

COMPARATIVE ANALYSIS AND THE PLACE OF ROMANIA ON INSURANCE GLOBAL MARKET

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ABSTRACT: *The paper is centered on some aspects regarding a comparative analysis of the global insurance market taking into account few specific indicators such as: gross written premiums, insurance density and insurance penetration degree. We analyzed the world insurance market per principal regions, before the beginning of the financial crisis and up to the present, showing the place of the Romanian insurance market related to the global market.*

KEY WORDS: *insurance, global insurance market, comparative analysis.*

JEL CLASSIFICATION: *G01, G14, G22.*

1. INTRODUCTION

International trade with insurance is “low compared to world expenses with insurance premiums and with international transactions in any other domain” (Ciurel, 2011). One might say however, that it increased lately, especially in countries with emergent economy, due to liberalization of trade in various regions of the world, penetration of foreign companies in national markets – as in the case of Central and Eastern Europe that became EU members, countries in Asia or Latin America, in parallel, fusions and acquisitions in the field made an impact on the insurance trade. The level of economic development of a country is the main factor of the size and dimension of an insurance market.

Life insurance determines a higher level of financial safety for the population, and even a possible reduction of expenditure with social protection and increase of sustainability of the social insurance system. The more rapid development of the life insurance market would lead to the development of the economy by a larger

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investment volume, by a more efficient allocation of the capital, by stimulating long term savings, but also a more rapid development of financial markets.

The aim of this paper is the result of the desire to highlight the true valences of this highly specialized field of the national economy, insurance business, a key factor of economic increase, together with banking system, because "without a stable banking system there is a serious risk of another Great Depression" (Welfens & Cillian, 2011)

Others „financial crises which have happened during the last two decades, from the October 1987 stock market shock, through the American Savings and Loans debacle, the Japanese banking collapse, East Asia's meltdown, Russia's bankruptcy, and the Swedish banking crisis, to the equity bubble of 2000" (Chorafas, 2009).

We analyzed the world insurance market per principal regions, before the beginning of the financial crisis and up to the present. The following indicators were used for the dimensioning of the market: premium volume, insurance density and insurance penetration. We also showed the place of the Romanian insurance market related to the global market.

2. THE ANALYSIS OF THE GLOBAL INSURANCE MARKET BY GROSS WRITTEN PREMIUMS

In table 1 and table 2 is presented top 10 world countries through gross written premium from total insurance business, from the beginning of the crisis (2008-2010) and post crisis (2011, 2012).

Table 1. Top 10 countries by gross premium written (total insurance business) between 2008 and 2010

Ran king	2008		Ran king	2009		Ran king	2010	
	Country	Millions of USD		Country	Millions of USD		Country	Millions of USD
1.	USA	1240643	1.	USA	1139746	1.	USA	1166142
2.	Japan	473197	2.	Japan	505956	2.	Japan	557439
3.	UK	450152	3.	UK	309241	3.	UK	310022
4.	France	273007	4.	France	283070	4.	France	280082
5.	Germany	243085	5.	Germany	238366	5.	Germany	239817
6.	China	140818	6.	Italy	169360	6.	China	214626
7.	Italy	140689	7.	China	163047	7.	Italy	174347
8.	Netherlands	112611	8.	Netherlands	108144	8.	Canada	115521
9.	Canada	105174	9.	Canada	98840	9.	South Korea	114422
10.	South Korea	97023	10.	South Korea	91963	10.	Netherlands	174347
49.	Romania	3523	49.	Romania	2898	50.	Romania	2632

Source: Annual Reports Swiss Re: Swiss Re, Sigma Nr.3/2009, Swiss Re, Sigma Nr. 2/2010, Swiss Re, Sigma Nr. 2/2011

In this ranking by gross written premium from total insurance business, the firsts 10 ranks are identically in the period analyzed, and also it is point the rank of Romania situated on 49 rank by gross premium written and those ratio represent only 0.06% from world insurance business.

In the period considered post crisis, 2011-2012 in this top of first 10 countries, only USA, Japan and UK kept their rank of top 3, and we observed that Romania lost about 5 places in the rank.

Table 2. Top 10 countries by gross premium written (total insurance business) in the period post crisis 2011-2012

Ranking	2011		Ranking	2012	
	Country	Millions of USD		Country	Millions of USD
1	USA	1204677	1	USA	1270884
2	Japan	655408	2	Japan	654112
3	UK	319553	3	UK	311418
4	France	273112	4	China	245511
5	Germany	245162	5	France	242459
6	China	221858	6	Germany	231908
7	Italy	160514	7	Italy	144218
8	South Korea	130383	8	South Korea	139269
9	Canada	121213	9	Canada	122532
10	Netherlands	110931	10	Netherlands	100342
55	Romania	2607	56	Romania	2287

Source: Annual Reports Swiss Re: Swiss Re, Sigma Nr. 3/2012, Swiss Re, Sigma Nr 3/2013

In table 3 and table 4, is presented top 10 world countries through gross premium written from life insurance, from the beginning of the crisis (2008-2010) and also post crisis (2011, 2012).

Table 3. Top 10 countries by gross premium written (from life insurance) between 2008 and 2010

Ranking	2008		Ranking	2009		Ranking	2010	
	Country	Millions of USD		Country	Millions of USD		Country	Millions of USD
1.	USA	578211	1.	USA	492345	1.	USA	506228
2.	Japan	367112	2.	Japan	399100	2.	Japan	440950
3.	UK	286112	3.	UK	217681	3.	UK	213831
4.	France	181146	4.	France	194077	4.	France	192428
5.	Germany	111278	5.	Italy	115290	5.	China	142999
6.	China	95831	6.	Germany	111775	6.	Italy	122063
7.	Italy	82623	7.	China	109175	7.	Germany	114868
8.	South Korea	66417	8.	South Korea	57436	8.	South Korea	71131
9.	Taiwan	52748	9.	India	57114	9.	India	67810
10.	India	48860	10.	Taiwan	52204	10.	Taiwan	63920
51.	Romania	699	56.	Romania	533	56.	Romania	515

Source: Annual Reports: SwissRe, Sigma Nr.3/2009, SwissRe, Sigma Nr. 2/2010, SwissRe, Sigma Nr. 2/2011

In top 10 countries by gross premium written from life insurance the countries is maintained almost the same, firsts 4 ranks being identically, Germany down 2 ranks in top, Italy, China, India and Taiwan changing there places up an down in the period 2008-2010.

Table 4. Top 10 countries by gross premium written (from life insurance) in the period post crisis 2011-2012

Ranking	2011		Ranking	2012	
	Country	Millions of USD		Country	Millions of USD
1	USA	537570	1	USA	567756
2	Japan	524668	2	Japan	524372
3	UK	210067	3	UK	205918
4	France	174753	4	France	149346
5	China	134539	5	China	141208
6	Germany	113869	6	Germany	106411
7	Italy	105089	7	Italy	93273
8	South Korea	79161	8	South Korea	78920
9	Taiwan	64133	9	Taiwan	72522
10	India	60442	10	India	53300
57	Romania	554	58	Romania	475

Source: Annual Reports Swiss Re: Swiss Re, Sigma Nr. 3/2012, Swiss Re, Sigma Nr 3/2013

Romania is situated on 51 rank in 2008 and 56 rank in the years 2009, 2010, and down to 57 rank and 58 rank in 2011 and 2012, and the gross premium ratio from life insurance in the world life insurance premiums is almost 0.02%.

2. THE ANALYSIS OF THE GLOBAL INSURANCE MARKET THROUGH INSURANCE DENSITY AND INSURANCE PENETRATION DEGREE

In Table 5, table 6 and table 7, it is presented a top 10 countries from the world through insurance density during the years 2008-2010, after the financial crisis started, and in the period post-crisis (2011, 2012).

Table 5. Top 10 countries worldwide by insurance density during 2008-2010 - total insurance business (dollars/inhabitant)

2008			2009			2010		
Rank	Country	Insurance density	Rank	Country	Insurance density	Rank	Country	Insurance density
1.	UK	6857.8	1.	Netherlands	6554.6	1.	Switzerland	6633.7
2.	Netherlands	6849.5	2.	Switzerland	6257.6	2.	Netherlands	5845.3
3.	Switzerland	6379.4	3.	Denmark	5528.9	3.	Luxembourg	5653.2
4.	Denmark	5418.9	4.	Luxembourg	5226.9	4.	Denmark	5084.2
5.	Ireland	4914.5	5.	UK	4578.8	5.	UK	4496.6
6.	Finland	4393.2	6.	Ireland	4515.7	6.	Japan	43902
7.	Belgium	4298.8	7.	France	4269.1	7.	Ireland	4296.6
8.	France	4131.0	8.	Finland	4253.0	8.	France	4186.6
9.	USA	4078.0	9.	Japan	3979.0	9.	Finland	4181.5
10.	Sweden	3996.2	10.	USA	3710.0	1.	Sweden	4081.7
59.	Romania	165	63.	Romania	136.2	65.	Romania	122.8

Source: Annual Reports: SwissRe, Sigma Nr. 3/2009, SwissRe, Sigma Nr. 2/2010, SwissRe, Sigma Nr. 2/2011

Table 6. Top 10 countries worldwide by insurance density during 2008-2010 –from life insurance (dollars/inhabitant)

2008			2009			2010		
Rank	Country	Insurance density	Rank	Country	Insurance density	Rank	Country	Insurance density
1.	UK	5582.1	1.	Denmark	3816.0	1.	Switzerland	3666.8
2.	Denmark	3669.0	2.	UK	3527.6	2.	Japan	3472.8
3.	Ireland	3599.4	3.	Ireland	3437.1	3.	UK	3436.3
4.	Switzerland	3551.5	4.	Switzerland	3405.6	4.	Denmark	3429.2
5.	Finland	3488.9	5.	Finland	3379.4	5.	Finland	3323.9
6.	Belgium	3021.5	6.	Luxembourg	3229.4	6.	Ireland	3213.7
7.	Sweden	2841.2	7.	Japan	3138.7	7.	Sweden	3141.2
8.	France	2791.9	8.	France	2979.8	8.	France	2937.5
9.	Netherlands	2366.0	9.	Netherlands	2046.1	9.	Netherlands	1511.8
10.	USA	1900.6	10.	USA	1602.6	1.	Luxembourg	1511.8
59.	Romania	32.7	63.	Romania	25.1	65.	Romania	24.0

Source: Annual Reports: SwissRe, Sigma Nr. 3/2009, SwissRe, Sigma Nr. 2/2010, SwissRe, Sigma Nr. 2/2011

It is observed that throughout the analysis period the most countries from top 10 are from Europe, only USA is present in that top 10 countries worldwide by insurance density in 2008 and 2009, and also Japan was a new entry in 2009 with an increasing trend in 2010. Romania is on 59 ranks in this top in 2008 and on 65 ranks in the last 3 years (2010, 2011, and 2012).

Table 7. Top 10 countries worldwide by insurance density (total insurance and life insurance) in the period post crisis 2011-2012 (dollars/inhabitant)

Rank	2011			Rank	2012		
	Country	USD/loc			Country	USD/loc	
		Total insurance	From life insurance			Total insurance	From life insurance
1	Switzerland	8012	4421	1	Switzerland	7522.1	4121.1
2	Netherland	6647	1870	2	Netherland	5984.9	1749.8
3	Luxemburg	5974	3748	3	Denmark	5304.1	3718.0
4	Denmark	5619	3858	4	Japan	5167.5	4142.5
5	Japan	5169	4138	5	Luxemburg	5079.4	3067.4
6	Finland	4716	3788	6	Finland	4770.7	3860.3
7	UK	4535	3347	7	Hong Kong	4543.9	4024.7
8	Sweden	4455	3382	8	Norway	4487.8	2831.5
9	Ireland	4449	3367	9	UK	4350.2	3255.8
10	Norway	4251	2604	10	USA	4047.3	1808.1
65	Romania	122	26	65	Romania	107.2	22.3

Source: Annual Reports Swiss Re: Swiss Re, Sigma Nr. 3/2012, Swiss Re, Sigma Nr 3/2013

At the beginning of the financial crisis in countries with emerging economy the insurance density was over 40 times less than in developed countries.

Table 8, and table 9, shows the top ten countries from the world in terms of insurance penetration rate in the period 2008-2010, and post crisis 2011-2012.

Table 8. Top 10 countries worldwide by insurance penetration during 2008-2010, total insurance business (% in GDP)

2008			2009			2010		
Rank	Country	Insurance penetration	Rank	Country	Insurance penetration	Rank	Country	Insurance penetration
1.	Taiwan	16.2	1.	Taiwan	16.8	1.	Taiwan	18.4
2.	UK	15.7	2.	Netherlands	13.6	2.	South Africa	14.8
3.	South Africa	15.3	3.	UK	12.9	3.	UK	12.4
4.	Netherlands	12.9	4.	South Africa	12.9	4.	Netherlands	12.4
5.	South Korea	11.8	5.	Hong Kong	11.0	5.	Hong Kong	11.4
6.	Hong Kong	11.2	6.	South Korea	10.4	6.	South Korea	11.2
7.	Bahamas	10.2	7.	France	10.3	7.	France	10.5
8.	Switzerland	9.9	8.	Bahamas	10.2	8.	Japan	10.1
9.	Japan	9.8	9.	Japan	9.9	9.	Switzerland	9.9
10.	Portugal	9.2	10.	Denmark	9.9	1.	Bahamas	9.9
59.	Romania	1.8	63.	Romania	1.8	65.	Romania	1.7

Source: Annual Reports: SwissRe, Sigma Nr. 3/2009, SwissRe, Sigma Nr. 2/2010, SwissRe, Sigma Nr. 2/2011

According with these informations is notice that the highest insurance penetration is found in Taiwan, increasing from one year to another about 11,9% in 2010 comparative with the level from 2008. On second place are United Kingdom in the year 2008, Netherlands in 2009, and South Africa in 2010.

Table 9. Top 10 countries worldwide by insurance penetration during 2011-2012, total insurance business (% in GDP)

2011			2012		
Rank	Country	Insurance penetration	Rank	Country	Insurance penetration
1.	Taiwan	17.0	1.	Taiwan	18.2
2.	Netherlands	13.2	2.	South Africa	14.2
3.	South Africa	12.9	3.	Netherlands	13.0
4.	UK	11.8	4.	Hong Kong	12.4
5.	South Korea	11.6	5.	South Korea	12.1
6.	Hong Kong	11.4	6.	Japan	11.4
7.	Japan	11.0	7.	UK	11.3
8.	Switzerland	10.0	8.	Finland	10.4
9.	Finland	9.5	9.	Switzerland	9.6
10.	France	9.5	10.	Denmark	9.5
59.	Romania	1.5	63.	Romania	1.4

Source: Annual Reports Swiss Re: Swiss Re, Sigma Nr. 3/2012, Swiss Re, Sigma Nr 3/2013

The annual top 10 countries by insurance penetration in the last 2 years changed easily, there are almost the same countries in that top that only changed their places between them with few exception - Portugal and Bahamas left the top, and new

entry in place were Finland and Denmark-(Denmark was in top 10 only in 2009). Romania down 4 places in the last year (2012) compared with the previous.

3. THE PLACE AND TRENDS OF THE INSURANCE MARKET FROM ROMANIA

Before the financial crisis started the economic context was entirely different from the present. Economy was increasing, financial markets - including insurances were in expansion, while real estate market was in full swing. In present, Romania, as any other country of the world, faces an unprecedented financial-economic crisis.

One we became a member state of the EU, insurance activities can be run on the insurance market of our country, based on the principle of free circulation of services or based on the right of insurance companies to be set up within the European Union.

The evolution of the number of insurance undertakings from Romania and the share of foreign capital is presented in Table 10.

Table 10. Insurer undertakings and the foreign investors share

Year	Insurance undertakings	Share of foreign capital (%)
2008	43	87.93%
2009	45	88.65%
2010	43	90.40%
2011	43	91.22%
2012	41	78.08%

Source: Insurance Supervisory Commission, Romania, Annual Reports: 2008, 2009, 2010, 2011, 2012

Analyzing table no.10 in terms of the share of foreign capital over the past five years, foreign investors have made capital inflows in order to consolidate the financial capacity of the insurance undertakings, so that, the subscribed foreign capital went up by 87.93% (2008) to 91.22% at the end of 2011, and decreased in the last year to 78.08% (2012). We can say that insurance market from Romania is a good opportunity for a business.

In 2012, Romania has only 21.92% share of capital subscribed, but the ranking of capital home country according to the weight of share capital subscribed in total market at the end of the year is as follows: Austria (28.45%), France (14.72%), the Netherlands (9.42%), Czech Republic (5.09%), Bulgaria (3.68%), Germany (3.67%), Italy (3.42%), Greece (2.91%), USA (2.64%), Cyprus (1.41%), Luxembourg (1.11%), Switzerland (0.78%), Moldavia (0.33%), Great Britain (0.31%), Israel (0.14%) other countries (16.00%), according to the Annual Report of: Insurance Supervisory Commission, 2012.

The structure of total gross written premiums by insurance categories (non-life insurance and life insurance) showed as follows in table 11 and table 12:

Table 11. Structure of gross written premiums by nonlife and life insurance between 2008 and 2010

Gross written premiums	2008	2009	2010
Life insurance (lei)	1868112985	1628162635	1665668554
Non-life insurance (lei)	7068173520	7241584322	6639733598
Total (lei)	8936286505	8869746957	8305402152

Source: Insurance Supervisory Commission, Romania, Annual Reports: 2008, 2009, 2010

Table 12. Structure of gross written premiums by nonlife and life insurance post crisis 2011-2012

Gross written premiums	2011	2012
Life insurance (lei)	1738366854	1738366854
Non-life insurance (lei)	6083943098	6083943098
Total (lei)	7822309952	7822309952

Source: Insurance Supervisory Commission from Romania, Annual Reports: 2009, 2010

Unlike the insurance markets in other, more developed countries, the Romanian market still depends in a large degree, in the car insurance on the high contraction of car sales and car leasing. The general insurance market increased its annual decrease rate, compared to the previous one, with a decrease compared to the year 2009. On the other hand, life insurance segment recovered in the year 2010, after undergoing in 2009 a nominal annual decrease of 12.84%, and generated a volume of brute premiums in the nominal increase of 2.30% compared to the year 2009. However, the still low share of life insurance in the total volume of transaction at the level of market made the positive evolution in this segment of activity not to significantly influence the evolution of transacted brute premiums cumulated from general and life insurance. Transactions began to be affected together with the beginning of the economic crisis, until that moment having an increasing trend.

In table 13. are presented the others indicators of the insurance market from Romania in last five years.

Table 13. Evolution of the insurance penetration rate and insurance density in Romania, between 2000-2010

Indicator	2008	2009	2010	2011	2012
Insurance penetration rate in GDP (%)	1.77	1.8	1.62	1.40	1.41
Insurance density (lei/inhabitant)	415.62	413.27	386.85	388.25	410.87

Source: Insurance Supervisory Commission from Romania, Annual Reports: 2008, 2009, 2010, 2011, 2012

The insurance penetration rate reached the level 1.80% at the end of the year 2009, with a slight increase compared to the previous year, but decreased in 2010 with 10% in life insurance, the insurance penetration rate was 0.33% in 2009, and in the field of non-life insurance of 1.47% (Insurance Supervisory Commission Annual Report, 2010). Insurance density in Romania at the end of the year 2009 was 413.27 lei/inhabitant, with a 2.35 lei/inhabitant decrease compared to the previous year. After that Insurance penetration rate decreased early, to 1.41% in 2012, and the insurance

density registered decrease in 2010 and 2011, and an increasing level of 410.87 lei/inhabitant in 2012.

Life insurance sector was more affected by the economic crisis than non-life insurance, the population being confronted with reduced living standard, higher unemployment rates, and last but not least with lower confidence in insurance products.

Economic-financial crisis had many effect and created distortions on insurance markets, although “insurers witnessed sooner than participated in the crisis, since by the nature of this business, there are no seismic risks, they suffered sooner due to the fall of financial markets, reduction of economic increase rates, reduction of interest rates, credit quality, as well as due to dramatic fall of the price of the stocks or which were bankrupt” (Informative study, no. VI/1, March 2012, p.12).

4. CONCLUSIONS

Romanian market is still very much underinsured, with a small volume of premiums and very low insurance penetration compared to European markets, and this will not change in the following years. The low degree of insurance penetration of less than 2%, compared to 8% average at European level can lead us to the conclusion that there is an uncovered potential and I believe it will still stay so in the following years. The same characteristic is true in the case of insurance density, which does still not reach 100 EURO/inhabitant, compared to the 2000 EURO average European level, but one has to consider the average income or Romania’s population, since the level and structure of incomes and expenses in the EU and I Romania are very different, and in the near future we cannot reach the level of revenues in developed countries in Europe, so that we could compared ourselves with them.

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