

PERFORMANCES OF THE ROMANIAN INSURANCE MARKET

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ABSTRACT: *Global crisis affected the worldwide insurance market differently from one country to another, so Romanian insurance market in the period between 2008 and 2012 was also affected by global crisis. Effectiveness and performance of the insurance market from Romania is discussed in the paper based on the statistical data published by the Insurance Supervisory Commission in the annual reports, in the period between 2008 and 2012. Discussions are started from indicators such as gross written premiums and indemnity payments, which have influence on dimension of the market, efficiency indicators and on financial results*

KEY WORDS: *insurance, premiums, indemnity payments, financial and technical results*

JEL CLASSIFICATION: *G01, G21, G22, G29*

1. INTRODUCTION

The concept of insurance is very simple. In exchange for the insured's payment of a relatively small sum of money—the *premium*—the insurer assumes the risk of financial consequences for the loss of the insured's property or the risk of the loss presented by the costs of defending a liability lawsuit (and where appropriate, paying a resulting settlement or judgment). This can provide financial security for the average consumer (Zevnik, 2004).

Efficiency of the insurance activity is assessed by comparing mainly the efforts with effects in connection with this activity. Efficiency indicators help us to understand the effectiveness of insurance activity.

In assessing performance of insurance activity, we should consider the financial results, the ratio between the effect and effort for obtaining profit, and measuring the insurer success in coverage the customer needs (Preda, 2012).

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In the insurance industry the insurance premiums are equivalent with total sales, and represent the most important income for an insurance company. Every company has the main goal of obtaining profit, including insurance companies which must to cover their expenses from incomes and achieve profit.

Insurance premiums are an important item because is the start point in determining the key performance indicators in insurance industry. Insurance companies operate on a competitive system, so their products and services must to be attractive and effective for the insured, and they are dependent on the insurance premiums.

Net income ratio reflect how profitable insurance activity is, being calculated dividing net income by premiums earned, and also reflecting the quality of management and the viability of the insurance activity.

Damage ratio reflect the proportion of compensation paid (compensation, sum insured, indemnity) and earned premiums and is used to assess the financial performances of an insurer. This ratio is expressed as a percentage and ratio level could be lower, equal or higher than 100%.

The insurance market is based on a complex and dynamic activity of the insurance companies having an important role in the economic development of a country. In the last period we take into consideration (2008-2012) insurance market from Romania was influenced by the global economic crisis.

2. CONSIDERATIONS, TRENDS AND PERFORMANCES OF THE ROMANIAN INSURANCE MARKET

Overview, performance and trends of the insurance activity it has to be based on data from the insurance company's information system. Our discussions in the present paper are based on the statistical data published by the Insurance Supervisory Commission in the annual reports, in the period between 2008 and 2012.

2.1. The evolution of the number of insurance undertakings between 2008-2012

Based on the statistical data provided by the Insurance Supervisory Commission in their annual reports on Romanian insurance market the evolution of the number of insurance undertakings in the period between 2008 and 2012 is presented in Table 1, through the main type of insurance (life, non-life, or both type).

Table 1. Evolution of the number of insurance undertakings (2008-2012)

Year	2008	2009	2010	2011	2012
Number of insurance undertakings – total market	44	45	43	43	41
- undertakings conducted non-life insurance activity	21	21	20	20	22
- undertakings conducted life insurance activity	11	13	12	12	11
- undertakings conducted both type of insurance	12	11	11	11	8

Source: based on data from Annual Reports of CSA 2008, 2009, 2010, 2011, 2012

According to the annual reports of the Insurance Supervisory Commission, insurance/reinsurance activity in 2008 was conducted by 44 insurance undertakings

and in 2012 the number of those decreased at 41, and by the main type of insurance (life, non-life, or both type), the number of the insurance undertakings changed as follows: 21 undertakings conducted non-life insurance activity in 2008 and the number increased at 22 in 2012; 11 undertakings conducted life insurance activity in 2008 and 2012; 12 undertakings conducted both type of insurance (life and non-life) in 2008 and the number increased at 8 in 2012.

2.2. Considerations and trends of the gross written premiums and indemnity payments

Insurance premiums help to assess the insurance market size and development. In order to present trends of the Romanian insurance market the started point is the evolution of the gross written premiums earned and also the evolution of the indemnity payments of the insurance undertakings which conduct insurance activity on Romanian market. The dynamics of the Romanian insurance market through the gross written premiums and indemnity payments between 2008 and 2012 is presented in table 2 (gross written premiums from total business insurance), table 3 (gross written premiums from non-life insurance), and table 4 (gross written premiums from life insurance).

Table 2. Gross written premiums – life and non-life insurance (2008-2012)

Year	Gross written premiums from total business insurance (lei)	Increase/Decrease (in absolute terms)	Increase/Decrease (%)
2008	8.936.286.505	-	-
2009	8.869.746.957	- 66.539.548	- 0,75
2010	8.305.402.152	- 564.344.805	- 6,36
2011	7.822.309.952	- 483.092.200	- 5,83
2012	8.256.914.950	+ 434.604.998	+ 5,55

Source: based on data from Annual Reports of CSA 2008, 2009, 2010, 2011, 2012

Table 3. Non-life gross written premiums (2008-2012)

Year	Gross written premiums from non-life insurance (lei)	Increase/Decrease (in absolute terms)	Increase/Decrease (%)	Share in total gross written premiums (%)
2008	7.068.173.520	-	-	79,10
2009	7.241.584.322	+ 173.410.802	+ 2,45	81,64
2010	6.639.733.598	- 601.850.724	- 8,32	79,94
2011	6.083.943.098	- 555.790.500	- 8,37	77,78
2012	6.454.395.818	+ 370.452.720	+ 6,08	78,17

Source: based on data from Annual Reports of CSA 2008, 2009, 2010, 2011, 2012

Gross written premiums from total business insurance registered a decrease in the period between 2008 and 2011 from 7.068.173.520 lei in 2008 to 7.822.309.952 lei in 2011, and in 2012, gross written premiums amounted to an aggregated total of 8.256.914.950 lei by about 5,5% more than in 2011, but the amount is still lower than the amount from 2008.

Table 4. Life gross written premiums (2008-2012)

Year	Gross written premiums from life insurance (lei)	Increase/Decrease (in absolute terms)	Increase/Decrease (%)	Share in total gross written premiums (%)
2008	1.868.112.985	-	-	20,90
2009	1.628.162.635	- 239.950.350	- 12,85	18,36
2010	1.665.668.554	+ 37.505.919	+ 2,30	20,06
2011	1.738.366.854	+ 72.698.300	+ 4,36	22,22
2012	1.802.519.132	+ 64.152.278	+ 3,70	21,83

Source: based on data from Annual Reports of CSA 2008, 2009, 2010, 2011, 2012

We can see a downward trend since 2008 of the insurance sector. The same trend is registered in the case of non-life insurance, non-life gross written premiums decreased from 7.068.173.520 lei in 2008 to 6.454.395.818 lei in 2012, even if it is registered an increase by about 6,8% in 2012 compared with the amount from 2011. Life sector registered a decrease by about 12,85% in 2009 compared with 2008, and after 2009 gross written premiums from life insurance grew yearly. At the end of 2012 gross written premiums from life insurance is in amount of 1.802.519.132 lei representing an increase by about 3,70% in nominal terms face to 2011.

The structure of gross written premiums by insurance category shows that 78,17% from total gross written premiums are from non-life insurance and 21,83% from total gross written premiums are from life insurance at the end of 2012.

At the same time is important to present not only the gross written premiums but also the gross indemnity payments in the period considered between 2008 and 2012. The trends registered on Romanian insurance market through the indemnity payments between 2008 and 2012 is presented in table 5 (gross indemnity payments from total business insurance), table 6 (indemnity payments from non-life insurance), and table 7 (indemnity payments from life insurance).

Table 5. Gross indemnity payments – life and non-life insurance (2008-2012)

Year	Gross indemnity payments from total business insurance (lei)	Increase/Decrease (in absolute terms)	Increase/Decrease (%)
2008	4.363.559.718	-	-
2009	5.435.503.756	+ 1.071.944.038	+ 24,56
2010	5.069.483.669	- 366.020.087	- 6,73
2011	4.483.069.265	- 586.414.404	- 11,56
2012	4.753.573.042	+ 270.503.777	+ 6,03

Source: based on data from Annual Reports of CSA 2008, 2009, 2010, 2011, 2012

Gross indemnity payments from total business insurance registered an increase in 2009 with 24,56% than 2008, followed by 2 years of decreasing trend, and in the last year 2012 gross indemnity payments amounted to a total value of 4.753.573.042 lei by about 6,31% more than in 2011. This trend is similar in the period analysed in case of non-life indemnity payments. Only in case of life gross indemnity payments it is an increasing trend registered yearly. At the end of 2012 gross indemnity payments from

life insurance is in amount of 299.855.424 lei representing an increase by about 3,97% in nominal terms face to 2011.

Table 6. Non-life gross indemnity payments (2008-2012)

Year	Gross indemnity payments from non-life insurance (lei)	Increase/Decrease (in absolute terms)	Increase/Decrease (%)	Share in total gross indemnity payments (%)
2008	4.143.703.694	-	-	94,96
2009	5.187.480.620	+ 1.043.776.926	+ 25,18	95,44
2010	4.797.561.000	- 389.919.620	- 7,52	94,64
2011	4.194.672.389	- 602. 888.611	- 12,57	93,57
2012	4.453.717.618	+ 259.045.229	+ 6,17	93,69

Source: based on data from Annual Reports of CSA 2008, 2009, 2010, 2011, 2012

Table 7. Life gross indemnity payments (2008-2012)

Year	Gross indemnity payments from life insurance (lei)	Increase/Decrease (in absolute terms)	Increase/Decrease (%)	Share in total gross indemnity payments (%)
2008	219.856.024	-	-	5,04
2009	248.023.136	+ 28.167.112	+ 12,81	4,56
2010	271.922.669	+ 23.899.533	+ 9,63	5,36
2011	288.396.876	+ 16.474.207	+ 6,05	6,43
2012	299.855.424	+ 11.458.638	+ 3,97	6,31

Source: based on data from Annual Reports of CSA 2008, 2009, 2010, 2011, 2012

The structure of gross indemnity payments by insurance category shows that 93,69% from total gross indemnity payments are paid for non-life insurance and 6,31% from total gross indemnity payments are paid for life insurance at the end of 2012. That structure is similar in the previous years.

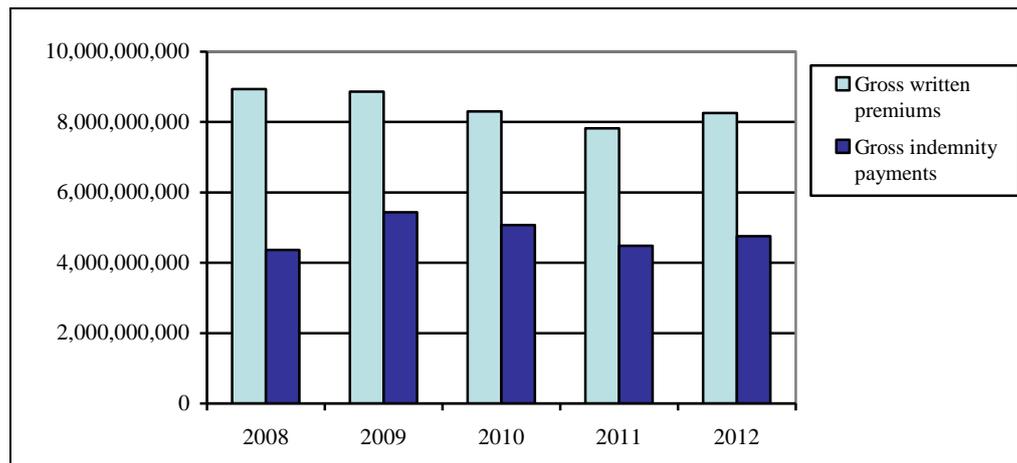


Figure 1. The evolution of the gross written premiums and gross indemnity payments

In the figure above is presented a comparative evolution of the gross written premiums and gross indemnity payments in the period between 2008 and 2012.

2.3. Aspects regarding the evolution of assets, investments and results

Other aspects regarding the Romanian insurance market refers to the evolution of assets and financial investments of insurance undertakings between 2008 and 2012, which are presented in Table no. 8, and also the share of investments presented in table no. 9 in the same period.

Table 8. Assets and financial investments of insurance undertakings (2008-2012)

Year	Total assets	Investments			
		Total investments	Bonds and other fixed-income securities	Unit-linked investments	Other Investments
2008	14.982.824.581	7.967.986.255	2.432.467.448	1.040.151.751	4.495.367.056
2009	16.398.487.279	9.174.286.671	3.557.692.096	1.501.947.164	4.114.647.411
2010	16.805.591.185	9.857.781.064	4.515.307.549	1.880.392.260	3.462.081.255
2011	17.293.960.385	10.390.101.581	5.113.381.422	2.122.748.569	3.153.971.590
2012	18.960.424.182	10.525.710.723	4.925.977.303	2.629.080.446	2.970.652.974

Source: based on data from Annual Reports of CSA 2008, 2009, 2010, 2011, 2012

Assets reported by insurance undertakings in their financial statements registered an increasing trend in the period between 2008 and 2012, from an amount of 14.982.824.581 lei in 2008 to 18.960.424.182 lei in 2012. In the last 2 years assets reported increased by about 9,64%. Also financial investments registered the same increasing trend between 2008 and 2012. In the last year investments registered 10.525.710.723 lei with 1,31% more than in 2011.

Table 9. Structure of investment (2008-2012)

Year	Total assets	Structure of investments				Share of investments in total assets (%)
		Total investments	Bonds and other fixed-income securities (%)	Unit-linked investments (%)	Other Investments (%)	
2008	14.982.824.581	7.967.986.255	30,53	13,05	56,42	53,18
2009	16.398.487.279	9.174.286.671	38,78	16,37	44,85	55,94
2010	16.805.591.185	9.857.781.064	45,80	19,08	35,12	58,65
2011	17.293.960.385	10.390.101.581	49,21	20,44	30,35	60,07
2012	18.960.424.182	10.525.710.723	46,80	24,98	28,22	55,51

Source: based on data from Annual Reports of CSA 2008, 2009, 2010, 2011, 2012

Share of investments in total assets increased yearly from 53,18% in 2008 at 60,07% in 2011 (the largest share in the period under review), and in 2012 investments amounted to 10.525.710.723 lei (the total amount of investments increased yearly) but accounted for 55,51% of total assets.

In the period between 2008 and 2012 there are changes in the structure of investments: in 2008 the share of bonds and other fixed income securities was 30,56%, and this percentage has increased yearly reaching 46,80% in 2012. The same trend is found in the case of the share of unit-linked investments which increased from 13,05% in 2008 to 24,98% in 2012. The share of other investments has decreased from 56,42% in 2008 to 28,22% in 2012.

Based on data from financial statement reported by the insurance undertakings was registered a net financial result at the level of Romanian insurance market in the period under review. In 2012 the profit registered on the Romanian market decreased by 21,7%, and the loss decreased by 56,2% compared to 2011, leading to a negative net results at about - 321.586.576. There are insurance undertakings which registered profit and others registered loss. In table 10 are presented the total technical results from life and non-life insurance and also in table 11 is presented the evolution of financial results in the period between 2008 and 2012.

Table 10. Technical results from non-life and life insurance (2008-2012)

Year	Technical results for non-life insurance		Technical results for life insurance	
	Profit	Loss	Profit	Loss
2008	202.485.080	868.933.428	139.194.724	53.152.847
2009	111.273.144	432.143.703	248.736.055	92.078.859
2010	92.969.443	288.052.643	184.849.007	79.565.673
2011	102.973.139	591.573.238	167.437.329	81.622.444
2012	106.914.091	569.594.999	177.302.111	100.622.888

Source: based on data from Annual Reports of CSA 2008, 2009, 2010, 2011, 2012

Table 11. Financial results (2008-2012)

Year	Net profit/loss for total business insurance (life and non-life)		Net financial results	Increase/Decrease (in absolute terms)
	Profit	Loss		
2008	266.580.284	849.037.715	- 582.457.431	-
2009	315.048.975	418.264.729	- 103.215.754	479.241.677
2010	235.268.398	276.637.639	- 41.369.241	61.846.513
2011	257.054.506	582.921.060	- 325.866.554	- 284.497.313
2012	201.320.819	522.907.395	- 321.586.576	4.279.978

Source: based on data from Annual Reports of CSA 2008, 2009, 2010, 2011, 2012

The number of insurance undertakings registering profit increased in 2012 compared to 2008 from 15 to 22, and decreased the number of insurance undertakings registering loss from 28 to 19 in the same period, taking into account total insurance activity. In table 12 was presented the evolution of the number of insurance undertakings registering profit and loss from total insurance activity, from non-life insurance and life insurance segments.

In 2012 from non-life segment 11 insurance undertakings reported profit and 18 insurance undertakings reported loss, and from life segments 12 insurance undertakings reported profit and 6 insurance undertakings reported loss.

Table 12. Number of insurance undertakings registering profit or loss from total insurance, non-life insurance and life insurance (2008-2012)

Year	Profit			Loss		
	Total insurance	Non-life insurance	Life insurance	Total insurance	Non-life insurance	Life insurance
2008	15	9	8	28	23	14
2009	20	10	11	25	21	13
2010	20	10	13	23	22	10
2011	22	12	11	21	18	11
2012	22	11	12	19	18	6

Source: based on data from Annual Reports of CSA 2008, 2009, 2010, 2011, 2012

3. CONCLUSIONS

Global economic crisis affected Romanian economy and was felt also at the level of the insurance market. In the period under review we observed a decrease of gross written premiums from total insurance business in the period until 2011 and a slight recovery in 2012. Also, the Romanian insurance market is a dynamic one showing opposite trends on the life and non-life insurance business in the period under review. Performances of the insurance market will be influenced in the future by the consolidation of international groups with presence on the Romanian insurance market.

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