

## **STRUCTURE AND TRENDS OF THE INSURANCE SECTOR IN ROMANIA**

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**ABSTRACT:** *The aim of the paper is to present the structure of the insurance sector from Romanian economy and the main trends in this sector in last years, based on the most important aspects such as share of foreign capital in this sector, gross written premiums, and indemnity payments, both from life and general insurance, density and penetration degree of the insurance activity, the results registered by the insurance companies.*

**KEY WORDS:** *insurance, trends, general insurance, life insurance, gross written premiums, indemnity payments.*

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

### **1. INTRODUCTION**

Insurance can be defined from several viewpoints of some disciplines including law, economics, actuarial science risk theory, history and even sociology. But a definition accepted after a careful study of the Commission on Insurance Terminology of the American Risk and Insurance Association is that "insurance is the pooling of fortuitous losses by transfer of such risks to insurers, who agree to indemnify insureds for such losses, to provide other pecuniary benefits on their occurrence, or to render services connected with the risk".

Insurance market is the place where the demand and supply of insurance meet. The demand for insurance comes from insurable natural and legal person willing to buy different types of insurance, while the supply is represented by certain specialized organizations that are authorized and capable from a financial point of view to carry on activities within this field (Badea, 2003).

The insurance sector in Romania remained concentrated, especially as regards general insurance (Preda & Monea, 2013). The insurance sector is based on a complex

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and dynamic activity of the insurance companies having an important role in the economic development of a country (Monea, 2013).

## 2. THE STRUCTURE OF THE ROMANIAN INSURANCE SECTOR

In Romanian insurance sector, according to the insurance law and regulations, it is operational the following structure of the insurance:

- General insurance;
- Life insurance;

General insurance comprises 18 different insurance classes. The structure by classes of general insurance is the following:

Class I	Accident and sickness insurance (including occupational accidents and diseases)
Class II	Health Care Insurance
Class III	Insurance for Land transportation means other than rail transport
Class IV	Railroad transport insurances
Class V	Air transport insurances
Class VI	Sea, lake and river transport insurances
Class VII	Goods in transit insurances, including transported goods, luggage and any other goods
Class VIII	Fire and other natural disasters insurance
Class IX	Property damage liability insurance
Class X	Civil liability insurance for motor vehicles (compulsory civil liability insurance for motor vehicles and green card)
Class XI	Civil liability for air transport
Class XII	Civil liability for sea, lake and river transport
Class XIII	General civil liability insurance
Class XIV	Credit insurances
Class XV	Collateral security insurance
Class XVI	Financial loses insurances
Class XVII	Legal protection insurances
Class XVIII	Insurances for assistance

Life insurance comprises 6 different insurance classes. The structure by classes of life insurance is the following:

Class A I	Life insurance, annuity and additional life insurance
Class A II	Marriage insurance, birth insurance
Class A III	Life insurance and annuities linked to investment funds
Class A IV	Permanent health insurance
Class B1	Insurance against accidents (including occupational accidents and diseases)
Class B2	Health insurance

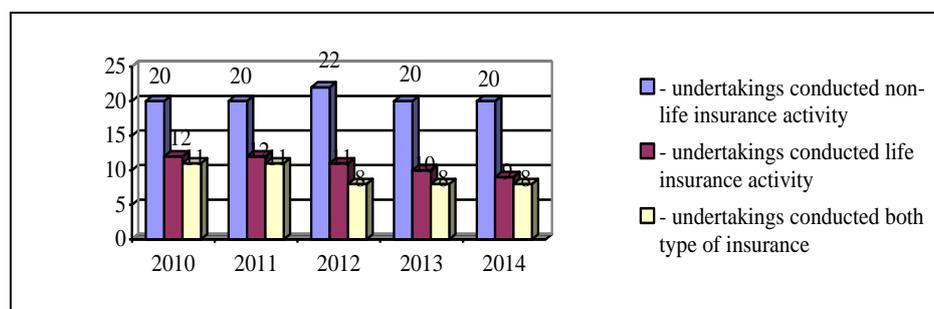
According to the statistical data provided by the Financial Supervisory Authority, in their annual reports, based on the annual financial statements submitted

by the insurance undertakings, the evolution of the number of insurance undertakings in last 5 years, and the evolution and structure of share capital in the same period is showed below (Table 1). As compared to the aggregate value at the end of 2013 of 3,466,278,606 lei, the share capital of insurance undertakings on 31.12.2014 recorded a growth by 139,469,389 lei, which means a nominal growth by 4.02%. (ASF, Annual Report, 2014).

**Table 1. Structure of insurance undertakings and share capital subscribed (lei)**

Specification	2010	2011	2012	2013	2014
Share capital subscribed (lei)	4175309300	4038239446	2985886114	3466278606	3605747995
Foreign capital share (%)	90.40%	91.22%	78.08%	83.21%	83.21%,
Number of insurance undertakings	43	43	41	38	37
- undertakings conducted non-life insurance activity	20	20	22	20	20
- undertakings conducted life insurance activity	12	12	11	10	9
- undertakings conducted both type of insurance	11	11	8	8	8

Source: based on data from Annual Reports of CSA 2010, 2011, 2012; Annual Report of ASF 2013,2014



Source: based on data from Annual Reports of CSA 2010, 2011, 2012; Annual Report of ASF 2013, 2014

**Figure 1. The evolution of the activity structure conducted by undertakings**

The participation to the share capital structured by countries, in 2014 is as following: Austria 36.82%; Romania 16.61%; France 12.94%; Ireland 9.36%; The Netherlands, 8.42%; Bulgaria 5.89%; Germany 3.29%; Greece 2.13%; Cyprus 1.17 %; Italy 1.07%; Great Britain 1.05%; Luxembourg 0.92%; Republic of Moldavia 0.31%; USA 0.0002%; Turkey 0.0001%.

### 3. TRENDS OF THE INSURANCE SECTOR

Based on data provided by the insurance undertakings, at the end of 2014, the gross written premiums, cumulated for the two insurance classes – general (non-life) and life were 8,085,676,884 lei, showing a decrease by 36,770,005 lei as compared to 2013.

**Table 2. Evolution of gross written premiums**

Year	Gross written premiums insurance sector (lei)	Gross written premiums from non-life insurance (lei)	Gross written premiums from life insurance (lei)
2010	8305402152	6639733598	1665668554
2011	7822309952	6083943098	1738366854
2012	8256914950	6454395818	1802519132
2013	8122446890	6488150451	1634296439
2014	8085676884	6448556518	1637120366

Source: based on data from Annual Reports of CSA 2010, 2011, 2012; Annual Report of ASF 2013,2014

**Table 3. Evolution of the gross written premiums structure (from life and non-life insurance)**

Year	2010	2011	2012	2013	2014
Non-life insurance (%)	79.94	77.78	78.17	79.88	79.75
Life insurance (%)	20.06	22.22	21.83	20.12	20.25

Source: based on data from Annual Reports of CSA 2010, 2011, 2012; Annual Report of ASF 2013,2014

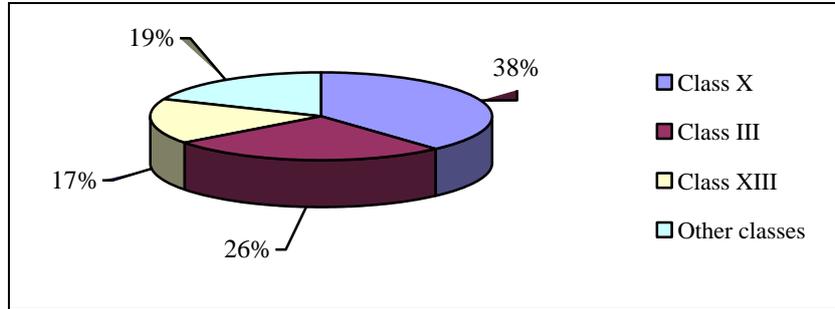
The total volume of gross written premiums (8.085.676884) structured by classes of insurance at the end of 2014, was as follows (ASF, Annual Report, 2014):

- 79.75% - gross written premiums (6,448,556,518 lei) from non-life insurance;
- 20.25% - gross written premiums (1.637.120.366) from life insurance;

The structure of the gross written premiums by geographic areas is the following. (ASF, Annual Report, 2014):

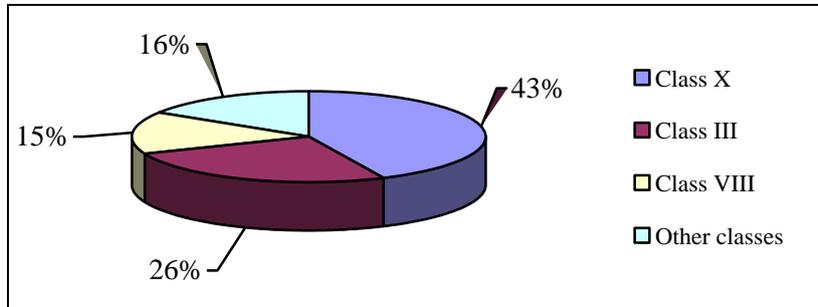
- Bucharest (including also Ilfov County), by 49.88% out of total;
- North-western area (Counties: Bihor, Bistrița–Năsăud, Cluj, Maramureș, Sălaj and Satu-Mare), by 8.95%;
- Central area (Alba, Brașov, Covasna, Harghita, Mureș, Sibiu), by 7.61%;
- South area (Argeș, Călărași, Dâmbovița, Giurgiu, Ialomița, Prahova, Teleorman), by 7.27%;
- South-eastern area (Brăila, Buzău, Constanța, Galați, Tulcea, Vrancea), by 7.12%;
- North-eastern area (Bacău, Botoșani, Iași, Neamț, Suceava, Vaslui), by 6.31%;
- West area (Arad, Caraș - Severin, Hunedoara, Timiș), by 5.14%;
- South-western area (Dolj, Gorj, Mehedinți, Olt, Vâlcea), by 4.32%.

Structure by classes of gross written premiums both from non-life insurance and life insurance is presented below in the last 2 years, but the same trend was registered in the previous years.



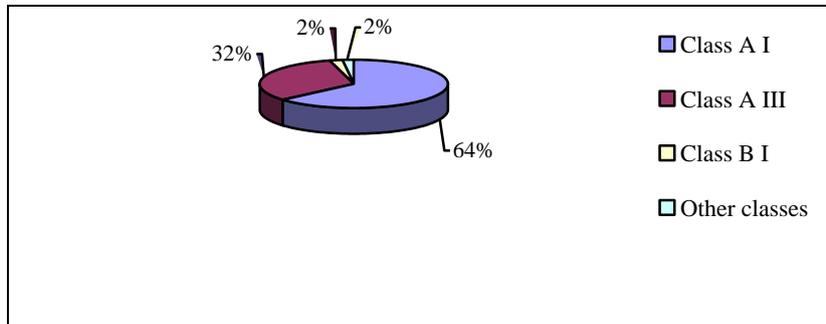
Source: ASF - Annual report 2013

Figure 2. Structure by classes of gross written premiums from non-life insurance in 2013



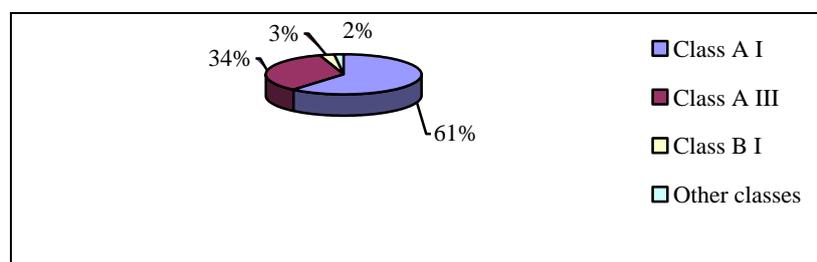
Source: ASF - Annual report 2014

Figure 3. Structure by classes of gross written premiums from general insurance in 2014



Source: ASF - Annual report 2013

Figure 4. Structure by classes of gross written premiums from life insurance in 2013



Source: ASF - Annual report 2014

**Figure 5. Structure by classes of gross written premiums from life insurance in 2014**

The insurance sector in Romania is dependent on the following classes which represented in 2014, 84% of the total gross written premiums from non-life insurance (Class X - Civil liability insurance for motor vehicles, Class III - Insurance for Land transportation, other than rail transport and Class VIII - Fire and other natural disasters insurance). The volume of the gross written premiums from Class X registered an increase from 38% in 2013 to 43% in 2014. The evolution of gross indemnity paid from total insurance sector and for each major category of insurance is presented in Table 4, also the structure of these indemnities shows the trends of each categories in total insurance sector.

**Table 4. Evolution of gross indemnity paid**

Year	Gross indemnity paid insurance sector (lei)	Gross indemnity paid from non-life insurance (lei)	Gross indemnity paid from life insurance (lei)
2010	5069483669	4797561000	271922669
2011	4483069265	4194672389	288396876
2012	4753573042	4453717618	299855424
2013	4545123441	4217170526	327952915
2014	4475790865	4036207152	439583713

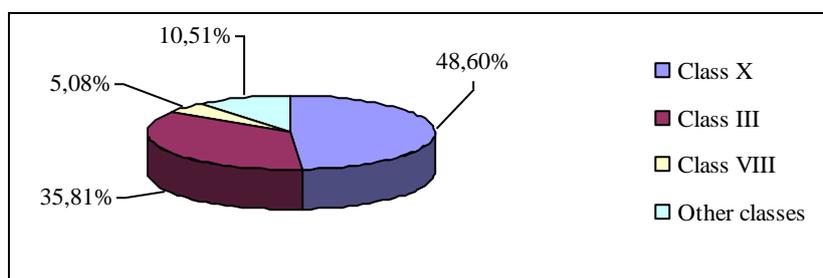
Source: based on data from Annual Reports of CSA 2010, 2011, 2012; Annual Report of ASF 2013,2014

**Table 5. Evolution of gross indemnity paid structure (from life and non-life insurance)**

Year	2010	2011	2012	2013	2014
Non-life insurance (%)	94.64	93.57	93.69	92.78	90.18
Life insurance (%)	5.36	6.43	6.31	7.22	9.82

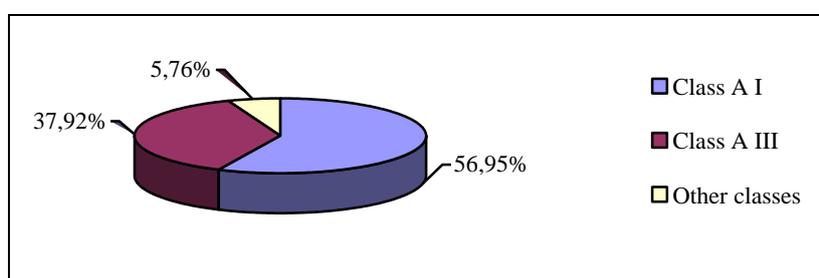
Source: based on data from Annual Reports of CSA 2010, 2011, 2012; Annual Report of ASF 2013,2014

In 2014 insurance undertakings paid a total volume of gross indemnities for both categories (non-life insurance and life insurance) of 4.475.790.865 lei, a downward trend of 1.53% as compared to 2013(ASF, Annual Report, 2014). The structure by classes was in 2014 as follows: the undertakings conducting the activity of non-life insurance paid gross indemnities of 4.036.207.152 lei; and - the undertakings conducting the activity life insurance paid gross indemnities of and maturities of 439.583.713 lei.



Source: ASF - Annual report 2014

**Figure 6. Structure by classes of gross indemnity paid from non-life insurance in 2014**



Source: ASF - Annual report 2014

**Figure 7. Structure by classes of gross indemnity paid from life insurance in 2014**

The following three classes of insurance, Class X- Civil liability insurance for motor vehicles, Class III- Insurance for Land transportation, other than rail transport, Class VIII- Fire and other natural disasters registered the most significant shares of gross indemnities paid by the insurance undertakings.

Specific indicators for the insurance sector are: insurance penetration degree and insurance density. *Insurance penetration degree* (share in GDP) is the ratio between gross written premiums from total business insurance (life and general) and Gross Domestic Product. *Insurance density* is the amount of insurance premiums per capita, and is determined as a ratio between gross written premiums and the number of resident population. The evolution of these specific indicators in last five years is presented in Table 4.

**Table 6. Insurance penetration degree and insurance density**

Year	Insurance penetration degree in GDP (%)	Insurance density (lei/per capita)	Resident population (thousand persons)
2010	1.62	368.85	20246.8
2011	1.40	388.25	20147.7
2012	1.41	410.87	20060.2
2013	1.29	405.87	19985.8
2014	1.21	399.65	19947.3

Source: based on data from Annual Reports of CSA 2010, 2011, 2012; Annual Report of ASF 2013,2014, Eurostat, NIS

The tendency to reduce insurances' penetration degree in Romania's economy has also continued in 2014, reaching the value of 1.21% of GDP. Romania records one of the lowest values of insurance density in the European Union. In 2014 the value of this indicator has dropped in Romania to 399,65 lei/per capita.

#### 4. CONCLUSIONS

Insurance sector measured by the value of gross written premiums and gross indemnity paid declined over the period between 2010 and 2014. The economical conditions from Romanian economy felt especially on the evolution of the life insurance premiums, because the population facing with the poor living standard, the rise of unemployment, and a decreasing confidence in insurance products.

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