

THE ROMANIAN INSURANCE MARKET DURING THE PERIOD 2008 – 2012

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***Abstract:** Article deals with the insurance market in Romania from 2008 until 2012. For analysis we used a number of indicators including volume of gross written premiums, insurance penetration in GDP, insurance density, and number of people employed in this field and their share in total employment and not least the number insurance contracts. The analysis of these indicators is inferred that the insurance market in Romania is a market that has been affected by the crisis but in 2012 showed signs of recovery.*

***Key words:** Insurance, insurance market, gross commissions subscribed*

***JEL classification:** G22*

INTRODUCTION

Our country does not have vast experience in the field of insurance, although the first forms of insurance have existed in Transylvania since the 14th century. In 1744, the first insurance company was founded in Braşov, called „Casa de incendiu” – "The fire house", and one century later, in the same city, the General Pensions Institute („Institutul General de Pensii”) appears. In Bucharest, Iaşi, and in the Danube ports, foreign companies operated, whose portfolios included transport, fire, and life insurance.

The next period was one of continuous development, culminating in the inter-war interval, when 22 insurance companies existed. In 1948, all these companies were nationalised and until 1990, the insurance market was monopolistic, the sole company being the State Insurance Administration.

After the Revolution, a new stage began in the development of insurance, characterised by significant developments both in the number of insurance companies and in the volume of gross commissions subscribed.

RESEARCH METHODOLOGY

The sector of insurance is one of the most important in economy, having a role of protection, as well as stimulation of savings, and at the same time being a fund provider for the financial market. (Pîntea, 2011)

The field of insurance has several specific indicators, such as the volume of gross commissions subscribed, which best characterises a certain insurance market. (Văduva, 2010)

The evolution of the gross commissions subscribed for general and life insurance is presented in table no. 1.

Table no. 1. *Evolution of the gross commissions subscribed from 2008 until 2012*

Year	Gross commissions subscribed (lei)	Nominal increase compared to the previous year (%)	Inflation ratio (%)	Real increase compared to the previous year (%)
2008	8,936,286,505	-	6.3	-
2009	8,869,746,957	-0.74	4.74	-5.23
2010	8,305,402,152	-6.36	7.96	-13.26
2011	7,822,309,952	-5.82	5.8	-10.98
2012	8,256,914,950	5.56	4.95	0.58

Source: www.csa-isc.ro

The beginning of the financial crisis that affected the entire financial sector occurred in the third trimester of 2008. Romanian insurance depends on consumption, which significantly decreased in 2009, leading to a drop in the volume of gross commissions subscribed, in strong contrast with the previous years, when increases of 25-30% were recorded. The value of the gross commissions subscribed in 2009 reached the value of 8,869,746,957 lei, lower by 66,539,548 lei comparatively to 2008, which translates into a real drop of 5.23%. In 2010, the real decrease was 13.26% in relation to the previous year and in 2011, the drop was 10.98% in relation to 2010. In 2012 we could notice a slight come-back, with a real increase recorded of 0.58% in relation to 2011.

Table no. 2 presents the structure of these commissions according to the types of insurance: general and life.

Table no. 2 *Gross income subscribed for life insurance and general insurance*

Gross commissions subscribed	2008		2009		2010		2011		2012	
	lei	%	lei	%	lei	%	lei	%	lei	%
General insurance	1,868,112,985	20.9	1,628,162,635	18.36	1,665,668,554	20.06	1,738,366,854	22.22	1,802,519,132	21.83
Life insurance	7,068,173,520	79.1	7,241,584,322	81.64	6,639,733,598	79.94	6,083,943,098	77.78	6,454,395,818	78.17
Total	8,936,286,505	100	8,869,746,957	100	8,305,402,152	100	7,822,309,952	100	8,256,914,950	100

Source: www.insuranceprofile.ro

From the above table, we can notice that the volume of gross commissions subscribed from general insurance is higher than that for life insurance. We can see that the raise rhythm of the gross commissions subscribed from life insurance is faster than that for general insurance, an evolution due to the penetration on the life insurance market of foreign companies, to the diversification of insurance products according to the demand, to authorising certain companies to perform activities using the optional pension funds as well, and to the use of modern distribution channels.

As a consequence, the weight of life insurance in general, from the perspective of gross commissions subscribed, was 21.83 % in 2012, and that of general insurance was 78.17% of the total, while in 2008 these weights were 20.9% and respectively 79.1%.

The gross commissions subscribed are the best indicator that can be used to evaluate the dynamics of the entire insurance sector, as well as the tendencies that exist in economy as a whole. Therefore, as incomes increase, the population is more willing to allocate some of its revenues for purchasing goods and services that are not absolutely necessary, such as insurance policies. Besides risk protection, insurance may also offer the possibility to save and use cash, which improves their attractiveness.

The insurance market is also characterised by the indicators presented in table no. 3.

Table no. 3. *The dynamics of the indicators between 2008-2012*

Indicators	Year				
	2008	2009	2010	2011	2012
Degree of penetration of insurance (%)	1.77	1.80	1.62	1.35	1.40
Insurance density (lei/inhabitant)	415.62	413.27	387.85	410.77	387.35

Source: www.csa-isc.ro

The degree of penetration of insurance has had a slow evolution during the last five years, following the evolution of the GDP. This indicator was 1.77 % in 2007 and 2008, in 2009 it went up to 1.8 % and then, in the next two years, dropped to 1.62 % in 2010, respectively 1.35%, in 2011, and in 2012 it increased again, reaching a value of 1.4%.

Another indicator specific to the insurance sector is the density of insurances, or insurance commissions per capita, which in 2007 was 332.4 lei/inhabitant. In the following two years, this indicator went up to 415.62 lei/inhabitant in 2008 and 413.27 lei/inhabitant in 2009. However, this increase does not show at all the rising interest for insurance, but rather an increase in the value of the insured goods, of insurance fees and of the number of vehicles insured through the compulsory civil responsibility insurances.

In 2010, the density of insurance dropped to 387.85 lei/inhabitant but in 2011 it went up again, by 22.92 lei/inhabitant, in relation to 2010. This evolution of the indicator is due first of all to the decrease in the number of inhabitants taken into account after the census and less to the rise in the volume of insurance commissions. In 2012, the density dropped to 387.35 lei/inhabitant.

The evolution of these indicators is a mirror of the evolution of the entire Romanian economy for the analysed period, although fluctuations occurred from one year to another that were not in line with the trend, and as a general tendency, the insurance field has dropped in the last five years.

Insurances represent an important sector from the perspective of the jobs they create as well, and as the number of persons employed in insurance increases, so does the productivity of their work. The number of persons employed in the field of insurance is presented in table no. 4.

Table no. 4. *Number of persons employed in insurance for the period 2008-2012*

Year	Number of persons employed in insurance	Weight in the total employed population (%)
2008	17573	0.34
2009	20512	0.42
2010	19058	0.31
2011	15243	0.25
2012	11837	0.19

Source: www.csa-isc.ro

According to the data from insurance companies, on 12.31.2008, 17,573 persons were hired in insurance 679 persons less than in 2007. This was caused by the measures taken by the companies in the context of the financial crisis, in order to render their activity more effective.

In the following year, although the economic conditions did not improve, insurance companies invested in human capital, which generated an increase by 2,939 persons, up to 20,512. This increase was due, first of all, to the entrance on the market of new insurance companies. On December 31, 2010, the number of persons employed in the

field of insurance was 19,058, 1,454 people less than in 2009. This drop was caused by staff restructuring.

In 2011, the number of persons employed in the sector of insurance was 15,243, meaning a weight of 0.25% of the total persons employed. In 2012, the dropping tendency in the number of persons employed in the field of insurance was preserved, thus reaching a value of 11,837 persons and a weight of 0.19% in the total persons employed in economy.

The number of insurance contracts has been marked by a permanent raise since 2008 until 2012, according to the data presented in table no. 5.

In the last five years, the weight of insurance contracts had an opposite evolution for the two insurance categories, respectively general insurance and life insurance. Thus, the number of life insurance contracts faced a generalised drop, from 6,770,459 contracts in 2008 to 3,551,828 contracts in 2012, which can be explained by the evolution of economy as a whole. The purchasing power of the population dropped significantly during this period, which lead to a renunciation of some goods and services that were not really necessary, a category that includes life insurance.

Table no. 5. *Number of insurance contracts in force, reported by insurance companies in the period 2008-2012*

Year	No. general insurance contracts	Percentage of total contracts (%)	No. life insurance contracts	Percentage of total contracts (%)
2008	8,045,657	54.3	6,770,459	45.7
2009	8,575,377	52.58	7,732,945	47.42
2010	8,643,191	66.47	4,360,662	33.53
2011	11,763,592	76.58	3,597,888	23.42
2012	11,827,799	76.91	3,551,828	23.09

Source: www.csa-isc.ro

On the other hand, in the case of general insurance, the number of contracts remained almost constant, with an insignificant increase for the period, as a tendency. 2011 however witnessed a significant increase in the number of general insurance contracts, which can be explained by the introduction of compulsory house insurance. Thus, in 2011 the number of contracts increased by 3,120,401 compared to 2010.

The Romanian insurance market includes the activity of 41 insurance companies at the end of 2012, of which:

- 22 performed their activity only in general insurance;
- 11 performed life insurance activities;
- 8 closed both types of insurance.

The social capital of insurance companies went up from 2,879,242,354 lei in 2008 to 4,038,239,446 in 2011, and in 2012 it dropped to 2,985,886,114 lei. This evolution was due to the penetration on the market of new insurance companies, as well as to the fact that foreign investors took over some action packages in already existing companies. The social capital drop in 2012 can be explained by the movements that occurred on the insurance market, in other words, by the mergers that took place, respectively the merger between BCR Vienna Insurance and Omniasig, as well as by the end of the activity of Cardif Asigurări S.A.. In 2012, the foreign investors owned 78.08% of the social capital of insurance companies, while Romanian capital was 21.92%.

Table no. 6 presents the most important countries of origin of the foreign capital, according to their weight.

Table no. 6. *Country structure of the participation to the social capital of insurance companies in Romania, in 2012*

No.	Country	Owned quota (%)
1	Austria	28.45
2	France	14.72
3	Holland	9.42
4	The Czech Rep.	5.09
5	Bulgaria	3.68
6	Germany	3.67
7	Italy	3.42
8	Greece	2.91
9	USA	2.64
10	Cyprus	1.41
11	Luxemburg	1.11
12	Switzerland	0.78
13	Moldova	0.33
14	Great Britain	0.31
15	Israel	0.14

Source: www.csa-isc.ro

From the point of view of the degree of concentration of the gross commissions subscribed, the Romanian market has a high degree of concentration for the first 15 insurance companies, which in 2012 subscribed approximately 91.95% of the volume of gross commissions subscribed, compared to 92.59% in 2008. Although no company exceeds the market quota of 20%, in the last five years in general, the market is strongly concentrated – as shown by the analysis in table no. 7.

Table no. 7. Gross commissions subscribed by the first 15 insurance companies, for the period 2008-2012

No.	Company	PBS total 2008-2012		2008		2009		2010		2011		2012	
		mil Eur	%	GCS	Market quota %	GCS	Market quota %	GCS	Market quota %	GCS	Market quota %	GCS	Market quota %
1	Omniasig Vig	1,738.39	16.89	471.96	19.38	398.95	19.01	353.16	17.73	283.77	15.22	230.55	12.11
2	Allianz -Triac	1,338.37	13.00	378.36	15.53	303.47	14.46	242.47	12.17	212.05	11.37	202.02	10.61
3	Astra Asigurari	1,116.73	10.85	176.48	7.24	191.03	9.10	257.30	12.92	237.98	12.76	253.94	13.34
4	Groupama Asigurari	984.61	9.56	249.03	10.22	202.15	9.63	185.18	9.30	167.13	8.96	181.12	9.51
5	Generali Romania	780.67	7.58	210.09	8.62	196.89	9.38	156.06	7.83	120.68	6.47	96.95	5.09
6	Asirom Vig	764.27	7.42	203.70	8.36	152.43	7.26	126.10	6.33	148.19	7.95	133.85	7.03
7	ING Asigurari de viata	687.95	6.68	181.45	7.45	124.39	5.93	129.08	6.48	130.83	7.02	122.20	6.42
8	Unica Asigurari	561.39	5.45	137.69	5.65	117.22	5.59	102.71	5.16	90.46	4.85	113.31	5.95
9	Metropolitan Life	371.73	3.61	106.92	4.39	69.59	3.32	69.82	3.51	66.20	3.55	59.20	3.11
10	BCR Asigurari de Viata VIG	353.45	3.43	43.49	1.79	60.21	2.87	73.01	3.67	81.32	4.36	95.42	5.01
11	Euroins Romania	349.58	3.40	38.78	1.59	66.35	3.16	71.50	3.59	71.35	3.83	101.60	5.34
12	Carpatica Asig	254.51	2.47	24.63	1.01	46.45	2.21	69.36	3.48	47.16	2.53	66.91	3.51
13	City Insurance	130.52	1.27	2.46	0.10	6.72	0.32	14.99	0.75	47.15	2.53	59.20	3.11
14	Garanta Asigurari	124.57	1.21	30.25	1.24	31.80	1.52	23.03	1.16	19.19	1.03	20.30	1.07
15	BRD Asigurari de Viata	28.73	0.28					4.37	0.22	10.45	0.56	13.91	0.73
	Total Market	10,295.28	93.11	2,435.90	92.59	2,098.60	93.76	1,991.93	94.29	1,865.00	92.97	1,903.80	91.95

Sursa: www.primm.ro

CONCLUSIONS

The insurance market in Romania is still under development, and although the financial crisis has had a strong impact in this field, 2012 brought a slight revival, which was also stressed by the increase in the volume of gross commissions subscribed and in the number of insurance contracts. The number of persons employed in this activity sector has constantly dropped since 2009, representing in 2012 0.19% of the total employed population. Also, the Romanian insurance market is highly concentrated, with the first 15 companies cumulating 91.95% of the market in 2012.

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