CURRENT COORDINATES OF THE ROMANIAN INSURANCE MARKET

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Although the insurance activity is well known to the Romanian market ever since the 14th century, when insurance was all about mutual help, this activity evolved rapidly in the period before the First World War and in the period between the World Wars, and it manifested itself as the entrance on the market of insurance companies representatives from countries as Austria, Italy, Great Britain. facultative insurance.

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In 1989 the change in the political system came about with significant changes in the insurance industry. Certain types of insurance which previously were compulsory became facultative.
From the point of view of the insurance market's offer, the year 1989 meant also the end of state monopoly, ADAS seized its activity and its portfolio was taken over by three companies that later on were privatized – Asigurarea Romaneasca SA, Astra SA, and Carom SA.
The beginning of "the new era" for the Romanian market represents the year 2000 when the law concerning the supervision of the insurance market was implemented, and the Insurance Supervisory Commission was set up; better improvements have been registered. Since then, the Romanian insurance market recorded a constant growth, as we can see in the following table:

Table 1
Insurance market ratios

		2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Number of insurers		70	47	45	40	40	39	41	42
Volume of subscribed premiums	Mil USD	311	344	500	610	1051	1508	1970	2630
Penetration degree	% GDP	0,85	0,87	1,09	1,06	1,44	1,55	1,67	1,84
Insurance weight	USD/capita	13,85	15,38	22,95	37,51	47,01	68,4	91,27	122,3

Source: Badea D. G., Novac L. E., "Romanian Insurance Market Facing Globalization Process", Theoretical and Applied Economics., 2008, vol. 9(526), p.62

In 2006, the total volume of insurance premiums reached 1.62 billion Euros, a nominal increase of 23.68% compared to 2005, when the volume of premiums recorded 1.21 billion Euros, being the second year in which the threshold of 1 billion Euros was exceeded.
In 2007, 42 insurance companies centralized a total volume of gross written premiums of 2.15 billion Euros with a nominal increase of 25.07% compared to the level of 2006. As structure, 79.9% of the total premiums was generated by the general insurance (an increase of 24.73% in the volume of premiums subscribed compared to 2006), whereas the life insurance brought about

only 20.1% (a more accentuated increase – related to the increase in the general insurance – of 26.46% compared to 2006).
At the level of European Union, the Romanian insurance market had in 2007 the fastest growth in the entire Europe, overcoming other significant markets in the region, such as Poland. With a growth rate of 33% in Euros, the local insurance market had the greatest dynamics among the 33 member states of CEA – Comite Europeen des Assurances.
In the last 15 years, the insurance market increased 30 times in terms of gross insurance premiums subscribed and even though the motor insurance continue to have a significant weight, it can be noticed an accelerated increase of other property insurance, credit insurance and health insurance[323].
In 2009, there were 43 insurance companies on the market. Of these, 19 companies ran non–life insurance, 12 ran life assurance and another 12 had a composite structure of their business: life & non-life.
As we are still crossing the global economic crisis, CEIOPS analyses show that the insurance market in European Union has not proved to be a source of systemic risk for the financial sector, still the global crisis affect it by diminishing the written premiums or decreasing the value of the investments on the financial or capital market.
The analysis of data submitted by insurance companies for 2009, show that written premiums to the level of the insurance market in Romania (non-life and life) were at a slightly lower level than the one in 2008, of 1.1%, an increase of 2.03% for non-life insurance and a decrease of 13% on life insurance.

1.Gross written premiums (GWP)
The total volume of gross written premiums in 2009 of nonlife insurance and life assurance was 8.837,01 million lei, dropping from 99,42 million lei, compared to the same period
last year.

1.1. GWP for non-life insurance
GWP volume of insurance in 2009 was of 7.211,68 million lei, representing 81.60% of total GWP for the two categories of insurance.
Compared with 2008, the premiums for non-life insurance recorded a nominal increase of 2.03% and the growth was of 143,51 million lei.
While gross written premiums for (Casco), recorded a drop of 231,02 million lei, the motor third party liability insurance (MTPL) registered a growth of 392,65 million lei.
In 2009, auto Insurance related to the insurance of land vehicles other than railway rolling stocks (Casco) and MTPL hold a significant share in the total amount of GWP (77.13%), although they recorded a growth rate reduction of 6.49% from the previous year.
Higher rates of growth, recorded the following two classes, whose premiums grew with amounts between 5 and 20 million lei: class XV – Surety ship insurance security guarantees (+158.59%), XII class - Liability insurance for ships (+93.67%).
Gross written premiums for insurance against financial loss registered a downward trend in 2009, dropping by 39.20% compared to 2008, leading to decrease the share of them in total non-life insurance GWP of up to 1.6 %.
This situation was due to a more expensive lending and reducing or stopping the granting of loans charged by credit institutions.

[323] Badea D. G., Novac L. E., "Romanian Insurance Market Facing Globalization Process", Theoretical and Applied Economics., 2008, vol. 9(526), p.65

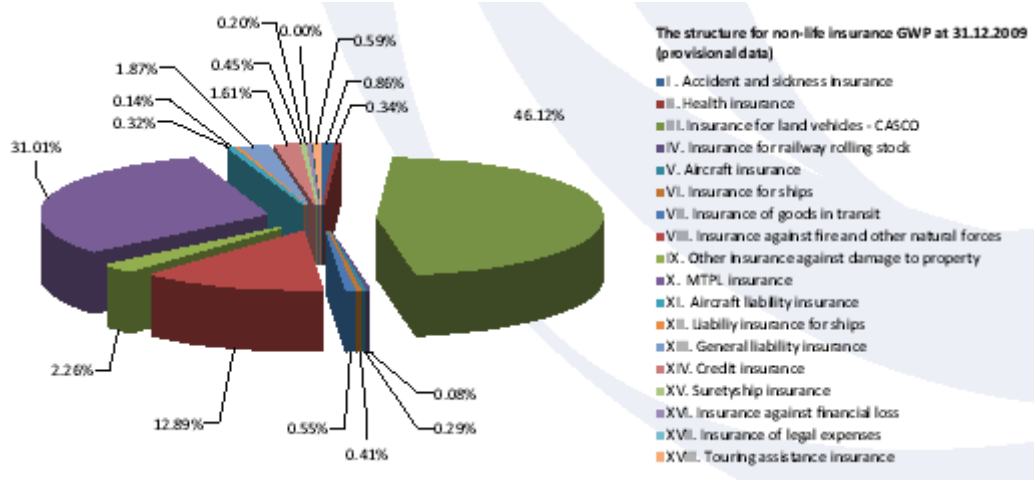

Figure 1: The structure for non-life insurance GWP at 31.12.2009, p.16
Source: Insurance Supervision Commission, Newsletter, no. 1/2010, p. 16

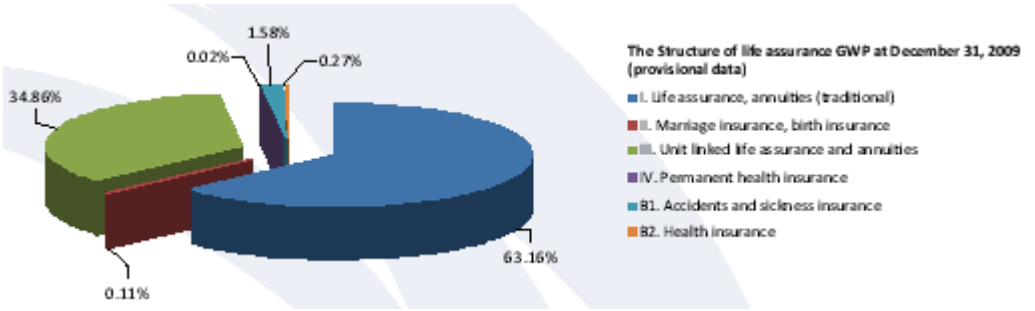

Figure 2: The structure of life insurance GWP at 31.12.2009
Source: Insurance Supervision Commission, Newsletter, no. 1/2010, p. 16

I.2. GWP for life assurance

The total volume of GWP in 2009, for life assurance amounted to 1625,32 million lei in 2009, representing 18.38% of the total volume of gross written premiums. GWP for life assurance were of 242,79 million lei (13%) lower than in 2008[324].

This situation was generated by the negative trend of the traditional life assurance products assigned to Class I life assurance, representing 63.15% of total written premiums for life assurance, mainly due to the significant decrease in purchasing power of the population.

In terms of class structure, class I – traditional life assurance and class III – annuities related to investment funds hold together a share of 98.01% of total amount of GWP.

However the premiums related to class I decreased with 21.92% in 2009, in comparison with the previous year, in absolute terms with 288,41 million lei, while the premiums for the class III (unit linked) recorded a nominal growth of 8.9 % (with 44,80 million RON), compared to 2008.

In comparison with the previous year, accidents and sickness life insurance registered a growth of 14.42%, while permanent health insurance (class IV) registered a growth of 7.54%, although the two classes represent only up to 1, 5%, of total amount of GWP of life assurance.

[324] Insurance Supervision Commission, Newsletter, no. 1/2010, p.17

2. Gross paid indemnities (GPI)

The volume of gross paid indemnities for the two categories of insurance was of 5861, 63 million lei, an increase of 26.36% compared to the year 2008.

3. Gross technical reserves

Of the provisional data provided by insurers, we can notice that on 31.12.2009 insurers had gross technical reserves for non-life worth 6900,42 million lei, up 7.6% compared with 31.12. 2008.

For life insurance, on 31.12.2009 insurers had gross technical reserves set up in the amount of 3.889,48 million lei, (+13.60%) of the value recorded at the end of the previous year.

4. Conclusions

If the economy is returning to growth in 2010, the insurance market could begin, in the second half of this year, to experiment a slight increase, so that, in December, the gap recorded in 2009 to be recovered.

But if the pessimistic scenario, in which we will see a sharp decline in macroeconomic indicators, will occur, the insurance market would end 2010 at a similar level of gross written premiums as the one registered at the end of the last year.

Insurance industry is directly connected to the development of the main economic branches and is also depending on consumption, which last year saw a slump.

Insurance Supervisory Commission analysis shows, however, that this market could end 2010 on an addition of at least 5%, given that the need for protection began to be increasingly conscious of potential consumers.

What meant year 2009 for the insurance market, both for the companies and the Insurance Supervisory Commission? Rapid reactions, strategy changes, a more prudent risk management, significant infusions of capital, changes to some regulations, in order to enhance the protection of the policyholders, the introduction of new procedures, such as the "Bonus–Malus" system.

Unfortunately, the insurance market in Romania continues to be dependent on MTPL and CASCO segment, given that it generates over 60% of the gross written premiums for non-life insurance market.

Meanwhile, in Romania, life insurance segment, the one that makes the rule of the industry on the full grown markets, is still feeble. Moreover, in 2009, life insurance proved to be the most exposed to the crisis.

The wave of redemptions and termination of contracts, started towards the end of 2008, still it was tempered in the latest quarter of the last year.

Since 2007, the local insurance companies apply the Solvency I while preparing for Solvency II. Together with the accounting standards IFRS, Solvency II is going to dramatically reshape insurance and reinsurance industry in Romania, to boost competitiveness and professionalism.

When it is to be implemented, Solvency II will lead to a change in the way the supervisors are working. Insurers and reinsurers are going be evaluated according to the existing risks in their portfolios, their assets and liabilities being quantified by economic principles. The implementation of Solvency II will mainly increase the consumers' confidence in insurance products, as the solvency model enables early detection of possible shortcomings and to further adapt the risk management process. It is of a high importance that policyholders believe that the insurers are willing to accomplish their commitments. Insurance companies, under the careful supervision of the Insurance Supervisory Commission, are responsible for generating and maintaining that trust.

The continuous improvement of the insurance premiums, the insurance density and the insurance penetration rate (annual amount of Euros paid on average by an inhabitant) support the importance of this sector of activity in the total economy of Romania.

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