KNOW-HOW PRESENT STATUS OF INSURANCES DOMAIN FROM THE PERSPECTIVE OF MANAGERIAL ACCOUNTING

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Abstract: *The aim of this paper is to highlight the field of insurances, whereas the author will present certain important aspects regarding their importance, in order to achieve a more efficient management accounting. Insurances represent an essential element of the market economy mechanism, which contributes to the country's economic development and to the improvement of the external economic affairs. Every human being acknowledges the need to protect and to purchase insurances, as an individual and optional act, mainly determined by objective factors- economic, financial, social, family and educational factors- as well as subjective factors- their previous experiences, considering the advantages and the protection offered by the insurances. In the present days, it is noteworthy that the insurances- depending on the economic life, the real estate and the movable assets, the international trade, the continuous assets flaw, values and people- have registered an obvious tendency of augmentation, a fact which has positively influenced the evolution of reinsurances. The aim of the management accounting is to measure the performance: the money, the payment and return as cash payment time. Management accounting holds the key to one problem, and that is the future. It is said that, if through financial accounting we are informed about the past and what has happened, managerial accounting deals with the future and with what it is going to happen. The field of insurances is vast, where management accounting makes its presence sensed, where it aims to obtain a clear evidence for the future on the insurances' route.*

Keywords: *insurances; market; management accounting.*

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1. Introduction

The year 2015 and the first quarter of 2016 marked positive evolution on the non-banking financial markets in Romania, against the backdrop of economic progress that surpasses the European Union average.
During the first six months of 2016 European economy increased by 1.8% annually, while Romanian economic growth was of 5%, ahead of the other countries in the European Union.
The favourable economic context did not translate into the financial markets, which were characterized by increasing volatility on international level, especially in January and February 2016, when the evolution of the Chinese financial markets

influenced the international stock markets, as well as in June due to uncertainty regarding the United Kingdom's exit from the European Union.

2. The Insurance Market in the European Context

The European economic context continued to improve throughout 2017 with a positive impact on the insurance market in Europe. There was some improvement in the case of consumers' expectations regarding the economic progress, as well. In the fourth quarter of 2017 the index of consumer climate, calculated by GFK, for the 28 member states of EU, reached its highest level of the last 10 years.
According to GFK, in 2018 there might be a rise in household consumption in the European Union due to the increase in the consumers' trust in a positive evolution of the European economy, alongside their expectations regarding potential pay rises. Turning the expectations linked to economic rise into reality may lead to continuing positive evolution of the insurance market on a European level.
Nevertheless, there is still a series of challenges related to the European insurance sector. According to the report on financial stability published by EIOPA, the economic environment characterized by low yields has led to the continuation of the 'search for yield" phenomenon. In this context, EIOPA has remarked on the materializing of a tendency of insurance companies to increasingly invest in assets that involve higher returns, but greater risks as well, such as infrastructure, mortgages or real estate.
In order to achieve a comparative study of the Romanian insurance market versus other European markets, a number of indicators showing the level of market development have been analysed.
The insurance penetration rate in the GDP is an indicator that is calculated as the ratio between the volume of gross premiums and the gross domestic product of the country under study.
The density of insurance is calculated as the ratio between the volume of gross premiums and the number of inhabitants, which states how much the inhabitant of a country spends on insurance products on average.

Pic. 1. The insurance penetration rate in the GDP (%) between 2012 and 2016

Country	2012	2013	2014	2015	2016
Austria	5,1	5,1	5,1	5,0	4,8
Czech Republic	3,7	3,8	3,6	3,2	3,0
France	8,6	8,8	9,2	9,4	11,0
Germany	6,6	6,7	6,5	6,3	6,2
Hungary	2,6	2,6	2,5	2,4	2,5
Poland	3,8	3,5	3,2	3,0	2,9
Romania	**1,38**	**1,25**	**1,17**	**1,20**	**1,23**

Source: own data-processing (INSSE)

The Romanian insurance penetration rate in the GDP was of 1.23% in 2016, while developed countries such as Germany or France recorded values of the same indicator of 6.2% and 11% respectively.
The density of insurance also indicates lower levels for Romania as compared to other countries under study. By reporting the density of insurance to the average gross income, Romania's percentage is of 1.5%, while countries like Hungary and

Poland record values of 2.8-2.9%. These differences are due to the maturity of the market and show that the Romanian insurance market has significant potential for development, which can be quantified by continual market incentives, building consumers' trust and financial education. The continuation of measures, doubled by increasing income can bring improvement of the insurance market indicators in Romania.

Pic. 2. The density of insurance (EUR)between 2012-2016

Country	2012	2013	2014	2015	2016
Austria	2.015	2.037	2.080	2.088	2.024
Czech Republic	593	585	558	538	522
France	2.949	3.047	3.218	3.326	3.954
Germany	2.338	2.436	2.452	2.432	2.433
Hungary	273	280	282	281	298
Poland	405	372	355	349	339
Romania	**95**	**94**	**92**	**101**	**110**

Source: own data-processing (INSSE)

Pic. 3. The ratio of the density of insurance in the average gross income

Country	2012	2013	2014	2015	2016
Austria	4,95 %	4,86 %	4,86 %	4,75 %	4,56 %
Czech Republic	4,96 %	5,09 %	4,93 %	4,61 %	4,28 %
France	8,13 %	8, 27 %	8,64 %	8,84 %	10,39 %
Germany	5,28 %	5,45 %	5,36 %	5,20 %	5,09 %
Hungary	2,87 %	2,85 %	2,90 %	2,75 %	2,76 %
Poland	4,35 %	3,77 %	3,51 %	2,96 %	2,85 %
Romania	**1,69 %**	**1,61 %**	**1,47 %**	**1,48 %**	**1,48 %**

Source: own data-processing (INSSE)

Although the volume of gross premiums in 2017 in Romania rose, the insurance penetration rate in the GDP dropped to 1.13% last year. The decrease in the penetration rate is due to the GDP increase, which was faster than the rise in volume of gross premiums.

3. The Romanian Insurance Market

In 2017 the Romanian insurance market continued to follow an increasing trend and the authorized insurance companies governed by the rules of ASF underwrote gross premiums in the amount of 9.7 billion lei, 3.5% more than the previous year.
One change to the previous years' trends is the strengthening of the life insurance segment, which showed significant increase, of 21%, in 2017 compared to the previous year. While between 2012 and 2014 life insurance was on the decrease concerning the volume of gross premiums, starting with 2015 it resumed growth and the 2017 rise of the insurance sector was due to the life insurance segment.
Out of the total gross premiums underwritten by authorized insurance companies governed by the rules of ASF in 2017 (9.7 billion lei), the gross premiums underwritten in other countries reached a volume of approximately 98 million lei, 21% less than the previous year (123 million lei).

Car insurance, including class A3 (land vehicles, other than railway rolling stock) and class A10 (motor liability insurance) make up around 74% of the total gross premiums in non-life insurance and 59% of the total gross premiums underwritten by insurance companies in 2017.
The underwriting related to class A3 rose by 8% in 2017 compared to the previous year, whereas class A10 underwriting dropped by 8% in 2017 in comparison to the same period of the previous year.
The significant increase of underwriting in life insurance was mainly due to the classes of insurance "C3 Life insurance and annuity linked to investment funds" (17% increase) and "C1 Life insurance, annuities and supplemental life insurance" (24% increase).
In 2017 insurance companies authorized in other EU member states underwrote gross premiums totalling approximately 755.6 million lei in Romania through subsidiaries, under the right of establishment, 12% more than the same period of the previous year.
The actual insurance, in its simplest, classic form, which is also the most frequently encountered, lies in the financial protection against losses caused by a wide and manifold range of risks. (Bistriceanu, Bercea & Macovei, 2014).
The insurance is based on an agreement (contract) concluded between the insurer and the insured person, by which the insurance provider offers the insured person protection against the risks the latter has taken, being obliged to cover the exchange value for the damages (namely the assured amount for life insurances) if such events should occur, in return for an amount of money, known as " insurance premium", which the insured person has to pay. By paying the insurer the insurance premium, which is calculated by applying a small percentage to the insurable interest, the insured person receives in return the compensation deposit for the possible future loss for any of the risks included in the insurance terms. Thus the risk protection represents a specific merchandise (a service rendered), which is sold and bought like any other goods on a specific market, known as "the insurance market", part of the financial services market. In literature there are various approaches and means of expression which, in fact, denote the same thing. Some people believe that insurances may be regarded from several perspectives, and this is the reason why there are multiple definitions, some of which we shall present hereunder.
John Downes and Jordan Elliot Goodman, in "Dictionary of Finance and Investment Terms", define insurance as being "the system through which the natural and legal persons, being aware of the possible risks, pay insurance premiums to an insurance company which reimburses the respective sums in the case of damage. The insurer takes advantage by investing the premiums they receive... In a broader sense, the insurance transfers the risk from one person to a group that may pay for the damages more easily."
Some studies even consider that the insurance might be defined from two points of view, namely:

1. As a person (natural or legal) in the capacity of insured entity, the insurance might be regarded as a grant for a loss, given that, obviously, the funds will be available in order to cover the financial consequences of the risk occurrence. Its aim is to ensure the activity continuity and the survival of the insured person's business in the event of the loss.
2. As a means by which the risks for two or more persons or firms are combined through present or promised contributions to a fund that will be used to pay

compensations for the damages suffered by some of them. Due to the fact that the insurance is based on the risk transfer from one individual to a group, the other individuals will contribute with small sums to the coverage of the prejudice.

From the insurer's point of view, the insurance appears as a means of retention and combination. The insurance appears as a means of transfer even of some risks among several insured persons, in a centralized manner, through a joint management of several pooling risks. Thus the insurer improves their ability of foreseeing potential losses.

Another definition is given by Yvonne Lambert Faivre who believes that "from the technical perspective, the insurance is the operation through which an insurer, organizing on the principle of mutuality a great number of insured persons exposed to certain risks, indemnifies those among them who go through a calamity on the basis of the common fund constituted by the cashed insurance money." D.S. Hansell defines insurance as "an instrument which offers financial compensation for the unfortunate events, the payments being made from the contributions of several parts that participate in this scheme".

This definition brings forward the existence of a fund comprising the contribution of all the insured persons (by means of the insurance premium) which will be used for covering the damages for those who suffer losses.

The insurance aims at countering the side effects of the risk. The risk is present everywhere all the time and, basically, any economic, political, social, cultural activity is threatened by the occurrence of certain events which lead to losses and, similarly, the lives of the individuals, their properties may be affected by accidents, earthquakes or other calamities. Obviously, some people might be menaced to a greater extent than the others by virtue of their activity, geographical location and other factors. From the insurance point of view, not any dangers people or goods are exposed to may be insured.

Hence, the insurance is based on an agreement between a natural or legal person in their capacity of insured entity and a legal person in the capacity of insurer, through which the insured person cedes the insurer a risk or a range of risks for which they get the insurer's protection. In exchange for this protection, the insured person pays the insurer a sum of money called insurance premium and, as a consequence, in the event of the insured risk(s) occurrence, the insurer will reimburse the insured person for the damages suffered. Thus, the insurance will materialize in a transaction whose object is buying/purchasing a certain service rendered, namely the protection against the possible future loss due to the occurrence of the agreed risks. The price of this protection is the insurance premium.

The insurance is based on the mutualism principle, according to which each insured person contributes with the insurance premiums to the insurance fund raising which will cover the equivalent amount of the damages suffered by the insured persons. Therefore, in exchange for a fairly small amount of money, the insured person will be guaranteed protection against risks, and the insurer manages this fund. The insurance aim is financial protection, namely restoring to the insured person the financial standing they had before the disaster occurrence, and not gaining a profit or the insured person's enrichment. Still, this fund may prove to be insufficient for covering the damages. That is why the insurers must increase the funds by investing these sums.

A very important aspect is that the money raised by the insurance companies through insurance premiums only belongs to them after the contract term has expired.

Meanwhile, the destination of these sums is related exclusively to the insured persons' interests until the end of the contract. Chiefly, when it comes to life insurances, but also to the other types of insurances, the money is entrusted by the insured persons to the insurers that are obliged to manage it in such a way as to permanently dispose of the necessary liquidity so that they should be able to face the payment obligations they have by means of the insurance contracts. So the insurer appears as a custodian of the insurance funds. In most countries, especially the ones with a mature and well-governed market, there are very strict legal provisions and prudential rules regarding the manner in which the available sums are invested (the type of permitted investments, the ratio between these and others) in order to avoid the insolvency or bankruptcy of the insurers. Therefore, the essence of insurance lies in the risk dispersion. The insured person transfers upon another person the peril of the financial loss caused by the occurrence of an event.
Defining the term of management accounting has to be done according to the following two aspects:

1. the previous interests in defining this "private section" of the accounting system;
2. its aims and the particularity of the accounting data processing.

The term of management accounting has set its meaning with difficulty, the specialists in accountancy using it with other meanings such as: management accounting or analytical accounting.
Management accounting is not an improper term, but it doesn't include the supreme outcome of the accounting data, its destination and the decisional document which serves the management of the economic entities.
The term of "analytical accounting" reflects the terms of the approach of this accounting section by detailing some structures of the financial statuses namely assets, debts, capital, revenues, expenses and outcomes which are processed and analyzed according to the management accounting perspective.
Thus, the management accounting can be defined as an assembly of procedures to identify, collect, quantify, analyze, report accounting data regarding the operations, activities, processes, works and services carried out by the economic entities in order to substantiate tactic and strategic decisions regarding the achievement of the aims set by the entities.
According to some specialists, the management accounting "is a large concept which involves knowledge and professional skills in preparing and especially presenting the required data on different hierarchical levels to the management".
The source for such data is the financial accounting and cost management accounting.
This very definition of management accounting leads to the wider sphere of management accounting. We can state that managers are able to base their decisions on using complex mix data which are both released at financial and cost accounting.(Topor Dan Ioan, The Accounting Background, Aeternitas Publishing House, Bucharest, 2016

4. The Aims of the Managing Accounting

The identity of the managing accounting within the accountancy system is achieved through a set of structural components which sets it as a subject as such within the large group of subjects specific to the business studies domain as: its primary aims, its study topic, methods and procedures applied within. (Sorin Briciu, Sorinel Capusneanu, Letitia Maria Rof, Dan Topor, Accountancy and Management Control. Tools for entity performance assessment, Aetermitas Publishing House, Alba Iulia, 2010).

The aims of the managing accounting are essential components which constitute an important argument from which arises the need to organize the economic entity.

The aims of the management accounting might be grouped as follows:

- the aims of analytical accounting of the accounting structures which arises after the operations and activities run by entities: assets, debts, capital, revenues, expenses and outcomes;
- efficiency aims regarding the calculation of certain partial and whole indicators regarding the profitability operation measurement and the activities of the entities such as their costs;
- forecast and control aims achieved through revenue and expenses budgets detailed at the entity level according to the level, ethnic-organizational structure, activity, product, work or services offered.

The aims of analytical situation for the financial structures situations are included into the application regulation of the policies and accounting options of acknowledgement and they include the following:

a) analytical structure insurance of the types of assets;
b) analytical structure insurance of the nominated and denominated capital standings;
c) analytical structure insurance of the debt standings generated by different financial forms (trade credit, bank loan, founding through capital market or through leasing operations);
d) analytical structure insurance of the expenses on the three activities (exploration, financial and extraordinary);
e) analytical structure insurance of the revenues on activities;
f) analytical structure insurance of the of the outcomes generated from the economic entities' activity.

The aim is to report the performances by calculating final and provisional, integral or partial performance indicators which can assess the financial-economic management of the entity.

The performances reported using integral final indicators are on one hand connected to concept of outcome of the exercise, and on the other hand the performances of the entity are reported by the cost category and can be developed with the following levels:

- Determining the financial-economic outcomes on functions of the entities and of their global profitability;
- Determining the financial-economic outcomes on activities of the entities and of their profitability;
- Defining financial economic outcomes according to the profit centres and the profit centre's rate of return;
- Defining the financial economic outcomes according to the types of products, works and services (PLS-uri) and profitability;
- Defining the products' costs, the works and services performed by the entity, and of the functional structures' costs and the entity's activities.

The performances reported through the intermediate key performance indicators of management rely upon some concepts, which highlight certain essential aspects of the entity’s economic management in the resources’ use and appropriation process, as well as for ensuring the self-financing or the financial balance. They also refer to the following indicators:

- the mark-up;
- the added value;
- the exercise’s production;
- the gross operating surplus;
- self-financing capacity;
- the management fund;
- the working capital;
- the working capital requirement;
- the net treasury.

Due to these aims, management accounting “pushes” the assistance limits of the management process beyond the framework of the operating surplus activity, on the entities’ financial activity field. (Briciu S., Management accounting. Theoretical and Practical Aspects, the Economic Publishing House, Bucharest 2006).

The forecasting and control aims take into account the drawing up/preparation of the income and expenses budget for the entity’s overall activity, as well as the preparation of the partial budgets according to the entity’s functions or activities, which are represented as follows:

- the general activity’s budget;
- the production activity’s budget;
- the treasury activity’s budget;
- the investment activity’s budget;
- the financing activity’s budget.

5. Conclusions

Management accounting should not be regarded as an aim, but as an important source which can supply information about the costs and decisive actions for the insuring of a society.

Consequently, in the economic informational system, the information about the costs have a major role. Considering this role, the management accounting has become an important problem for the society.

Irrespective of the costs’ calculation method, and in order to provide all the necessary information for the decision-making system, one should pay great attention to a more rational organisation of the collecting system, the data storage, processing and transmission to all decision-making levels.

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