General globalisation has set new challenges in all segments of the society for both the state and insurers. Globalisation brings with it the opening and deregulation of the insurance market. However, there are still numerous countries with the laws that prevent foreign insurers from operating directly at their markets. Aiming at overcoming the above-mentioned barriers with their global property insurance programmes, the companies are directed to services of local insurers holding permits for insurance operations issued by the competent supervision authorities of the country in which the property is located.

Fronting insurance is the agreement concluded between the companies acting as the insurer for the insured parties, but the main portion of up to 100% of risk is transferred onto third persons, namely one or several reinsurers. The insurer from abroad is entitled to insure directly the property of companies in the countries that liberalised insurance operations. However, a large number of countries protect their insurance markets and property insurance in these countries requires the insurer to hold the licence of the competent supervision authority, namely it has to be registered for conducting of insurance operations. In such cases, the insurer from abroad has to co-operate with local insurers, namely licensed insurers in the relevant country. Local insurers conclude the agreement with the insurer from abroad on implementation of a global insurance programme, which makes the insurer from abroad the insurance leader, and local insurers become fronting insurers. Local insurer concludes the insurance policy with the insured party, but the largest portion of risk or even the entire risk is transferred onto the insurance leader as its re-insurer, while it is paid appropriate commission for its part of work.

The insurance conditions of local insurers are most often more restrictive in the scope of coverage compared to insurance conditions under which a global insurance programme was compiled. Therefore, in such situations the master policy covers the difference in coverage between the above-mentioned conditions. Local policies always have to be in compliance with local legislation and that is why the re-insurer and insurer integrate the DIC clauses in the insurance agreements in order to cover the difference in conditions. The above-mentioned clause regulates the issues when local insurance conditions are more limited compared to those provided by master policy, which means that such difference shall be covered from the master policy. The DIL clause on difference in limits regulates the issues related to cases when the limit that is set based on a local insurance policy is exhausted and the difference between the local policy limit and master policy limit shall be covered from the master policy.

Due to legal limitations, Serbia introduces the retrocessionaire in fronting insurance since local insurers have the obligation to insure the risk exceeding the retention at domestic reinsurers, who in turn may insure abroad the surplus risk that exceeds the retention. The impact of fronting insurance on insurance in Serbia may be analysed through the impact this insurance has on the insured parties, insurers, reinsurers, as well as effects of fronting insurance on the overall insurance activities. The effects that fronting insurance has may be classified as positive and negative. The analysis of all the arguments points to the conclusion that fronting insurance has a positive impact on the development of insurance in Serbia through the transfer of know-how and experiences of foreign insurers, development of new insurance programmes, promoting of competition and enhancing of the quality of insurance services.

Key words: Fronting insurance, captive, master insurance policy, reinsurance
LITERATURA (REFERENCES)


