

Vytautas Kindurys. *Life insurance business and its development tendencies and manifestations in Lithuania: theoretical and practical aspects. The monograph.* Vilnius: Vilnius University Publishing House, 2011, 558 p.

The problem of life insurance business is urgent in all countries of the world. The importance of this problem in the modern economics and social life is determined by many factors, such as the increasing role of human capital, comprehension of the importance of a person's life and health, improvement of living standards, acknowledgement of life safety, peacefulness and confidence in tomorrow as important benefits, etc. These factors and circumstances influencing life insurance business development and conditions have been already discussed by various foreign authors. Nevertheless, in Lithuania, scientific studies to thoroughly and comprehensively discuss the conceptual practical and theoretical problems of life insurance are scarce. One of such works is the his monograph "Life insurance business and its development tendencies and manifestations in Lithuania: theoretical and practical aspects" by Vytautas Kindurys, Associate Professor of Business Department of Vilnius University Faculty of Economics.

The main purpose of the author of the monograph was to develop the basic theoretical concept of life insurance business scientific research in the qualitative aspect and, according to it, to evaluate the tendencies and manifestations of this business in Lithuania. The author chose the proper methods of research and sources of information to achieve his goal. The structure of the monograph is worth mentioning: first of all, the author discusses the origin, development, circumstances and tendencies of life insurance services in the world and in Lithuania; then, essential theoretical and practical problems of life insurance business (quality, pricing, etc.) are being examined; hereafter, the author presents an analysis of the conditions and development problems of investment activities of Lithuanian life insurance companies, as well of the results of private pension funds and pension accumulating in Lithuania. The monograph consists of nine chapters applying a systematic examination of the essence and structure of life insurance services. The analysis and evaluation of the problems discussed in these chapters are presented in the context of the personal scientific competence of the reviewer.

The first chapter "The origin, development and peculiarities of life insurance business" deals with the origins, development and peculiarities in the world context, as well as the nature and distinctive features of life insurance services. The author indicates intangibility as an essential feature of life assurance services; he also states that the provision and consumption of insurance services are indivisible, and life insurance services are

impossible to accumulate. Furthermore, the author shows that customers play the main role while rendering life insurance services and that there are very limited possibilities to legally protect life insurance products (page 52). The author points out the following kinds of life insurance risks: 1) health loss; 2) medical expenses; 3) premature death, and 4) work loss (pages 40–42).

The second chapter “The essence and classification of life assurance services” reveals the social-economic purpose of life insurance services and proves the necessity of classification of such services. The author determines seven basic classification features of life assurance services according to: 1) insurance object; 2) insurance subject; 3) payment terms of insurance premiums; 4) expiry date of insurance contract; 5) form of insurance cover; 6) kind of insurance payment, and 7) kind of signing insurance contracts (pages 69–70). Such classification of life insurance services is not only of theoretical significance, but also helpful while solving practical problems of life insurance business organizations and service rendering. The author also accentuates the importance of life insurance services’ classification according to their functional purpose while determining risk, cumulative, composite, investment life insurance and annuities (page 78).

The author presents a great scope of interesting information in the third chapter of the monograph in which he draws on the inception of life assurance services business in Lithuania and its development during the interwar period, as well as on the diversity and development tendencies of life insurance business after the restoration of Independence of Lithuania. The author also presents interesting statistical data concerning the signed life insurance premiums and insurance payments over the period 1998–2009 (page 94).

The fourth chapter of the monograph offers the results of theoretical and practical research of the processes in the life assurance market and its phenomena: the essence, structure and theoretical interpretation of the demand and supply of life insurance services; results of a qualitative and quantitative evaluation of the Lithuanian life insurance market; theoretical behaviour aspects of the insured and their manifestation in the Lithuanian life insurance market; theoretical methodological aspects of the loyalty of insured and its cultivation; theoretical and practical problems of collaboration between banks and life insurance companies. The author also pays much attention to the influence of globalization and integration into the Lithuanian life insurance services market. He makes an important conclusion: globalization and technical and scientific progress have extended the scope of competition in life insurance markets, turning formerly collaborating insurers into competitors. The emerged new forms of competition distort the elaborate balance of life insurance services markets.

This chapter presents information on the penetration of foreign capital into the Lithuanian life insurance market. Analysis of the Lithuanian life insurance market SWPD (strengths, weaknesses, potentialities and dangers) is performed very well (pages 253–269). The author determines as a strength the growing interest of society towards

pension provision and the increasing need for employees' motivation in the Lithuanian business corporations; as well as the increasing collaboration between banks and life insurance companies. When analysing the weaknesses and potentialities of the Lithuanian life insurance market, V. Kindurys emphasizes the following dangers: 1) economic recession and its consequences; 2) population migration to Western countries; 3) population aging as a factor decreasing life insurance demand (pages 266–269).

The success and efficiency of life insurance business development mainly depend on service products offered by an insurance company and their adaptation to the needs and expectations of insurance customers. The definition of a product of life insurance and life insurance product's technical, economic and practical features are discussed in the fifth chapter of the monograph. The author exhaustively describes the following four alternatives of life insurance product development strategies: 1) the available life insurance products are offered to present customers; 2) the available life insurance products are offered to new customers; 3) newly developed life insurance products are offered to present customers; 4) newly developed life insurance products are offered to new customers (pages 276–277). The author also pays much attention to the problem of life insurance product quality. The created formation model of life insurance product quality is exceptionally valuable; the author's analysis of the life insurance products offered by the Lithuanian life insurance companies is also well performed. V. Kindurys presents a useful information concerning investment life insurance, risk insurance, livelihood insurance, accumulative life insurance, education insurance, pension life insurance products offered by the Lithuanian life insurance companies.

A lot of the author's fresh thoughts and ideas are presented in the sixth chapter "Theoretical aspects of life assurance services' product pricing". While disputing with other authors, Associate Professor V. Kindurys has given a correct consideration to the price structure of life insurance service, which consists of the following elements: 1) the cost of a life insurance service creation and rendering; 2) the profit rate received by an insurance company. The author also makes a thorough analysis of commercial factors (inflation, interest rates, competition, etc.) influencing the size of the life insurance premium. He is absolutely right while stating that the reasonability of the pricing policy of life insurance services depends on preserving the main principles of this policy, such as 1) the equivalence of money relations between an insurer and the insured; 2) affordability of insurance premium rates to a wide segment of the insured; 3) extension of the insurance liability scope; 4) stability of insurance premium rates over a longer period of time; 5) the profitability and expediency of insurance activities (pages 220–221). While evaluating the methodology of life insurance premium pricing and its peculiarities, the author also reasonably states that life insurance premiums should not only be of a reasonable size, but also the amount of the collected premiums should be sufficient for an insurance company to invest part of them to pay off the necessary insurance payments and to cover service expenses. Moreover, it is necessary to consider a customer's age,

sex, health condition and employment while ascertaining life insurance prices (premium rates) (page 323).

The seventh chapter of the monograph discusses the essence of reinsurance activities and their functional purpose, reinsurance peculiarities in life assurance companies, organizational aspects and the scope of reinsurance and self-reinsurance activities in Lithuanian life insurance companies. Upon evaluating reinsurance (self-reinsurance) activities in Lithuanian life assurance companies, the author concludes that the Lithuanian scales of insurance premiums and payments are quite moderate as compared to Western European and other countries with developed economies; thus, the scope of reinsurers' involvement into reinsurance activities of Lithuanian life assurance companies is quite small (page 363).

Apart from their direct activities (insurance, reinsurance or self-reinsurance), life insurance companies are engaged in investments. The problems of such activities are discussed in Chapter Eight of the monograph. While analysing the essence of investment activities, the author pays much attention to distinguishing the notions of investment, saving and speculation and to determining the essence of investments into material possessions, i.e. he tries to distinguish between material possessions meant for investments and for personal usage. The author has made a thorough analysis of the tendencies of investment activities supervision, state and development in Lithuanian life insurance companies. He has also made an analysis of the dynamics and tendencies of the Lithuanian life insurance companies' investment portfolio over the period 2000–2009 (pages 392–403) and has compared the obtained data with data on other countries of the European Union.

In Chapter Nine of the monograph, the author examines the essence of private pension funds, their origin and operation preconditions and peculiarities in Lithuania. The author has made an exhaustive analysis of the three pillars of the pension system in Lithuania, which are 1) state social retirement insurance, 2) pension funds, 3) supplementary voluntary pension funds (pages 415–424). The essence of pension annuities, their kinds and organizational aspects of sales in Lithuania are widely discussed. Based on data of the Insurance Supervisory Commission of the Republic of Lithuania, the author has compiled mortality tables for men and women, which are used for calculating the basic pension annuity (pages 436–437). This chapter also deals with the results and evaluations of the private pension funds and supplementary voluntary pension funds' activities.

The monograph of Associate Professor V. Kinduryis is an essential contribution to the science of management and business administration. For the first time in the Lithuanian scientific economic literature, it offers formulations of the basic theoretical concepts of life insurance business research and existential statements. From the point of view of insurance and life insurance science development, of a high value is the fact that the monograph applies a systematic approach when analysing the essence and structure of life insurance business activities.

The author offers a comparatively new attitude to life insurance as a business of specific services, reflecting the modern tendencies of its development and revealing the modified forms of its social content. The monograph specifies the scientific notions related to life insurance business, borrowed from foreign languages, and their Lithuanian names. It also presents an extended and specified definition of the theoretical contents of life insurance business, as well as of the other notions used in the practical organizational activities of this business. The monograph is the first scientific attempt to analyse and evaluate the structure of the Lithuanian life insurance service market, its qualitative and quantitative parameters, as well as the peculiarities of its economic phenomena and processes.

The proposed main concepts of life insurance service business and their Lithuanian names and definitions should be useful to legislation specialists while preparing legislative acts, as well as to managers of life insurance companies who formulate rules of life insurance products or sign insurance contracts and policies. The discussed and generalised theoretical and practical problems of the Lithuanian life insurance service market should be of particular consulting use to life insurance specialists making strategic and tactical decisions on operating the market.

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