, şi Negru Titel – *Asigurări,* Editura Fundației România de Mâine, Bucureşti, 2007, p.106, Negru Titel – *Asigurările si reasigurările în economie,* Editura C.H. Beck, Bucureşti, 2008, p. 94

introduction of new services and instruments, and thus they become financial conglomerates with various investing alternatives.

However over the last two years we have witnessed a financial and economic crisis that is unparalleled since the Great Depression. The present crisis resulted from the complex interaction of market failures, global financial and monetary imbalances, inappropriate regulation, weak supervision and poor macro-prudential oversight[33]. The insurance market, beside the negative effects in terms of global economic crisis, has a tendency of increase of the insurance premiums and this growth is by 10,6%.

COMPARATIVE ANALYSES OF THE INSURANCE SECTOR IN TRANSITIONAL ECONOMIES

The development of the financial sector in transitional economies is particularly important, above all because of its influence on the rapid and successful implementation of the transitional process. In circumstances of non-market economy, the banking sector (even though dominant) was in a state of ruins. There was: the domination of the state property; the high percentage of delinquent credits in relation to the total bank assets; the high concentration of banks and concentration through separate sectors and branches; states in which the loan seekers are in the same time members of the supervisory or managerial boards of the banking institutions, etc. The mass privatization is different in all transitional countries and is divided according to three models:

- Free market model;
- Restricted Market Model;
- Regulated Market model;

The main distinctions among these models are: The free market model is distinguished according to the process in which the funds are established. In the restricted market model, the rules of acquiring of the voucher capital on the part of IPF are characteristic. The regulated market model is specific by the procedures covering the segment of acquiring and composing of the portfolio of the fund.[34] Levin believes that there is

[33] Larosiere, de J., et al. (2009). Report of The High-Level Group on Financial Supervision in the EU, Brussels., p. 14

[34] Mojsoska Snezana (2011) - Investment Funds, PhD Thesis, Faculty of Economy, UKLO, 2011

interdependence between the legal institutions and the efficacy of the market of stocks.[35]

The analysis of the insurance companies in the transitional process shows a strong domination of the state according to the types of insurance or the geographic area. In the Czech Republic there was only one insurance company, whereas in Bulgaria, Hungary and Poland there were two types of insurance institutions, e.g. for domestic insurance and insurance and reinsurance of export transactions. This imposed the necessity of de-monopolization of the insurance sector and launching new, private insurance companies. At the beginning of the 90s this evoked increase of the number of insurance companies in the transitional countries (a part of which were with low capital as well as inactive). In contrast to the developed countries, within the transitional economies the relation of the premiums of non-life to the life insurance for the period from 1989 to 1998 was 82,4% : 17,6% and the rate of penetration, defined in the part by which the insurance companies participate into the GDP shows the meaning of the insurance sector for the total economic activity of a country. For example, the rate of penetration of the life insurance in Slovakia was 0,9%, in the Czech Republic 0,85%, Slovenia 0,81%. Within the countries of EU, these rates are different and in Greece they are 0,93%, in Portugal 3,05%, in Spain 2,51%, in Austria 2,15%, in Ireland 5,61%, etc. The foreign capital noticed a rapid growth in the insurance sector in Hungary, Estonia and Poland in contrast to its low presence in Slovenia, Russia and Croatia. The slow process of reforming of the financial system in the transitional economies is illustrated by the low rate of total means of the institutional investors in the GDP of a country, in a transitional period of ten years.[36]

[35] Levine Rous (1997) - "Finance and Growth: Views and Agenda." Journal of Economic Literature, 35 (2): 1997

[36] Risteski Vasko (2003) - Non-banking Financial Institutions, Master thesis, Faculty of Economy, UKIM, 2003

Table 2: **The property of the institutional investors (after ten years of transitional period) in transitional economies and in comparative economies**

COUNTRY	INVESTMENT FUNDS (% OF GDP)	PENSION FUNDS (% OF BDP)	INSURANCE COMPANIES (% OF BDP)	TOTAL (% OF BDP)
CZECH REPUBLIC	8	2	9	19
POLAND	8	2	5	15
HUNGARY	12	4	3	19
BULGARIA	5	0	1	6
CROATIA	2	0	2	4
PORTUGAL	21	11	10	42
GERMANY	28	13	32	73
GREAT BRITAIN	60	101	89	250
USA	129	90	43	262

Source: Risteski Vasko (2003) - Non-banking Financial Institutions, MASTER THESIS, Faculty of Economy, UKIM, 2003

This image together with the other factors of insufficient development of the capital market evoke a lower level of international integration, a lower scope of investments, a lower utilization of the capacities and a lower rate of growth in the transitional economies. When we take into consideration the influence of the well-functioning financial system on the total macroeconomic and financial stability, we can conclude that transitional economies are still to work on achieving the needed level of financial development and financial integrity, which is an imperative in the strong wave of globalization.

INSURANCE SECTOR IN THE REPUBLIC OF MACEDONIA

According The Macedonian Law on insurance supervision. (2002) the minimum possessed capital for establishing of a broker insurance company is 50 000 euro, and for an insurance company - 3 000 000 euro. The insuring policies in the life insurance participate only by 5,5% of the total policies, while the rest is on vehicle insurance or similar. This demonstrates that the structure of the premiums is unfavourable from the aspect of development of the capital market, because life insurance mobilizes long-term finances favorable for investment in securities. This

segment has the greatest potential for future development especially in the new perspectives of relating the life insurance to the credit products of the banks. Lacking other options, the insurance companies are limited to the banking deposits as the almost only mode of distribution and overturn of their own finances. The participation of the insurance sector in the total financial structure is 3,7% in 2010. In 2009, 13 insurance companies existed in Macedonia, 12 broker insurance companies and 5 companies for representation in the insurance process, while in 2010 the number of these institutions increased to 14 (3 for life and 11 for non-life insurance), 14 and 6 respectively. The growing tendency of the insurance sector is evident in its increased participation of 1,8% in GDP in 2008 to 2,9% in GDP in 2010. The degree of penetration in the Republic of Macedonia was 1,5%, as well as in Romania 1,5%, in Turkey 1,3%, in Greece 2,1%, in Bulgaria 2,5%, in Croatia 2,8%, etc. The degree of density at the end of 2010 was 3 149 MKD (51 euro) gross of the premium by policy per capita, which demonstrates the low level of insurance culture in the Republic of Macedonia. Compared to the countries in the region, the degree of density of the insurance sector in the Republic of Macedonia is at the lowest level. All this indicates to a great potential for growth and development of the financial system.[37]

The insufficient interaction between the banks and the insurance companies as two main segments of the financial system (according to the amount of the assets), ensures limited transfer of the potential risks from one segment into the other, and at the same time presenting inspiring factor for strengthening of the type of services offered by the financial system. For illustration, only 0,1% from the gross premiums from policy of the insurance sector were gathered through three banks - entirely in the part of non-life insurance - and in 2010 the banks did not pose insurance on the approved loans in the insurance companies (in 2009 only two banks posed insurance on loans). The invested deposits in the banks were 11,1% from the total assets of the insurance companies. On the other side, they participated only by 0,6% (0,7% in 2009) in the total deposits of the banking sector. This confirms the dependence of these non-deposit financial institutions on the banking system rather than the other way round.

The insurance companies in the Republic of Macedonia are practically absent from the Macedonian stock market of long-term securities. They possess shares of some enterprises and banks, but those shares are commonly gained on the base of transformation of the unsettled payments of the premiums on the part of the insurance companies in the shareholding

[37] NBRM (7 - 2011) - Report of Financial Stability of Republic of Macedonia for 2010, NBRM, (07, 2011)

capital. The insurance companies in Macedonia do not behave as real investors yet, and the positive effects of these investors on the creation of well-functioning and well-regulated securities is omitted, as well as in the development of the portfolio management.[38]

From the total investments of the insurance sector, the participation of investments in state securities and bank deposits was 89,7% which is by 2,3 % more in contrast to 2009. The driving force of this tendency are the companies of non-life insurance where 87,7% from the finances covering the technical supplies are state securities and bank deposits. Within the life insurance 42,9% of the means covering the technical supplies are bank deposits, and 57,1% are state securities. The investments in stocks for 2010 decreased by 106 million MKD or by 36,7%.

At the end of 2010, the assets of the insurance companies increased by 316 million MKD (2,6%) and achieved the sum of 12.519 million MKD. In contrast to 2009, in 2010 this sector noticed a gain of 75 million MKD of which 57,6% are in the gain of the companies for life insurance. Advancement was also noticed in the increase of the premiums from 428.394,00 billion MKD in 2003 to 648.622,00 billion MKD in 2010.[39]

In direction of increase of the degree of stability of the insurance sector in the Republic of Macedonia, a guarantee fund of the National agency for insurance was established. One of the long-lasting sources of risks on the stability of this segment are the means covering the technical supplies, which do not possess the legally prescribed minimum for a total coverage of the technical supplies within the non-life insurance companies (they cover only 68,6% of their technical supplies in contrast to the life-insurance companies where this coverage is 103,9%).

The non-banking financial institutions in the country participated by 10,1% in the total financial assets in 2010 (with exception of the saving banks as deposit mediators). Their participation in the GDP for 2010 is 8,1%. These indicators confirm the weak influence of these institutions in the total economy. This institutional segment is characterized by: its strong contribution in the strengthening and development of the financial markets through creation and supplying of a wide spectrum of new financial instruments; an increase of the competition in the sector, in the motivating for saving; the concentration and efficacious allocation of the capital; development of the corresponding legislative; development and creation of new financial institutions, increasing the information, or in short - development of the total financial infrastructure and economy. That is why

[38] Filipovski Vladimir (2002) - The capital market and the Development of the Financial Sector in the Process of Economic Transition, PhD thesis, Faculty of Economy, UKIM, 2002

[39] State Statistical Office - Statistical Annual of the Republic of Macedonia for 2010, SSO, 2011

an imperative for every economy is to provide terms and mechanisms which would motivate the development of the non-banking financial institutions in their own economy.

LIMITING FACTORS AND FUTURE POSSIBILITIES

Within the factors limiting for the development of financial markets and institutions we could mention: the transitional process, the painful and long inside privatization, the non-integrity of the Macedonian financial market with the international, the delayed appearance of non-banking financial institutions, the absence of corresponding regulatory infrastructure, the absence of a wide spectrum of securities, the insufficient knowledge and awareness of the economical agents of the comparative advantages of the instruments and services offered by the non-banking financial institutions.

In perspectives of the middle-term development of the domestic financial market and the insurance sector, we could mention: the regional and international integration of the Macedonian market of securities; the further harmonization of the legislative on this matter with the European legislative; creation of a long-term strategy for development of the sector of institutional investors, i.e. utilization of the pension reforms in this direction; providing new resources of financing from the means of the pensioners in the private pension funds; continuous activities for improvement of the functioning of the stock market in operational, managerial and structural sense; research of the need of several stock markets; emissions of state securities for monetary purposes; utilization of state securities with various validity dates in the function of the coverage of the budget deficit; stimulating of the banks for non-balancing activities and their functioning in the investment banking; increase of the awareness and education of the economic agents of all the possibilities of the financial supplies and the comparative advantages of the services offered by the non-banking institutions, etc.

CONCLUSION

The insurance sector has a significant role in the global financial system because the insurance companies function as managers of pension funds, managers of investment funds, holders of the insurance sector, etc. The analysis of the insurance companies in the transitional process reflects a strong domination of the state according to the type of insurance or geographical areas.

When we take into consideration the influence of the well-functioning financial system on the total macroeconomic and financial stability, we can conclude that transitional economies are still to work on achieving the needed level of financial development and financial integrity, which is an imperative in the strong wave of globalization.

The comparative analysis of this sector shows that in Republic of Macedonia, the insurance companies are a relatively small sector with a high share of foreign capital.

In the Republic of Macedonia the interaction between the banks and the insurance companies as two main segments of the financial system (according to the amount of the assets) is not sufficient, which ensures limited transfer of the potential risks from one segment into the other, and at the same time presenting inspiring factor for strengthening of the type of services offered by the financial sector.

In the future, the policy must be directed towards: development of the insurance sector in the Republic of Macedonia in regional and international integration of the Macedonian capital market; further harmonization of the legislation of this matter to the European legislative; creating of a long-term strategy for development of the sector of institutional investors, i.e. utilization of the pension reforms in that direction; providing of new sources of means for the insurance sector, etc.

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