

ANALYSIS OF THE ROMANIAN INSURANCE MARKET

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ABSTRACT: *Insurance sector always had an important place in the Romanian economy and its development. The present paper aims to present the main trends occurred on the insurance market based on the essentials aspects regarding to the gross written premiums, and gross indemnities paid. The data used in the present analysis are based on the statistics according to the annual reports of the Financial Supervisory Authority.*

KEY WORDS: *insurance, gross written premiums, gross indemnities paid, insurance classes, trends, insurance portfolio*

JEL CLASSIFICATION: *G20, G22.*

1. INTRODUCTION

Insurance is an important sector in a country's economy. Insurance operations, carried out under a contract, take place in an organized framework called the insurance market. This name "insurance market" is used because here we meet the demand for insurance from individuals and businesses that can be insured, who are willing to conclude various types of insurance offers, offers supported by organizations specially authorized to work in this sector and financially capable of performing such services. An important aspect of the insurance market is its size.

The main element that defines the size of such a market is the determined demand for insurance, given by the economic power of the individual persons or businesses that can conclude an insurance, and by their confidence in the usefulness of the insurance, mediated by specialized organizations – insurance undertakings. It is possible that not all persons who have requested offers from insurance undertakings will conclude such a contract with them, either because they do not find the desired comfort, or the conditions of the applicants are not accepted by the insurers.

The insurance sector in Romania remained concentrated, especially as regards general insurance (Preda and Monea, 2013). The whole activity from insurance sector

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is a complex and dynamic one, and the activity of the insurance companies having an important role in the economic development of a country.

According to the insurance laws and settlements, insurance market, is structured in the following categories of activity:

- General insurance (non-life);
- Life insurance;

In Romania, there are 35 insurance undertakings having carried out insurance/reinsurance activities in the course of 2015, of which (Financial Supervisory Authority, *Annual Report 2015*):

- General insurance undertakings:20;
- Life insurance undertakings:8
- Composite insurance undertakings (life and general – non-life): 7;

2. EVOLUTION AND STRUCTURE OF GROSS WRITTEN PREMIUMS

At the end of 2015, insurance undertakings were registered a total volume of gross written premiums of 8.750.879.938 lei (cumulated for the whole insurance market – general insurance and life insurance), with an increase by 8,23% compared to the amount of gross written premiums registered at the end of previous year (2014).

The total volume of gross written premiums (8.750.879.938) structured by categories (general insurance and life insurance) at the end of 2015, (based on Annual Report of Financial Supervisory Authority), was as follows:

- gross written premiums from general insurance: 6.937.006.642 lei, and registered an increase by 7,57%;
- gross written premiums from life insurance: 1.813.873.296 lei and registered an increase by 10,80%;

Table 1. Trends of distribution of the gross written premiums by general insurance (GI) and life insurance (LI) between 2012 and 2015 (lei)

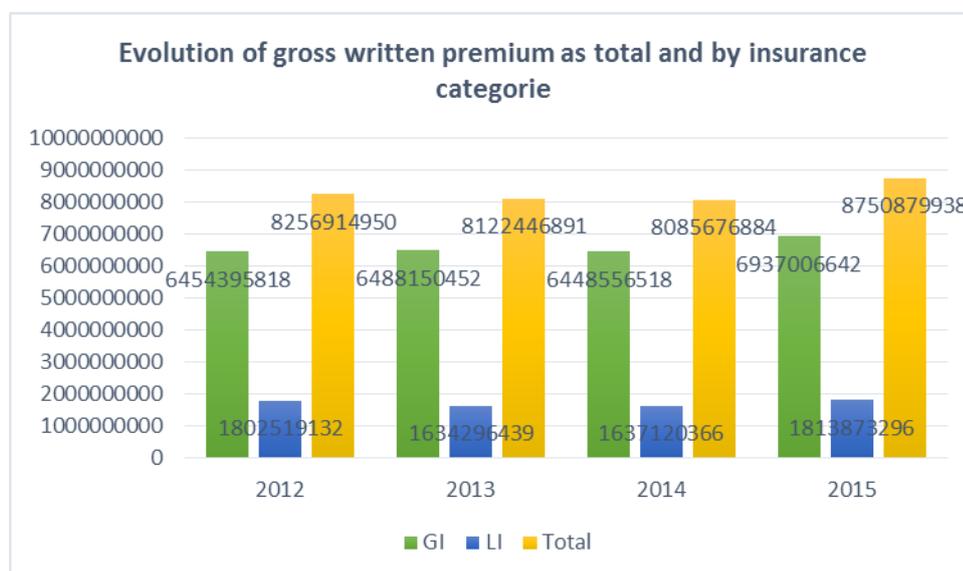
	2012	2013	2014	2015
GI	6.454.395.818	6.488.150.452	6.448.556.518	6.937.006.642
LI	1.802.519.132	1.634.296.439	1.637.120.366	1.813.873.296
Total	8.256.914.950	8.122.446.891	8.085.676.884	8.750.879.938
GI (%)	78%	80%	80%	82%
LI (%)	22%	20%	20%	18%

Source: based on data from Annual Report of Financial Supervisory Authority, 2013, 2014, 2015

Legend: GI – General insurance;

LI - Life insurance.

The distribution by categories of gross written premiums between 2012 and 2015 is presented in Table 1, and shows that in the total amount of gross written premiums of the insurance market, the weight of gross written premiums for general insurance is about 78% - 82%, with an increasing trend.



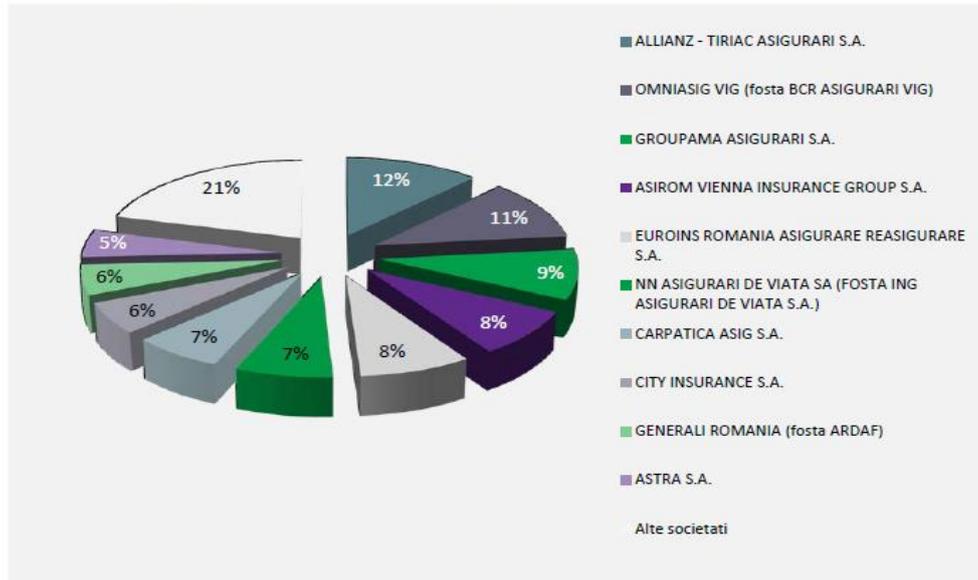
Source: based on data from Annual Report of Financial Supervisory Authority, 2013, 2014, 2015

Figure 1. Evolution of gross written premiums between 2012 and 2015

Table 2 Top 10 insurance undertakings by gross written premiums (general and life insurance)

No.	Insurance undertaking	Gross written premiums (GI + LI)	Weight in total market (%)
1.	Allianz Ţiriac Asigurări	1.054.454.523	12%
2.	Omniasig	976.686.917	11%
3.	Goupama Asigurări	804.872.144	9%
4.	Asirom Vienna Insurance Group	740.599.184	8%
5.	Euroins	718.403.549	8%
6.	NN Asigurări de Viață	628.737.959	7%
7.	Carpatica Asig.	583.738.881	7%
8.	City Insurance	502.153.050	6%
9.	Generali România	484.478.922	6%
10.	Astra	440.877.671	5%
Total (1-10)		6.935.002.800	79%
	Other insurance undertakings	1.815.877.138	21%
Total market		8.750.879.938	100%

Source: based on data from Annual Report of ASF, 2017



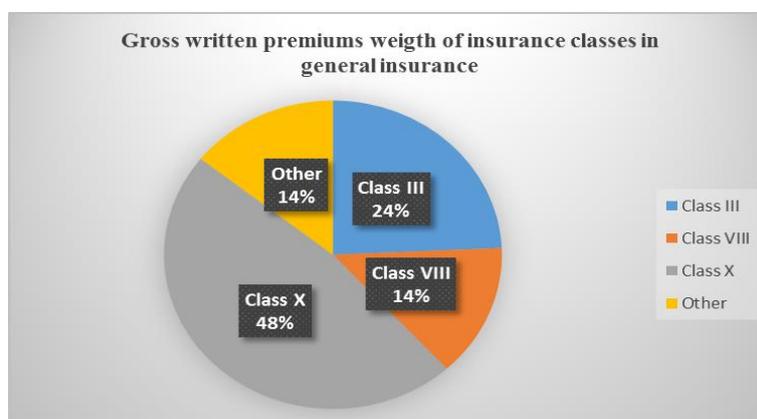
Source: Financial Supervisory Authority, Annual Report 2015

Figure 2. Distribution of gross written premiums by insurance undertakings from total insurance market (general insurance and life insurance)

The insurance sector in Romania is dependent on the following classes which written in 2015, approximately 86% of the total amount of gross written premiums from general insurance (based on Annual Report, 2015, of Financial Supervisory Authority):

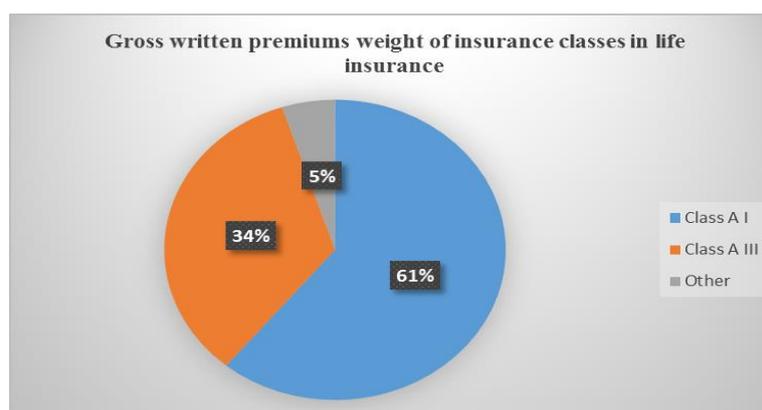
- Class III - Insurance for Land transportation, other than rail transport with an amount of gross written premiums of 1.687.634.836 lei, and a weight of 24% in the gross written premiums from general insurance; also the total volume increased by 0,21% compared with the previous year;
- Class VIII - Fire and other natural disasters insurance with an amount of gross written premiums of 965.673.906 lei, and a weight of 14% in the gross written premiums from general insurance; the total volume increased by 1,18% compared with 2014 ;
- Class X - Civil liability insurance for motor vehicles with an amount of gross written premiums of 3.289.018.458 lei, and a weight of 48% in the gross written premiums from general insurance; the total volume increased by 17,45% compared with 2014;
- All the other classes from the portfolio of general insurance reached only a weight of 14% in the gross written premiums from general insurance;

Structure by classes of gross written premiums from general insurance and life insurance is presented below:



Source: based on data from Annual Report of Financial Supervisory Authority, 2015

Figure 3. Gross written premiums weight of general insurance in 2015



Source: based on data from Annual Report of Financial Supervisory Authority, 2015

Figure 4. Gross written premiums weight of life insurance in 2015

In the portfolio composition of life insurance, significant weights were registered by classes AI and AIII classes, which together hold 95% of the total life insurance segment (based on Annual Report, 2015, of Financial Supervisory Authority):

- Class A I - *Life insurance, annuity and additional life insurance* with an amount of gross written premiums of 1.099.735.156 lei, and a weight of 61% in the gross written premiums from life insurance;
- Class A III - *Life insurance and annuities linked to investment funds* with an amount of gross written premiums of 624.946.143 lei, and a weight of 34% in the gross written premiums from life insurance;
- All the other classes from the portfolio of life insurance reached only a weight of 5% in the gross written premiums from life insurance.

3. EVOLUTION AND STRUCTURE OF GROSS INDEMNITIES PAID

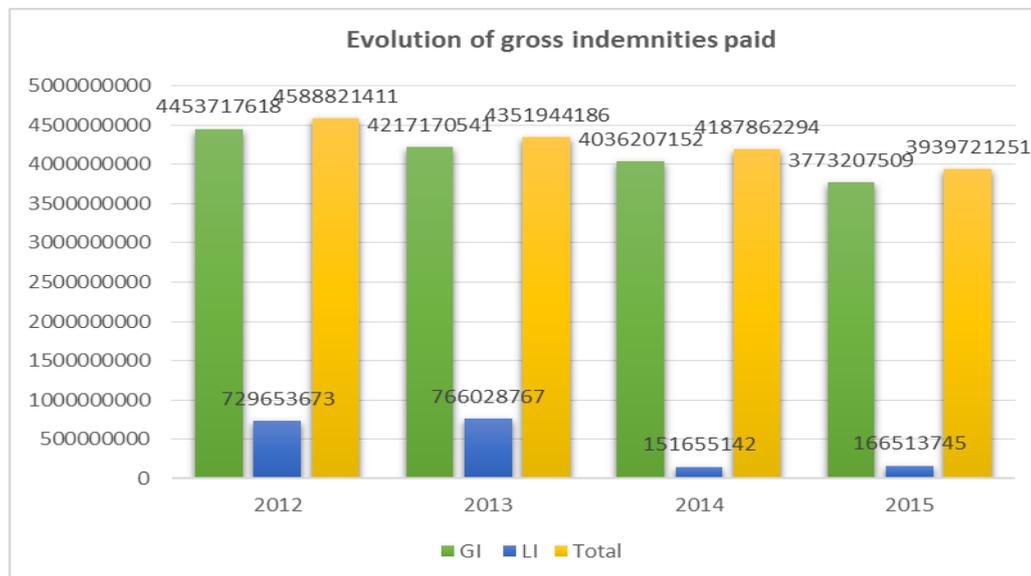
The total volume of gross indemnities paid for both categories (general insurance and life insurance), in 2015 by the insurance undertakings in amount of 3.939.721.251 lei (based on Annual Report, 2015, of Financial Supervisory Authority) is structured by classes as follows:

- an amount of 3.773.207.509 lei gross indemnities were paid by the undertakings related to insurance contracts from the portfolio of general insurance, with a downward trend by 6,52% as compared to 2014 (representing a weight of almost 96,2% from the total amount of indemnities paid);
- the undertakings conducting the activity life insurance paid gross indemnities of 166.513.745 lei, with an upward trend by 9,80% as compared to 2014 (representing a weight of 3,8% from the total amount of indemnities paid);

Table 3. Trends of distribution of the gross indemnities paid by general insurance (GI) and life insurance (LI) between 2012 and 2015 (lei)

	2012	2013	2014	2015
GI	4.453.717.618	4.217.170.541	4.036.207.152	3.773.207.509
LI	729.653.673	766.028.767	151.655.142	166.513.745
Total	4.588.821.411	4.351.944.186	4.187.862.294	3.939.721.251
GI (%)	97%	96,9%	96,4 %	96,2%
LI (%)	3%	3,1%	3,6%	3,8%

Source: based on data from Annual Report of Financial Supervisory Authority, 2013, 2014, 2015



Source: based on data from Annual Report of Financial Supervisory Authority, 2013, 2014, 2015

Figure 1. Evolution of gross indemnities paid between 2012 and 2015

The main classes of insurance, with the most significant weight of gross indemnities paid are the following:

- Class III- Insurance for Land transportation, other than rail transport with a total amount of indemnities paid of 1.245.323.238 lei (a weight of 33,00% from total indemnities paid in the segment of general insurance);
- Class VIII- Fire and other natural disasters with a total amount of indemnities paid of 182.870.729 lei (a weight of 4,85% from total indemnities paid in the segment of general insurance);
- Class X- Civil liability insurance for motor vehicles with a total amount of indemnities paid of 2.029.780.890 lei (a weight of 53,79% in total indemnities paid in the segment of general insurance);

Insurance undertakings paid for these three classes 95,77% from the total amount of indemnities for general insurance.

In the case of life insurance, significant weights of gross indemnities paid, in 2015, were paid for the classes AI and AIII, which together registered 95,48% of the total life insurance segment (based on Annual Report, 2015, of Financial Supervisory Authority):

- Class A I - *Life insurance, annuity and additional life insurance* with an amount of gross indemnities paid of 356.830.808 lei, and a weight of 44,62% in the gross indemnities paid from life insurance;
- Class A III - *Life insurance and annuities linked to investment funds* with an amount of gross written premiums of 406.755.640 lei, and a weight of 50,86% in the gross indemnities paid from life insurance;

All the other classes from the portfolio of life insurance paid only a weight of 4,52% in the gross indemnities paid from life insurance

4. CONCLUSIONS

Insurance market dimension assessed by the amount of gross written premiums and gross indemnities paid declined over the period between 2010 and 2014. The economical conditions from our economy had an influence, specially on the evolution of the life insurance segment.

The volume of gross written premiums and gross indemnities paid by the undertakings, last year (2015), registered an upward trend on both segments of the insurance market.

Around the world, the global insurance market achieved a strong underwriting performance in 2015. Gross premiums collected by insurance undertakings increased in most countries, in the life segment, non-life segment or both.

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