

Activities of Insurance Companies in Libya during previous years

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Abstract- The insurance sector has a significant impact on the economic development of each country. The insurance market in Libya belongs to the group of markets with significant potentials, primarily in the life insurance segments, so in the coming years, a very dynamic growth of this sector is expected. In relation to countries, both in the region and in the world, where car insurance, along with life insurance, dominates and accounts for approximately 2/3 of realized insurance premiums, the conclusion is that the motor vehicle insurance market in Libya is underdeveloped.

Index Terms- insurance, automotive industry, statistics, probability distribution, economics, management

I. INTRODUCTION

The insurance sector has a significant impact on the economic and economic development of the country. The insurance market in Libya belongs to the group of markets with significant potential, primarily in the life insurance segments, and a very dynamic growth of this sector is expected in the coming years. In relation to the countries of the world, in which car insurance, along with life insurance, dominates and accounts for approximately 2/3 of the realized insurance premiums, it can be concluded that the motor vehicle insurance market in Libya is underdeveloped.

The possibilities for the development of motor vehicle insurance in Libya are determined by the growing awareness of exposure to the risks of traffic accidents, the growth of the social product, etc. Research shows that in years to come will be a year of full momentum of work related to the insurance of motor vehicles, bearing in mind a number of strategies, both nationally and globally, which aim to reduce the number of casualties and injuries in traffic accidents. In previous years, security and financial instability in Libya has mostly affected the decline in demand in the insurance sector, it is expected that in the context of the revival of the financial market and stabilization of security conditions in the country, motor vehicle insurance in Libya will benefit the most. Insurance companies operating in Libya rely on the distribution of probability in measuring losses due to traffic accidents when issuing compulsory insurance policies when determining the fair price of insurance? Conducted research in this area indicates that the loss rate in compulsory car insurance is very high compared to other branches of insurance. Namely, the number of traffic accidents in Libya is growing, because the prices of compulsory insurance are still stable, exposing insurance companies to further losses.

Also, compulsory car insurance has a social goal based on the principle of double social solidarity and that there is a need to link the compulsory premium on motor vehicles with the number of accidents caused by the driver in the past and the need to increase the premium each time the driver commits a new accident. . Tendencies in Libya are such as to indicate that insurance companies should take the compensation rate, not the loss rate, and that the compensation rate is equal to the result of the division of compensation, paid in installments and collected without taking into account technical provisions, which may be exaggerated. consider the precautionary principle.

II. ACTIVITIES OF INSURANCE COMPANIES DURING PREVIOUS YEARS

Risk, in addition to uncertainty, implies the possibility of choice, ie the existence of a number of possible solutions. If there is no choice, there can be no talk of risk. The function of insuring property and persons is the basic function of insurance. In the modern social community, insurance contributes to the preservation of human integrity, health, working ability, providing better working conditions, improving the economy and in general, building a better life and the overall progress of society as a whole. Insurance is characterized by a number of limitations that must be taken into consideration. Given that the insurance environment is confusing with the different types of policies it offers, insurance companies need a lot of time to process customer claims because insurance companies have to assess the damage and determine the exact calculation of losses.

Insurance is also characterized by shortcomings related to the policyholder. The key disadvantage of insurance is that if the insured never suffers a loss, then the insured never receives a payment from his insurance policy. Although some versions of the premium refund can be purchased, most insurance policy premiums are lost when paid and are not refunded unless the fee is paid.

III. ORGANIZATIONAL STRUCTURE OF THE MARKET

In the period from 1951 to 1970, a number of insurance companies operated in Libya, offering all types of insurance such as fire insurance and life insurance. Most of these companies were foreign. During that period, four Libyan companies operated. Since 1970. year, when Gaddafi's government within the national economy began nationalization, the mentioned companies

integrated into two companies, known as the Libyan insurance company and Al-Mukhtar insurance company with a capital of one million Libyan dinars for each of the companies. After that, in 1980, the insurance company Al-Mukhtar was integrated into the Libyan insurance company, whose capital was increased to 30 million Libyan dinars. The Libyan insurance company continued to operate as the only insurance company in Libya until 1999, when the private sector could set up insurance companies. "The first companies that were founded were:

United Insurance Company, 1999, and African Insurance Company and Al-Sahara Insurance Company, established in 2005."

According to the data of the Central Bank of Libya, "the number of insurance companies in 2013 was nine. The insurance sector on the Libyan stock exchange now accounts for 16% of all shares traded on the Libyan stock exchange."

The Libyan insurance industry is very small compared to other countries in the Middle East and North Africa (MENA). Political unrest in the country in 2011 caused the industry to fall by 52%.

The Libyan financial system has undergone changes in recent decades as a result of the political changes that have taken place in Libya. Nevertheless, Libya as a developing country has faced a lack of efficiency and capital market activity. There was no financial market for securities trading until 2004, which caused investment activities to be predominantly represented in the real estate sector. Nevertheless, the Libyan financial sector has witnessed extraordinary developments in the last ten years, especially within the banking sector due to the Libyan government's privatization program to encourage private sector development that should invest and contribute to the development of the banking sector.

"Despite the privatization program, there have been efforts to encourage foreign investment in the Libyan private sector with the aim of contributing to the development of the banking sector, which accounts for more than 81% of Libya's financial sector assets."

Regarding the market share of commercial banks in Libya, "the assets of four state-owned banks out of 16 commercial banks, namely Al-Jumhouria Bank, National Commercial Bank, Al-Wahda Bank, Al-Sahari Bank accounted for over 80% of total banking sector assets by the end of the second quarter of 2016." The structure of the Libyan financial system consists of three categories of financial institutions. These are non-banking institutions, banking institutions and other financial institutions.

IV. INSURANCE SUPERVISORY AUTHORITY

The Supervisory Authority of Libya in the supervision of insurance companies performs tasks that should ensure the preservation and strengthening of financial stability of the insurance market, as part of a modern, efficient and stable financial sector, in order to protect the rights and interests of policyholders and other insurance beneficiaries. The insurance supervisory body carries out activities through: issuing and revoking licenses for performing insurance activities, performing control, ie supervision over the performance of those activities and other related activities.

Supervision includes assessment of: legality of performing insurance activities, management system in the company, market behavior, investment activities, accounting and reporting, actions of administrative bodies, as well as compliance with the rules of insurance and actuarial profession, good business practices and business ethics.

The task of supervision is also to ensure that insurance companies are at all times financially capable and ready to fulfill their obligations to policyholders, insurance beneficiaries and third parties injured, and that persons performing insurance sales are adequately prepared to meet the needs of citizens and businesses for insurance.

V. LIBYAN ASSOCIATION OF INSURANCE COMPANIES

Within the scope of public authority, the Libyan Association of Insurance Companies performs the activities of the national insurance bureau arising from the international agreement on insurance of motor vehicle owners against liability for damages caused by the use of motor vehicles in the country and abroad; prescribes and prints forms and controls the use of the international card for insurance of motor vehicle owners against liability for damages caused by the use of motor vehicles in the country and abroad, as well as the processing of claims related to this insurance (green card); manages the Information Center, the Bureau for Compensation for Damages and the Register of Harmful Events; collects, processes, stores, submits or publishes on its website data relevant to the performance of tasks entrusted by law, including data on claims for each insurance policy for the application of bonus-malus system, which insurance companies are required to submit to the Association; represents insurance companies before state and other competent authorities in the country and international insurance organizations; performs activities arising in connection with the obligations of the guarantee fund with the Association; determines the amount of contributions of insurance companies for the education of the funds of the guarantee fund at the Association; manages the funds of the guarantee fund at the federation; receives compensation claims, performs their assessment and liquidation, pays the insured amount, ie compensation for damages and realizes recourse claims of the guarantee fund at the Association in cases provided by law; determines the amount of contributions paid by insurance companies in order to provide funds for the performance of the activities of the Association entrusted by law; adopts the Code of Conduct in matters of compulsory insurance and performs other tasks determined by law.

The founders of the Association are insurance companies and reinsurance companies that were established and that perform insurance activities on the territory of Libya in accordance with the law governing the establishment of insurance companies, which established the Alliance with their role in money or property. The founders of the Alliance are at the same time its members. The Alliance has 13 members. The members of the Association are all insurance companies that perform compulsory insurance in traffic in accordance with the law, as well as insurance and reinsurance companies that have a license and that perform insurance activities in Libya in accordance with the law governing the establishment of insurance companies and which joined the Alliance.

VI. FEES AND THEIR DISTRIBUTION

Fees are fees with fixed costs compared to percentage fees called "commissions". Insurance cost is a benefit associated with certain types of life insurance, such as variable and universal life insurance. Unlike premiums, these benefits are charged for the administration, mortality and other responsibilities of insurers. The amount is determined according to the risk class and age of the insured.

VII. INVESTMENTS AND INVESTMENT INCOME

Insurance companies take the risk on behalf of their policyholders in exchange for the premium. An insurance contract is "a contract under which one party - the insurer accepts significant insurance risk from the other party (insured) by agreeing to indemnify the insured if a certain uncertain future event (insured event) adversely affects the insured". "The insurance industry contributes to economic efficiency and encourages economic growth in several ways. Insurance improves the distribution of risks to the economy and reduces transaction costs. The protection of existing assets ensures economy with a more stable financial basis. Insurance can be an alternative and complementary financial support in the event of economic losses caused, for example, by accidents, catastrophes and bankruptcies."

VIII. CONCLUSION

Despite the fact that the insurance market in Libya has grown slowly but continuously in recent years, it is still characterized by low penetration. As a result, Libya is introducing measures that are expected to encourage the expansion of the sector. The new insurance code should strengthen the financial position of insurers and is likely to encourage a greater degree of consolidation of the sector. In addition, several segments, including life insurance and Islamic insurance, continue to show growth potential. In line with the established dynamics, Libyan insurance companies are increasingly considering the development of new products and ways to take advantage of the high use of IT technology in the country, focusing on digital mechanisms that can improve service delivery and provide preconditions for attracting new customers. The large increase in the number of cars has been accompanied by a significant increase in the number of accidents, so that the Libyan insurance company has been trying to meet the needs of

the growing market in recent decades. As the gap between the limited potential of the Libyan insurance company and the growing needs of the Libyan insurance market grows, there is a need for private insurance companies to enter the field of work in the Libyan insurance market.

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