

INSURANCE MARKET ANALYSIS DURING THE PANDEMIC

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Abstract:

The social and global context involves many structural and functional changes, and the task of the insurance market involves unprecedented changes and becomes very difficult. The paper is based on research of statistical data resulting from national reports on the evolution of the insurance market in the last 5 years, information collected based on additional reports, completed based on accounting and technical-operational records, submitted by insurance companies. The results of the analysis highlight the fact that the evolution and structural changes of the insurance demand are subject to the socio-economic conditions of the reference period strongly influenced by the pandemic, but also to the legislative conditions, legal and financial facilities, and interest in promoting various forms of insurance, both on the part of the insurance company and the insured. Among the recommendations of this paper is the fact that insurance organizations in Romania must embrace change in Europe in general and in Romanian in particular, and take the opportunity to guide their employees to performance by putting them first.

Keywords: insurance, performance, motivation

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1. Introduction

In the market economy, insurance is a sector of benefits of the natural economy of each country that contributes to the protection of goods and persons against the various risks taken in insurance. Insurance has a growing role in increasing gross domestic product and investment placements. The insurance sector is revealed as an economic sector by the fact that its product, protection against agreed risks, so insurance, in various forms is sold to potential buyers who thus become real insured against a price, represented by insurance premiums accepted to be paid. The Financial sustainability of insurance is correlated with economic development and access to income, and interest is boosted by the level of culture and training, property relations and other factors. The insurance market is a complex, dynamic concept, with practical values at national and international level. The insurance market can be characterized by the state or the way of manifestation of the relations it implies, by its size, by the organizational framework as well as by the way of achieving the competition.

2. Theoretical approach

Most experts support the traditional approach to insurance, according to which insurance is a means of distributing to a large number of individuals and legal entities, the damage caused by a phenomenon or complex of phenomena to a small number of them.(Ciurel, V., Straton, G., 2011) However, other specialists support other aspects of the insurance issue, and one of these aspects is treating insurance as a service provider, a financial intermediary and a financial asset in an economy full of uncertainties. (Iulian Văcărel, Florian Bercea, 1998)

Compared to other companies, insurance companies have the freedom to decide, but are constrained to exercise special caution in their activity so as not to become insolvent, so as not to jeopardize payment commitments to policyholders.(Cistelean et al., 2013)

The evolution and structural changes of the insurance application are subject to the socio-economic conditions of the reference period, the legislative conditions, the legal and financial facilities offered, as well as the interest in promoting various forms of insurance, both for the insurance company and as well as for the insured person.(Tanasescu et al., 2007). At present, the macroeconomic climate is extremely favorable for the development of the

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insurance industry. The positive trend will continue in the future, stimulating the increase in demand for insurance products. The introduction of tax incentives and other types of compulsory insurance should guarantee the insurance industry consistent growth rates in the coming years.

No matter how much care we take to avoid problems or protect the family and personal belongings, the risk exists in our lives bringing material and financial losses. Risk, the basic element from which an insurance starts is used in the negative sense of the events we do not want, so the insurance appears as a form of protection in the form of a contract. (Negru, T., 2006) The insurance financially compensates the effects of an unfavorable event. The funds for the financial compensation of the insured are created by the insurer from the premiums paid by the persons or organizations that bought insurances.

Managing the effects of the crisis generated by the COVID-19 pandemic remained the main concern of the states in the first part of 2021. Although Romania registers according to the reports of the Financial Supervisory Authority, lower levels of the gross written premiums indicator, compared to the European average, development prospects of the insurance sector remain favorable. Therefore, increasing the confidence of consumers in the insurance industry, launching new insurance products and adapting them to the needs of the population, as well as the development of financial education remain effective ways to strengthen the insurance sector in Romania. From an economic point of view, in 2021, European states and not only were strongly affected by the health crisis caused by the Covid-19 pandemic but economic forecasts for 2022 indicate the recovery of EU and euro area economies, being revised upwards, The insurance company offers a number of types of financial instruments that are associated with a certain level of risk and profit, and the insured opts for those investment programs based on his risk aversion and desire to earn.

The evolution of the main indicators on the insurance market, in the period 2017-2021

The analysis of the evolution of the insurance market in the period 2017-2021 takes into account the following indicators: insurance density, gross written premiums related to general insurance and related to life insurance and gross claims paid by the insurer related to general insurance and related to life insurance.

The insurance density is an indicator that is calculated as the ratio between the value of gross written premiums (exclusive reinsurance activities and gross written premiums on the territory of other states) on the Romanian territory and its inhabitants, respectively the resident population, is an indicator that shows how much spends, on average, the inhabitant of a country on insurance products. The insurance density indicator has an upward trend in the analyzed period and in 2020, the insurance density in Romania was at a value of 630 lei / inhabitant, increasing by about 5% compared to the previous year, when a value of 599 lei per resident population. (figure 1).

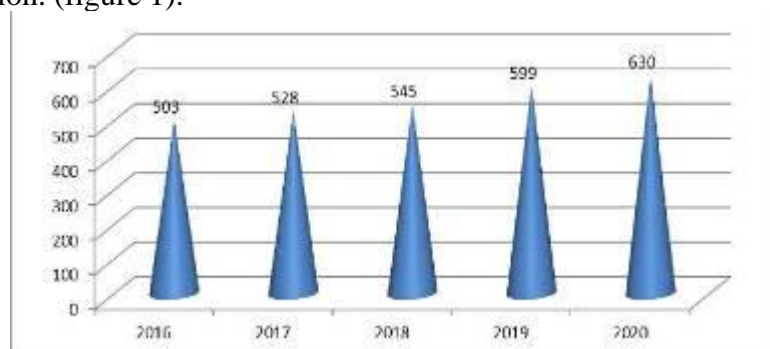


Figure 1. Insurance density

Source: processed after the report of the Financial Supervisory Authority

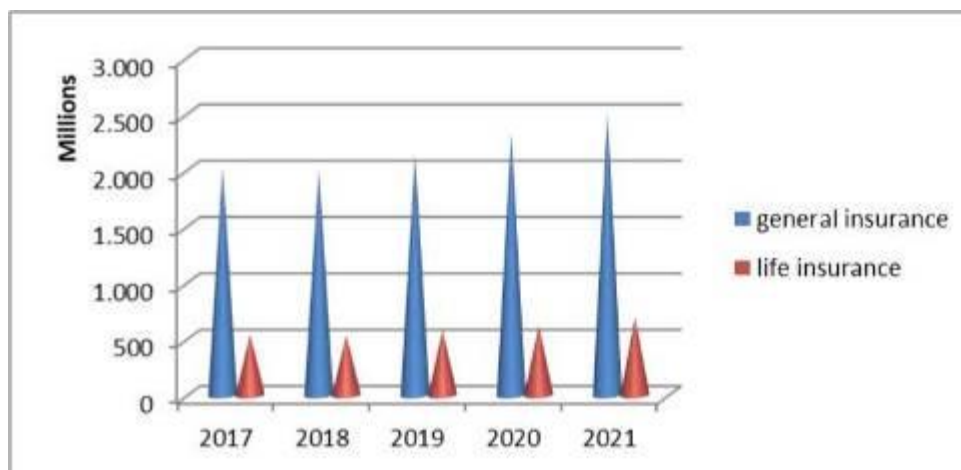


Figure 2. General insurance and life insurance

Source: processed after the report of the Financial Supervisory Authority

Insurers accumulated in the first quarter of 2021 gross written premiums amounting to approximately 3.19 billion lei, a volume increasing by approximately 8.2% compared to the same period of the previous year. Regarding the gross written premiums related to general insurance, they are worth about 2.5 billion lei, increasing by 7.3% compared to the same period of the previous year. Regarding the gross written premiums related to life insurance, they amount to approximately 688 million lei, increasing by 11.6% compared to the first quarter of 2020. (figure 2)

In the first quarter of 2021, the insurance companies reported gross claims paid (excluding maturities and partial and total surrenders), cumulated for the two categories of insurance, in the amount of 1,671,293,799 lei. To the gross claims related to life insurance are added maturities, partial and total surrenders, all cumulated being in the amount of 5,651,013 lei, a value decreasing by approximately 5.7% compared to the similar period of the previous year. (figure 3)

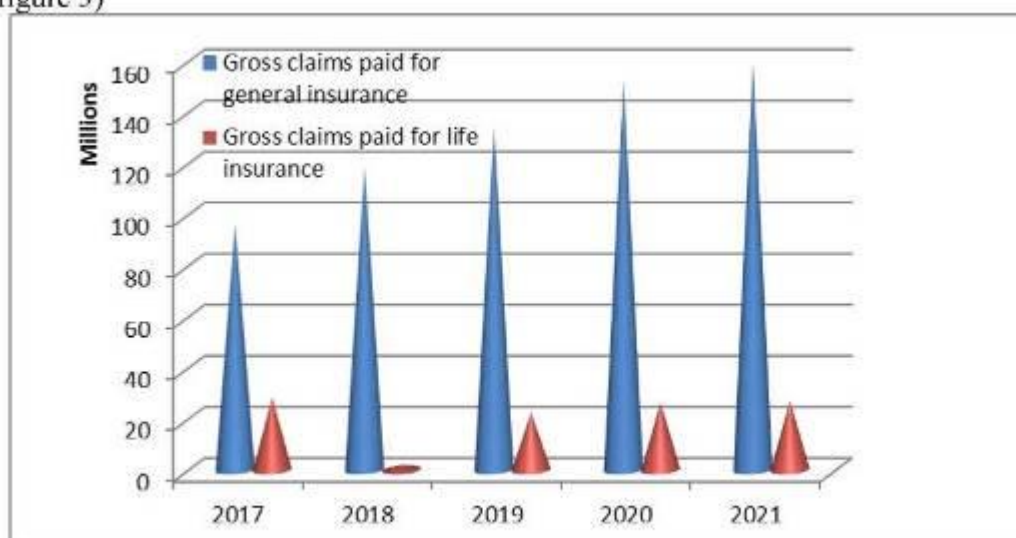


Figure 3. Gross claims paid

Source: processed after the report of the Financial Supervisory Authority

The amount of 1,595,501,369 lei is related to general insurance contracts (95%), registering an increase of 4.7% compared to the first quarter of 2020 (1,523,522,090 lei). The amount of 75,792,430 lei are amounts paid for gross claims, related to life insurance, registering an increase of 30% compared to the first quarter of 2020 (58,227,149 lei).

At the end of the first quarter of 2021, the insurance companies had set up gross technical reserves totaling 19,804,517,159 lei, increasing by 2.8% compared to the end of 2020 (19,266,059,649 lei), distributed over the two insurance categories, as follows: gross technical reserves set up for non - life insurance recorded a volume of 11,034,238,741 lei, representing 56% of the total technical reserves, and for life insurance, the companies constituted reserves amounting to 8,770,278,418 lei, a level corresponding to a share of 44% of the total technical reserves.(figure 4)

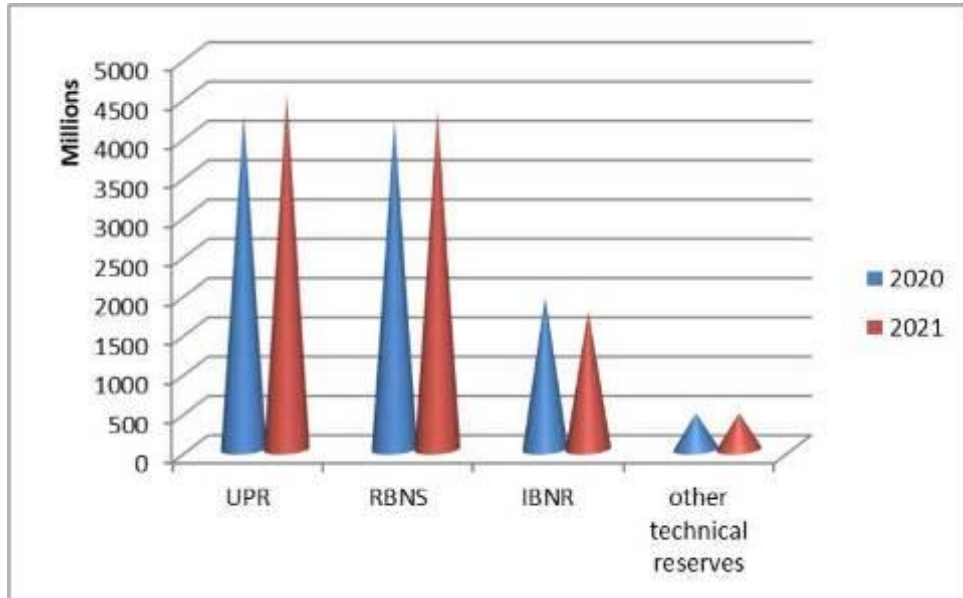


Figure 4. General technical reserves

Source: processed after the report of the Financial Supervisory Authority

The increase in the value of technical provisions in life insurance is both the effect of underwriting new risks and the fluctuation of the calculated value of reserves due to changes in the parameters included in the technical basis (eg the risk-free return used to calculate the present value of future cash flows; payments, the rate of annual bonuses included in the insured amount, etc.). (figure 5)

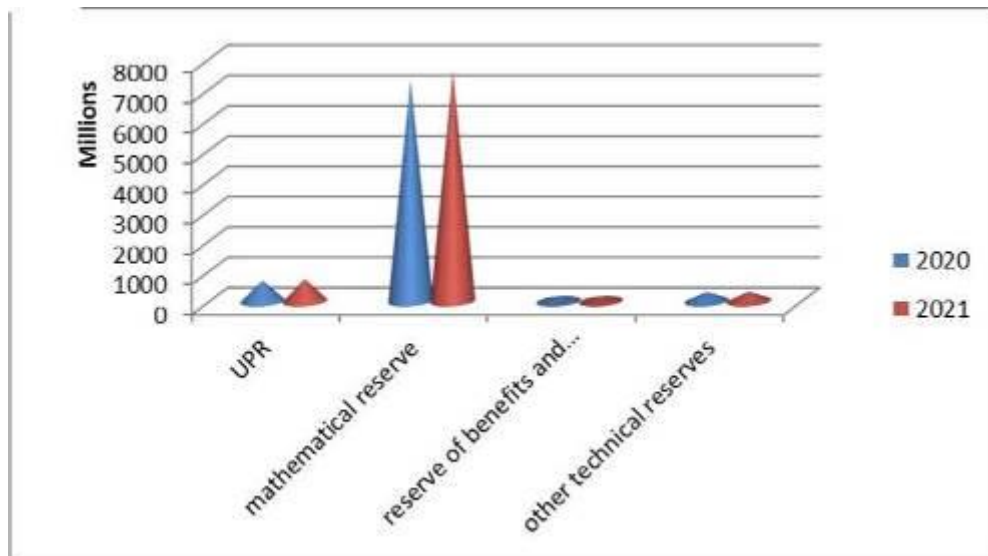


Figure 5. Life insurance technical reserves

Source: processed after the report of the Financial Supervisory Authority

Conclusions

Romanian insurance companies must embrace change in Europe in general and in Romanian in particular and take the opportunity to guide their employees to performance by putting them first. The freedom of movement of economic agents on the insurance market responds to an essential criterion of the functioning of the market economy, that of openness to the economic and social environment. An update is needed on how to motivate work in the context of changes that permanently affect the social and economic environment. The period of recent years has been dominated by significant changes on all levels. Thus, from the legislative changes to the crisis situation generated by the Coronavirus pandemic, the organizations faced a series of activity disruptions. These, if not managed properly, can have particularly serious negative effects on the stability of companies, and a basic element is the human resource. It can be stated that in an economy full of uncertainties, insurance favors the development of the population's savings towards the financial market. No matter how much humanity has evolved, one thing is very clear: humans cannot control everything that happens around them. This paper can be improved by including in the analysis of the insurance market the multitude of indicators characteristic of it as well as the influence on the evolution of the insurance market in the period considered.

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