

**TOMISLAVA PAVIC KRAMARIC**

University of Split, University Department of Professional Studies, Croatia

**MARKO MILETIC**

University of Split, University Department of Professional Studies, Croatia

**IVAN PAVIC**

University of Split - Faculty of Economics, Croatia

## **WHAT DETERMINES PROFITABILITY OF INSURANCE MARKETS IN SELECTED CENTRAL AND EASTERN EUROPEAN COUNTRIES?**

### **Abstract:**

This paper analyses the influence of insurance company-specific, insurance industry-specific and macroeconomic variables on performance of insurance markets in selected Central and Eastern European countries. Specifically, the research covers insurance industry in Croatia, Slovenia, Hungary and Poland in the period 2010 – 2014. Two performance variables were employed in the model, i.e. return on assets (ROA) and return on equity (ROE) while explanatory variables comprise of size measured on the basis of gross written premium, type dummy variable indicating life, non-life or composite insurance company, share of premium ceded to reinsurance, combined ratio, ownership variable indicating foreign or domestic ownership, age, organizational form dummy variable referring to joint stock companies or mutual and real GDP per capita growth. Employing static panel model results of the analysis reveal that variable age positively and significantly affect performance when measured with both ROA and ROE. Moreover, another variable that significantly influences performance in terms of ROE is real GDP per capita growth taking a positive sign.

### **Keywords:**

determinants of profitability, insurance industry, Central and Eastern European countries, panel data

**JEL Classification:** C23, G22, L25