



# Challenges and Development of the Insurance Market in Albania

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## Abstract

The insurance market in Albania has experienced substantial changes in recent years. This analysis focuses on the structure and performance of the insurance market in Albania, including the main product categories such as compulsory and voluntary insurance. One of the main challenges for the insurance market in Albania is the low level of penetration compared to European standards. Public awareness and promotion of insurance culture are important factors in improving this aspect. The study also addresses legal changes and innovations in the market, including changes in the legal framework and insurance technology. This analysis is based on various sources, including the Financial Supervision Authority (FSA) reports, financial data of insurance companies, and insurance market trends. Understanding these aspects provides a complete overview of the developments and challenges of the insurance market in Albania and brings a basis for the discussion on the growth opportunities of this sector in the future. The methodology provides a structured approach to investigate the challenges and development of the insurance market in Albania in the post-pandemic period. By combining data from various sources, the study aims to produce a comprehensive analysis that can inform policy recommendations and strategic decisions for stakeholders in the Albanian insurance industry. The study revealed that the market demonstrated resilience despite initial disruptions, with a gradual recovery in premium volumes and a rebound in demand for various insurance products. The pandemic accelerated the adoption of digital technologies, leading to improved customer service, streamlined operations, and enhanced data management.

**Keywords:** insurance market, market trends, premium, compulsory insurance, voluntary insurance

## 1. Introduction

The insurance market in our country is a developing market compared to other countries in the region. The banking market and the insurance market are the only ones that make up the financial system in our country. Based on this and the fact that we are all market actors in the large insurance industry, I was motivated to address such a topic. People's lives and properties are threatened every day by multidimensional factors. The insurance market in Albania is

considered the only market where prices are determined by the market and are not influenced by other factors. There are many factors that make the development of this market necessary, such as the increase in people's living standards, the economic development of the country, the current low level of economic income, the increase in natural hazards, etc. The main objective of this paper is to provide a complete overview of the developments and challenges of the insurance market in Albania and to provide a basis for discussion about the development opportunities of this sector in the future. Another objective is also to address legal changes and innovations in the market, including changes in the legal framework and insurance technology. Regarding the two objectives of the study, we have raised two research questions that will highlight some of the challenges and developments of the current insurance market in our country, as well as what legal changes and technological innovations have occurred in the insurance market since its inception to date. By answering these research questions, we will be able to achieve the defined objectives of this work.

## **2. Literature review**

The insurance market in Albania has experienced various phases of development and has faced multiple challenges, particularly from 2019 to 2023. This literature review synthesizes existing research and reports on the major challenges and developments in the Albanian insurance market, providing insights into regulatory issues, market penetration, economic factors, and consumer behaviour. Multiple studies report that insurance penetration in Albania remains low, estimated at around 1% of GDP. Factors contributing to this include economic constraints, cultural attitudes towards insurance, and a general lack of awareness and understanding of insurance products (the Albanian Institute of Statistics, INSTAT, 2022). The literature points out that the Albanian insurance market is heavily based towards compulsory insurance products, especially motor insurance. Adoption of optional insurance products, such as life, health, and property insurance, has been slow. Researchers attribute this to limited consumer interest, lower purchasing power, and a lack of targeted marketing strategies by insurers (Gjika & Ruka, 2019). Economic studies note that fluctuations in the Albanian economy, including periods of slow growth and financial instability, have impacted the insurance sector. The COVID-19 pandemic significantly exacerbated these issues, leading to a decline in the demand for non-core insurance products (World Bank, WB 2021). The underdevelopment of the broader financial sector in Albania, characterized by low banking penetration and limited financial literacy, has hindered the development of the insurance market. Studies highlight that the limited availability and accessibility of financial services create significant barriers to market expansion (Organisation for Economic Co-operation and Development, OECD, 2020). Several authors discuss the historical distrust in insurance providers among Albanian consumers. Past experiences of poor service delivery and delayed claims settlements have contributed to a lack of confidence in the insurance sector. Building consumer trust remains a significant challenge for the industry (Hoxha, 2020). Research emphasizes the low levels of financial literacy of the Albanian population, which hinders the understanding and adoption of insurance products. Efforts to educate the public about the benefits and operation of insurance are seen as critical to market growth (Bank of Albania, 2021).

The literature highlights a trend towards digital transformation within the Albanian insurance market. Insurers are increasingly investing in technology to streamline operations, improve customer service, and facilitate access to insurance products. Online platforms and mobile applications are becoming more prevalent, although their adoption is still in the early stages compared to more developed markets. There is an increasing focus on diversifying insurance products to better meet market needs. Innovations like micro insurance aim to provide affordable coverage to low-income people. Researchers suggest that these innovations could significantly boost market penetration and consumer engagement if properly implemented and

marketed. The insurance sector in Albania has been actively involved in broader economic recovery efforts post-COVID-19. Insurers have adapted their products and services to address new risks and consumer needs arising from the pandemic, which has helped in partially restoring consumer confidence and stabilizing the market (Financial Supervision Authority, FSA 2022). There are significant efforts to promote financial inclusion by integrating insurance products into the financial lives of more Albanians. Collaborations with banks and microfinance institutions are noted in the literature as key strategies to make insurance more accessible and affordable to a wider population (The European Bank for Reconstruction and Development EBRD, 2020).

Thus, the literature review indicates a significant need for further investigation of tools, mechanisms, and strategies for insurance market development.

### **3. Methodology**

In order to thoroughly analyse the challenges and developments of the current insurance market in Albania, the following methodology was used. The study covers the period from 2019 to 2023, a timeframe chosen to provide a rigorous analysis of recent trends, regulatory changes, and market developments over the past five years, including the impact of the COVID-19 pandemic too. Data sources selected for this study include: regulatory reports, industry publications, economic data, academic research, and market surveys. Regulatory reports include annual reports and publications from the Financial Supervisory Authority (FSA), which provide insights into regulatory changes, market statistics, and industry performance. Economic data comes from the Albanian Institute of Statistics (INSTAT) and international organizations such as the World Bank and the International Monetary Fund (IMF). Academic research consists of peer-reviewed journals and academic papers focusing on the Albanian insurance market and comparative studies with similar economies. Data sources were selected based on their relevance, reliability, and comprehensiveness. The criteria included relevance, focusing on sources directly related to the insurance market in Albania and its regulatory environment; reliability, giving preference to official publications, peer-reviewed journals, and reputable research firms to ensure data accuracy and credibility; and comprehensiveness, prioritizing sources that provided detailed information on market trends, regulatory changes, consumer behaviour, and technological innovations.

The methodology to be used will be consistent with the objectives set in this paper. Given that the basic objective of this paper is to provide a complete overview of the developments and challenges of the insurance market in Albania, as well as to bring valuable basic information for the discussion on the growth opportunities of this sector in the future, we have raised two research questions:

1. What are some of the challenges and developments of the current insurance market in our country?
2. What are some of the legal changes that have occurred in the insurance market since its inception and what are some of the technological innovations that have affected this market?

The data analysis process involved several key steps: data collection, data cleaning, descriptive analysis, comparative analysis, thematic analysis, and synthesis and interpretation. Data collection involved gathering relevant data from selected sources, ensuring a broad and comprehensive dataset. Descriptive analysis summarized the data to identify key trends, market dynamics, and regulatory changes. Thematic analysis identified recurring themes and patterns in the data related to challenges and developments in the market. Finally, synthesis and interpretation integrated findings from different sources to provide a coherent narrative on the current state and future prospects of the Albanian insurance market.

#### **4. Findings of the study**

In order to answer the questions about the challenges and the development of the insurance market in Albania during the post-pandemic period, the following findings emerged from the study. Insurance penetration in Albania remains low compared to other European countries. This is attributed to limited public awareness, distrust in financial institutions, and economic constraints. Despite improvements, there are still regulatory challenges, such as enforcement of regulations, transparency issues, and ensuring fair competition within the market. The Albanian insurance market lacks diversity in its product offerings, with a heavy focus on basic insurance products like motor and property insurance. This limits the market's growth potential and ability to meet diverse consumer needs. The adoption of advanced data analytics and technology in underwriting, claims processing, and customer service is still in its infancy, which hampers efficiency and customer satisfaction. Low levels of financial literacy among the population hinders the uptake of insurance products, as many people do not fully understand the benefits and importance of insurance. Insurance companies are developing digital platforms and mobile applications to facilitate the purchase and management of insurance policies online, improving accessibility and convenience for customers. There is interest in the potential of blockchain technology to improve transparency, security, and efficiency in claims processing and fraud prevention, although this is still in the experimental phase. A growing number of Insurance Tech startups are entering the market, offering innovative solutions such as peer-to-peer insurance, microinsurance, and customized insurance products. Insurance companies are starting to apply big data and advanced analytics to gain insights into customer behaviour, improve risk assessment, and personalize insurance products.

#### **5. Limitations of the study**

One significant limitation in studying the challenges and development of the insurance market in Albania during the post-pandemic period is the lack of comprehensive and up-to-date data. Many reports and statistical analyses may not capture the full scope of changes and emerging trends, particularly in a rapidly evolving economic landscape. Additionally, the unpredictable nature of the global economy post-pandemic can result in fluctuating market conditions that are difficult to anticipate and model accurately. Furthermore, the unique socio-economic factors specific to Albania, such as regulatory changes and consumer behaviours shifts, may not be fully comparable to global or regional trends, thereby complicating the application of broader market insights.

#### **6. History of the Insurance Market**

The insurance market in Albania has come a long way and has experienced great changes since the beginning of its activity. Here are some key events and periods in the history of the insurance market in Albania:

##### **6.1 Before World War II**

Insurance in Albania started quite late compared to other developed countries and developed with its own characteristics and history. The Albanian doctrine speaks of the existence of insurance starting from the period before the Second World War, when in the 1930-1940s foreign insurance companies, mainly Italian, such as: Assicurazioni Generali, Riunione Adriatica di Sicurtá, Fiume, etc., helped the creation of the insurance market in Albania. Initially, their insurance activity was concentrated in the main cities of the country and included products such as: building insurance, industrial insurance, accident insurance, life insurance and natural disaster insurance.

## **6.2 After World War II and the period of communism**

After the Second World War and during the communist period in Albania, the insurance sector was nationalized and joined the structures of the state administration. After the Second World War, with the establishment of the communist regime, the government nationalized industry, banks and all commercial capital in the country. This automatically affected the entire insurance system, thus reflecting the policies of the communist government in its structuring and construction. Starting from 1948 to 1965, new forms of insurance began to be recognized in Albania, such as: compulsory state housing insurance provided for rent; compulsory passenger insurance; voluntary insurance of property, buildings and real estate; voluntary life insurance; voluntary insurance of agricultural crops and livestock; voluntary catastrophe insurance; voluntary insurance of household goods; voluntary insurance of the property of former agricultural cooperatives, civic organizations and living beings; compulsory insurance of imported goods, ships; voluntary fire insurance of buildings, etc.

At that time in Albania there was only the State Institute of Savings and Insurance Funds, an institute which dealt with the collection of citizens' savings, the few savings they had, and the insurance of cooperatives and export-import enterprises.

## **6.3 Transition and return of private companies**

After the fall of the communist system in 1990 and the beginning of the transitional period, the establishment of private insurance companies was allowed. On July 31, 1991, the first two laws were approved for the creation of two financial institutions: Savings Bank, and Insurance Institute (INSIG), consequently splitting the State Institute of Savings and Insurance Banks. At this moment, Albania moved from a centralized economy to a free market economy, where private property and the principle of free economic initiative prevailed. Thus, the insurance market would turn into the first major segment of the financial market that developed the fastest after Albania entered the free-market economy model in the last decade of the last century. In 1999, the first private insurance company in Albania "SIGMA" SH.A. was created, followed a few months later by the creation of the insurance company "SIGAL" S.A., currently the largest company in the insurance market in the country. Establishment of the Insurance Company "Sigma" LLC also marked the beginning of the process of liberalization of the insurance market in Albania, a market which has evolved over the years both in the range of products it offers and in the way it operates, contributing as one of the most powerful companies.

The insurance market is the largest and most advanced market of the non-banking financial sector. Companies operating in the insurance market, together with investment funds and private pension funds are under the direct supervision of the Financial Supervisory Authority (FSA), and not the Central Bank.

## **7. How is insurance divided in Albania?**

The insurance market is an extremely important part of the financial system. It includes private and state companies that carry out the process of insurance for individuals or businesses. To benefit from this service, individuals and businesses pay premiums to protect themselves against a specific incident, and in case of an incident, they benefit from the beginning a certain amount from the contract with the insurance company. From a legal point of view, insurance is divided into: Mandatory Insurance and Voluntary Insurance.

### **7.1 Compulsory insurance**

Compulsory insurance is defined by a special law. Businesses that, with their activity, present a high risk to third parties, are obliged by law to provide mandatory insurance for damages

they cause to third parties. In Albania, compulsory insurance before 1991 was applied to some types of property insurance, but not to third party liability insurance. In 1993, the compulsory third-party insurance of motor vehicle owners began.

- The importance of compulsory insurance
  - Safe compensation of third-party damages
  - The security it offers to the injured
  - The avoidance of social conflicts between the parties (the injured party and the party responsible for the damage)
- Compulsory insurance in the transport sector

This insurance includes:

- Compulsory Civil Liability insurance of the owner of the motor vehicle for damages caused to third parties by the use of this vehicle.
- Insurance of passengers in public transport in the event of an accident.
- Ensuring the liability of aircraft owners for damage caused to third parties.
- Ensuring the liability of owners of small boats for damage caused to third parties.
- Compulsory Motor Vehicle Owners Third Party Liability (MTPL) Policy.

This policy is issued for vehicles with Albanian license plates, for a period of 1 year, valid for the territory of Albania.

- Border Insurance Policy.

This policy is issued for vehicles with foreign license plates, which entered the territory of Albania and do not have a Green Card or it does not cover Albania. The term of these policies is related to the duration of their stay in our country, but not less than 15 days.

- Green Card. This policy is issued for vehicles that travel outside the territory of Albania and the minimum term of their coverage is 15 days to 1 year.
- Mandatory Public Transport Passenger Insurance.

This policy is issued for public transport vehicles such as buses, minibuses, taxis, etc. with a term of 1 year.

## **7.2 Other compulsory insurance policies**

- Builder's Liability Insurance Policy

This policy has a term of 10 years and the beneficiaries are the buyers of the apartments, according to the sales contract, and third parties.

- Employee accident insurance policy

This policy is issued for 1 year.

- Liability Insurance Policy for Traders of Oil, Gas and Their Byproducts

This policy covers liability to third parties of oil and gas dealers, such as gas stations, oil and gas depots, stores selling them as well as lubricating oils, etc.

- Professional Liability Insurance Policy

This policy is issued for certain special professions such as notaries, bailiffs, construction experts and designers, insurance loss assessors, insurance brokers, etc., according to the special VKM.

Compulsory insurance consists of the payment of a compulsory contribution percentage by employed persons and self-employed persons, for whom compulsory social insurance protects the following categories with income:

- Persons employed in relation to:
  - \* Temporary inability to work due to illness;
  - \* Pregnancy;
  - \* Old age, disability and loss of family's breadwinner;
  - \* Accident at work and occupational diseases;
  - \* Unemployment.

- Other economically active persons (employer and self-employed), in relation to:
  - \* Pregnancy;
  - \* Old age, disability and loss of the family's breadwinner.

Voluntary insurance is provided for in law no. 7703 dated 11.05.1993 "On Social Security in the Republic of Albania" and is offered to all Albanian citizens aged 18 and over. The following cannot be insured voluntarily: self-employed persons in agriculture, non-Albanian citizens, as well as those who have acquired the right to benefits. By paying dues, all concerned can cover the previous periods starting from 01.10.1993 onwards.

## **8. Legal framework**

The insurance as an industry plays a very important role in the economy and in the development of the non-financial market of developing countries, such as in the case of Albania. There has been a positive development trend of the insurance market in our country over the last few years, based on significant legal and regulatory advances, largely aligned with EU directives, as well as based on the strengthening of the role and independence of the Insurance Authority. Financial Supervisory Authority (FSA). The legal framework on insurance in Albania includes several laws and normative acts that regulate the insurance sector. These laws and normative acts define the rights and obligations of insurance companies, insurance agencies, and insured parties. The Insurance Council has a key role in overseeing and enforcing these laws to ensure that the insurance market operates fairly and transparently. FSA, as the regulatory body of the insurance market in Albania, has undertaken comprehensive reforms in recent years, strengthening the legal framework, as well as revising the laws and regulations in the insurance market, such as: Law No. 32/2021 "On Compulsory Insurance in the Transport Sector", which is partially aligned with directive 2009/103/EC of the European Parliament and the Council, dated September 16, 2009, "On civil liability insurance, in relation to the use of vehicles motor vehicle and the implementation of the obligation to ensure such responsibility". Law no. 52, dated 22.05.2014 "On insurance and reinsurance activity". This law regulates the creation, activity and supervision of insurance, reinsurance and mediation companies, in order for the insurance market to operate in a safe, stable and transparent environment, in defense of the rights and interests of the consumer. Progress has been driven by the goal of alignment with European Union (EU) requirements, as well as by the recommendations left in the assessment made by the World Bank and the International Monetary Fund in 2013. There is a developed legal framework for licensing, other regulatory actions, as well as eligibility requirements.

There is a framework of requirements for good governance and risk management, including risks related to reinsurance. The effectiveness and quality of the Authority's supervision were proven during the recent earthquakes and during the Covid-19 pandemic, where the insurance industry performed well by not raising premium prices and meeting obligations without problems. In order to bring the legislation of the European Union closer to the insurance market, the Financial Supervisory Authority (FSA) is drafting some important changes in the insurance law and the objective is to approve them within this year. The current law "On insurance and reinsurance activity" will be amended to comply with Directive 2009/138 on the initiation and pursuit of insurance business or as it is known the Solvency 2 Directive. Among the main innovations that the new law is expected to bring is the application of a different standard in capital requirements for insurance companies. Capital requirements will not be fixed, but variable, increasing according to the risk taken by each insurance company. However, the full implementation of the new legal requirements that will be based on the Solvency 2 directive is expected to be a gradual and time-consuming process. The objective is to achieve full implementation within a 7-year timeframe. According to the AMF, the new law is also expected to bring new qualitative requirements regarding the standards of corporate

governance. Another innovation will be consolidated reporting at the level of business groups. For insurance companies operating with their subsidiaries in markets that are supervised by the Bank of Albania (banking, microfinance, or payment market), consolidated supervision will be pursued, in cooperation with the central bank.

## **9. Low penetration in the insurance market**

Albania is one of the countries with the lowest level of insurance penetration. Compared to the Gross Domestic Product, this figure is calculated at 0.64%. According to the Financial Supervisory Authority, there are several arguments, according to which they have not encouraged market development, such as: the general economic environment, especially the level of income per capita of the population; tax treatment of insurance products; the unconsolidated market for insurance products, especially by individuals; the relatively low level of development of the financial sector, in particular the credit and bond markets; non-consistent implementation of legal regulations for liability insurance products, relatively unconsolidated consumer trust in operators, etc. There is a strong correlation between increasing welfare levels and increasing insurance market penetration. The unfavorable tax treatment of insurance products, even at a disadvantage with banking products, constitutes another inhibiting factor. On the other hand, there is a significant relationship between the progress of lending in the country and the increase in the volume of activity of insurers. Consequently, any curb on lending has an immediate impact on the insurance market penetration rate. Moreover, the bond market remains underdeveloped and limits the possibilities for increasing the range of insurance products. Last, but not least, the Albanian legislation has provided for a series of products for liability insurance, but which have not been implemented in practice, thus limiting the opportunities for increasing the types of products in the market.

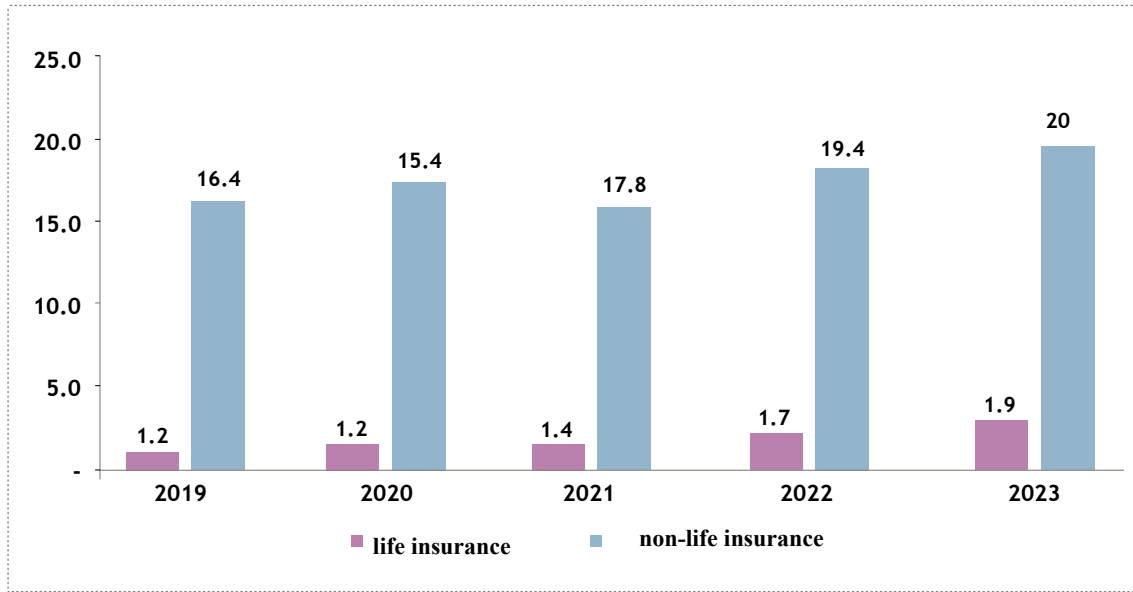
## **10. Developments of the compulsory insurance market in Albania, 2019-2023**

Comparing the data published by the Financial Supervisory Authority from time to time, not only every year, but also every 3 to 6 months, the insurance market in Albania, as a very important financial market, is showing consolidation. The year 2023, compared to the year 2022, actually has an upward trajectory.

Compulsory auto insurance premiums during 2023 reached about ALL 13,980 million, or 6.94% more than in 2022. The domestic Compulsory Motor Third Party Liability Insurance (MTPL) product, in 2023, had an increase of 8.20% in the volume of gross written premiums. This was also accompanied by an increase in the number of contracts of 9.21% compared to the same period of the previous year. The Green Card product in 2023 had an increase of 1.16% in the volume of gross written premiums. This was accompanied by an increase in the number of contracts of 38.10% compared to 2022. The Border Insurance product, in 2023, had a 1.11% increase in the volume of gross written premiums compared to 2022. The number of contracts also increased by 11.58%.

Chart 1: Progress of the gross written premium in years

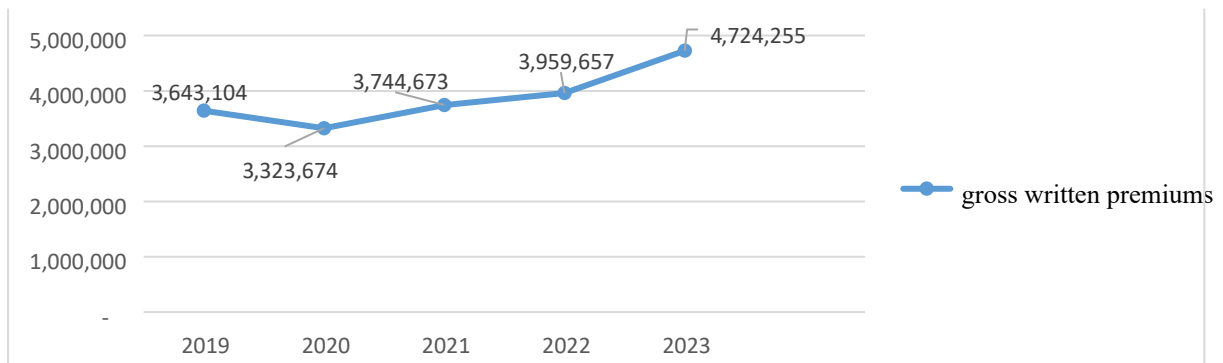
(In billion ALL)



Referring to the period of 2019-2023 according to chart 2, the trend of premiums results in a decrease in 2020 where it marks the lowest value and starts to rise gradually, marking the highest value in January-March 2023.

Chart 2: The performance of gross written premiums in the insurance market

(thousand ALL)

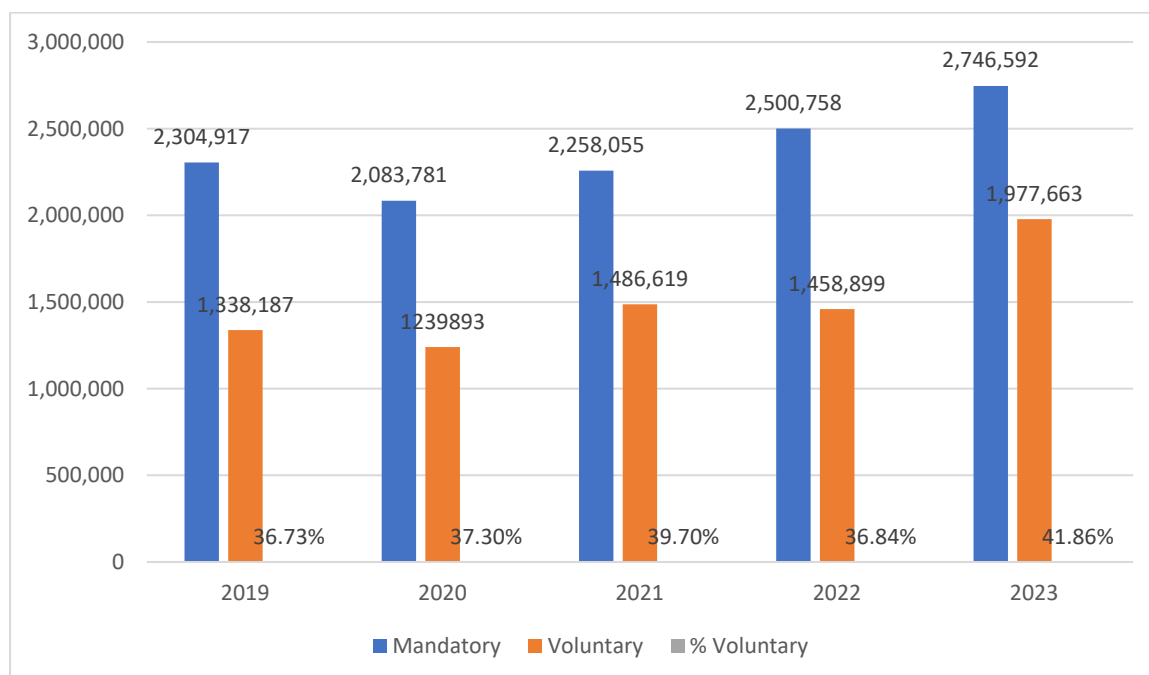


Source: AMF

The market continues to be dominated by the compulsory motor insurance class owning 62.15% of the total gross written premiums, followed by about 17.11% by property insurance while the rest is divided between the other classes. Refer to chart 3, where the ratio of voluntary to mandatory insurances for the period January-March is presented, the proportion of voluntary insurances to total insurances is greater in the period January-March of 2023 with 41.86% and lower in 2019 with 36.73%. For the reporting period, the ratio is 41.86% to 58.14%.

Chart 3: Voluntary/total ratio for the period 2019-2023

(thousand ALL)



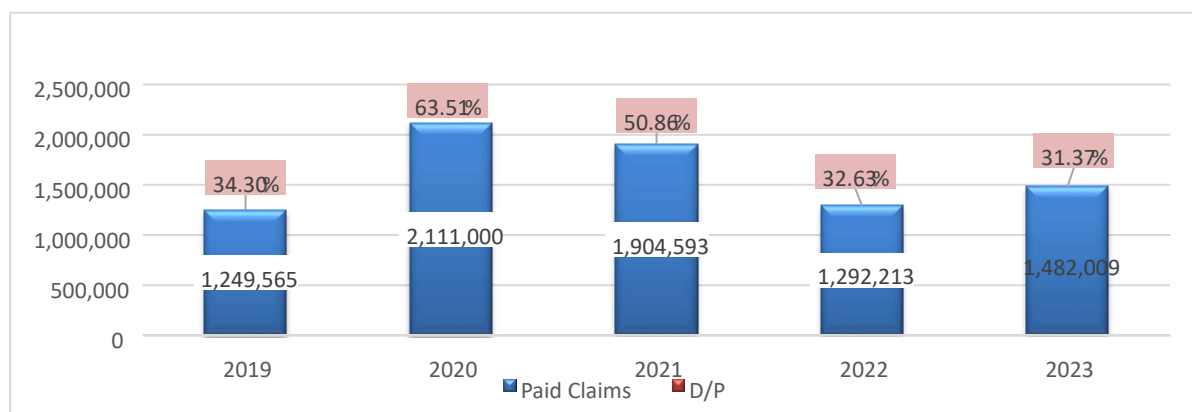
Referring to mandatory motor insurance, compared to the same period a year ago, they all resulted in an increase, such as third-party liability insurance (TPL) insurance (+9.38%), border insurance (+5.66%), and green card (+12.91%). The number of contracts concluded for non-life insurance during the months of January-March 2023 is 254,948 contracts, marking an increase of 17.21% more than a year ago. The class of voluntary motor insurance and marine, aviation and transport are the only classes with a decrease in the number of contracts signed, respectively -5.32% and -7.14%, while the rest shows an increase, where the largest increase is maintained by the class of insurance credit.

### 10.1 Damages paid by the activity of No Life

During the period January-March 2023, from the non-life insurance activity, 1,482,009 thousand ALL claims were paid, marking an increase of 14.69% or 189,796 thousand ALL payments more compared to the period January-March 2022, and this is accompanied by a decrease in the number of cases of 1.50% or 203 cases less.

Chart 4: Progress of claims paid by the market, 2019-2023

(thousand ALL)



Source: AMF

According to chart 4, the highest value of damages paid is in the months of January-March of 2020 for the entire period of 2019-2023. During the months of January-March 2023, while the value of paid damages increases, the number of paid damages decreases, suffering a modest decrease of 1.50% or 203 fewer paid damages.

Most of the claims paid come from the type of motor insurance about 77.96% of the total, followed by property with 9.93%, accidents with 8.78% and Other with 3.33%

There are currently eight non-life insurance companies and four life insurance companies operating in the Albanian market. According to data from the AMF, at the end of the 9th month of 2023, the total assets of the market had the value of 46.7 billion ALL. Since the beginning of the year, the size of the insurance market has increased by 7.2%. The share capital of the market reached a total value of 15.4 billion lek or about 145 million euros. The performance of the market, measured by the value of gross written premiums, was also positive during 2023. For the 11th month of 2023, gross written premiums reached the value of ALL 20.5 billion, an increase of 8.4% compared to the corresponding period last year. The growth of the tourism sector had an indirect positive effect on the insurance market, but on the other hand, the strengthening of the Lek in the exchange rate has negatively affected the growth of the market, for the segment of products that are quoted in foreign currency. The net profit of the market reached the value of 2.6 billion lek, an increase of 54% compared to the same period of the previous year. If we compare it with neighboring countries, we see that Albania is the country that spends less on insurance. If our neighboring country Greece spends 2.24% of GDP on insurance, or Italy 6.27%, Germany 6.24%, Great Britain 11.44% and USA 12.15%, our country spends only 1% of its GDP. In recent years, insurance companies are trying to improve claims handling procedures and avoid, where possible, litigation. Although the numbers are increasing year after year, Albania continues to remain the last in the region and Europe in terms of insurance density. This is due to an inherited mentality and a lack of financial education.

## 11. Insurance market challenges

The insurance market has consolidated and matured during the challenging period that included earthquakes, pandemics and high inflation in recent years. Human resources are well trained and able to provide high quality services, as well as to deal with the new challenges that this market faces. However, this market is not showing significant qualitative developments, remaining small in size and mainly focused on mandatory products. In recent years, companies are trying to follow digitization trends and have built online product sales channels. However,

compulsory motor insurance policies are still required in the form of a physical document and cannot be issued electronically. One of the main challenges of the poor development of voluntary products is the lack of insurance culture in Albania. In order to further develop the insurance market, more cooperation with institutions is required. Insurance companies must work to change the structure of premiums, which until now is dominated by compulsory insurance. However, the market needs an even greater focus on digitalization of services as well as technological development, to be close to customers in real time. Climate change and its negative effects, especially in the agricultural sector, necessitate a national insurance system for better risk diversification. It is necessary to have serious discussions with all stakeholders on this issue, as these insurances protect operators from unforeseen events and guarantee business continuity.

## 12. Conclusions

The insurance market in Albania plays a critical role in promoting economic growth and stability by providing risk management solutions, facilitating trade and investment, and encouraging savings. A well-developed insurance market contributes to the overall growth of the financial sector, promoting financial inclusion and the development of other financial services. Efforts to align Albanian insurance regulations with EU standards have led to a stronger regulatory framework, increasing investor confidence and market stability. However, the market faces significant challenges.

Future research should focus on understanding consumer behaviour, leveraging digital transformation, evaluating regulatory impacts, and exploring innovative insurance products and practices. Albanian insurance market has significant potential for growth and development, contributing to economic stability and social welfare. However, addressing the challenges of market penetration, regulatory frameworks, product diversification, and technological adoption is crucial. Through targeted research and strategic development, the Albanian insurance market can achieve greater efficiency, inclusivity, and resilience.

The establishment of the Financial Supervisory Authority (FSA) has been a significant step in regulating and overseeing the insurance market in Albania. Albania has been working to align its insurance regulations with EU directives, such as Solvency II, which focuses on the solvency and risk management of insurance companies. Legal changes have focused on aligning with EU standards, introducing compulsory insurance, and enhancing consumer protection. Technological innovations, though still emerging, are beginning to transform the market through digital platforms, automated underwriting, telematics, blockchain, Insurance Tech startups, and big data analytics. Addressing these challenges and continuing to embrace technological advancements will be crucial for the future growth and stability of the Albanian insurance market. This study helps future researchers as a starting point, since the research shows that we have very little information and a small number of scientific researches on the insurance market in Albania in recent years.

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