

# ANALYSIS OF GENERAL INSURANCE IN THE CURRENT PERIOD

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**Abstract:** *This paper aims to highlight the changes in the general insurance market in Romania in the past years. In the context of the financial and economic crisis, the Romanian insurance market recorded different situations in recent years. It can be noticed that the growth rate slowed down compared with the level reached in 2007/2008. The main purpose of this paper is to present the insurance situation from the point of view of the relevant indicators for this insurance type. In the attempt of giving a convincing explanation, both theoretically and practically, I used in this paper as research methods: classification, synthesis and static and dynamic comparative analysis of the investigated events.*

**Keywords:** *insurance, general insurance, insurance market, economic crisis, insurance companies.*

**JEL Classification:** G22

## 1. Introduction

Insurance is an important sector of the national economy. Insurance operations, performed on a contractual basis take place in a framework called the insurance market. This name is used because here we meet *the insurance demands* coming from insurable individuals and businesses, who are eager to conclude various types of *insurance offers* supported by specialized organizations authorized to work in this area and able under financial report to perform such work".(Constantinescu Dan Anghel, 2004). One aspect of the *insurance market* refers to its size. The decisive element that defines the size of such a market is the *insurance request* determined, on the one hand, by the economic power of the insurable individuals and businesses and, on the other hand, by their belief in the usefulness of the ensuring mediated by specialized organizations. It is possible that not all the persons who have requested offers from the *insurance* organizations conclude contracts with them because either because they do not find the expected convenience or the because applicants conditions are not accepted by bidders. *The insurance offer* is presented by private, state or mixed insurance companies, by mutual insurance organizations or by tontines. The commercial insurance companies, regardless the ownership type, are pursuing profit and they are forced to meet the provisions of the law referring to the size of the subscribed capital and on the way of keeping the record activity, etc.

In "Insurance and Reinsurance: A Global Perspective", Ciurel Voleta (2011) it is stated that the insurance market presents characteristics that include: a) the size of the market; b) the organizational structure; c) the structure and realization of the competition. The market dimension is determined by the size of the insurance application. The market dimension is expressed by the following indicators: the concluded contracts in one period, the annual value of insurance premiums, the amount of insured sums in a given period and the total value of the commitments made by the insurer at a time.

I should mention that the insurance market legislation is working on the following main law 136/1995 which is referring on insurance and reinsurance in Romania. A series of changes were made to this law, last being Law no. 304/2007 published in the Official Gazette no.784 of 19/11/2007. Law no. 32/2000 is referring to insurance undertakings and insurance supervision, last update being made by Law 289/2010 in the Official Gazette, part I no. 892 from 30/12/2010. Also the body that oversees the insurance activity is the Insurance Supervisory Commission.

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The insurance market is divided into submarkets by the type of the practiced insurance, but an important role in the market is held by the general insurances. These include: car, marine, transport and aviation insurances, insurance against fire and other damages of property, liability, credit and guarantees insurances, insurances against financial loss from insured risks, agricultural insurance, etc.

## 2. Research methodology

The main objective of this paper is an analysis of the general insurance market in terms of specific indicators: written and earned gross premiums, major insurers developments, dynamics of general insurance structure, volume of the written premiums, etc. This research is based on different types of insurance market data provided by various information sources (works of authors in the field and specialized sites). In the paper I used methods such as synthesis, comparative data analysis and classification. The character of the paper is of quantitative nature, which is given by using statistical data taken from official sites, but also those provided from the Insurance Supervisory Commission in Romania. Also, the use of the tables and graphs in this paper allow easy data interpretation, especially because they are successfully used in the quantitative research.

## 3. General insurance market analysis

It should be specified that in order to provide complete information about the insurance market in 2012, the deadline for annual financial statements at CSA is until April 15, 2013. Given this, the main insurance market players in a time period of nine months in 2012 are presented in Table 1. According to the information so far, we can notice that the leadership is held by VIG Omniasig with 788,72 million € representing written and collected gross premiums, then followed by the last leader of the insurance market in 2011, the Astra company with a total of 788,67 million € written and collected gross premiums. It can be noticed that the two companies have the same market share at two decimals. However, the market leader is unique even if the difference is 1 cent, this thing allowing to be ranked differently. This unusual situation from the top of the table draws our attention at the sharp fight on the insurance market where every cent counts. In fact, 10 CASCO policies in addition to one of the companies could settle the leadership, a position that counts at least in terms of image to customers (<http://www.insuranceprofile.ro/en>).

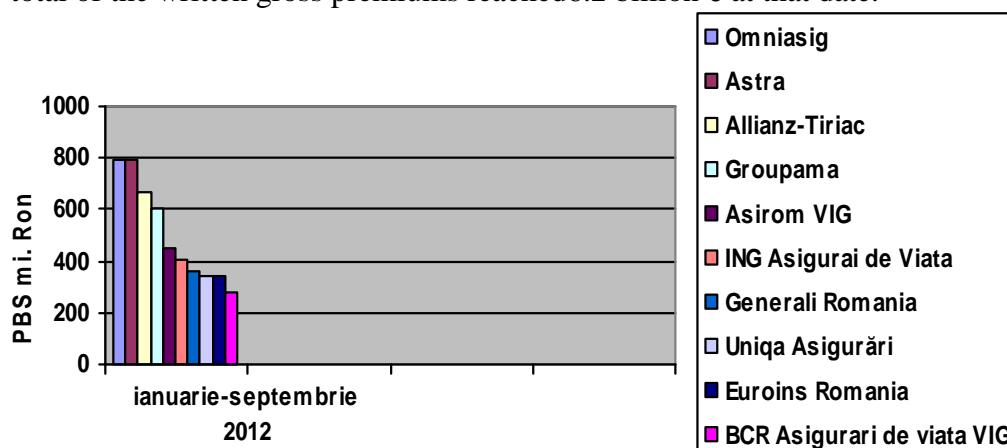
**Table no. 1. Top 10 insurance companies in Romania for January-September 2012**

	<b>Companies</b>	<b>PBS (mil.Ron)</b>
1.	OMNIASIG VIG	788,72
2.	ASTRA Insurances	788,67
3.	ALLIANZ-TIRIAC	665,42
4.	GROUPAMA Insurances	604,19
5.	ASIROM VIG	447,67
6.	ING Life Insurances	402,79
7.	GENERALI Romania	363,28
8.	UNIQA Insurances	346,48
9.	EUROINS Romania	345,64
10.	BCR Life Insurances VIG	275,36

Source: <http://www.iasig.ro/Piata-Asigurarilor-2.htm>

The new position can be explained by the fact that within the group there were fusions, the new OMNIASIG absorbed in 2012 the BCR Insurance company, but also by the policy group promotion.

According to the reported data from the Insurance Supervisory Commission, as shown in Chart 1, after the decreasing trend in 2011, the first 9 months of 2012 brought an increase of 1,43% in the written gross premiums (WGP), unlike the same period from last year. The total of the written gross premiums reached 6.2 billion € at that date.



Source: Developed by the author based on data from Table 1.

**Chart no. 1. The evolution of insurance companies in Romania during January-September 2012**

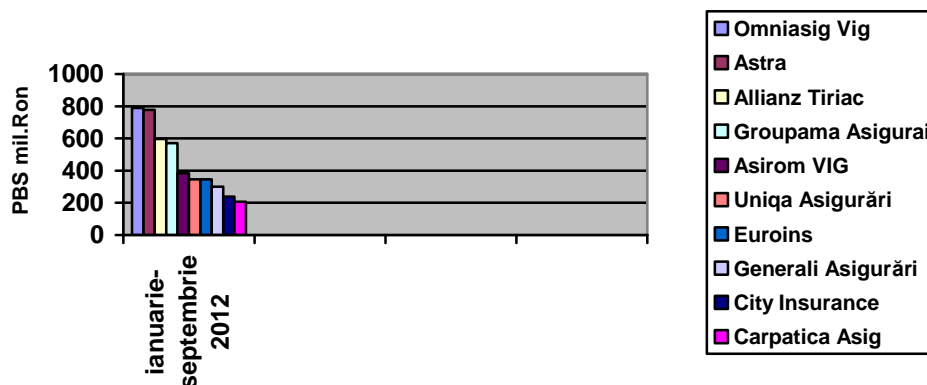
Significant positions of the insurance companies which practiced insurances can be shown from Table 2. So the first position is held by the Omniasig VIG company, next the second by Astra and the third by Allianz-Tiriace. We can notice that the top ten insurance companies consist of tradition companies on the Romanian market, Allianz-Tiriace was until 2010 the insurance market leader.

**Table no.2. Top 10 General Insurances for January-September 2012**

	Companies	PBS mil. RON
1.	OMNIASIG VIG	788,72
2.	ASTRA Asigurari	776,36
3.	ALLIANZ-TIRIAC	596,88
4.	GROUPAMA Asigurari	569,74
5.	ASIROM VIG	384,51
6.	UNIQA Asigurari	346,48
7.	EUROINS	345,64
8.	GENERALI Romania	300,26
9.	CITY Insurance	239,15
10.	CARPATICA Asig.	206,99

Source: <http://www.lasig.ro/Piata-Asigurarilor-2.htm> [www.insuranceprofile.ro](http://www.insuranceprofile.ro)

The position of the insurance companies that practice general insurances can be seen in Chart 2. We notice that the tie of these positions that are occupied by insurers is quite big, given the written and collected grosses. If Omniasig VIG could register during the first months of 2012 up to 788,72 million lei, Carpathian Insurances Company recorded up to 206,99.



Source: Created by the author based on data in Table 2.

### Graphic no. 2. The evolution of insurance companies for general insurances in the period January-September 2012

The structure of the underwriting, as shown in Table 3, shows that the general insurances continued to keep approximately 80% of the total, with premiums about 4.9 billion lei in the first months of 2012. Most of it was represented by the Casco vehicles insurance, fire and natural disaster insurance and the mandatory-RCA civil liability insurance. The subscribed gross premiums amount to 4,875,730,888 lei and registered an increase by 1.74% over the same period of 2011. According to Table no.3 the volume of total written gross premiums registered a decrease on 30.09.2011 compared with the same period in 2010, which at the date of 30.09.2012 enrolled on an increasing trend without achieving the level registered in the same period of 2010 (<http://www.iasig.ro/Piata-Asigurarilor-2.htm>).

Table no. 3. Structure of written gross premiums concerning general insurance

Types of insurances	30.09.2010 (lei)	30.09.2011 (lei)	Rhythm of change in nominal 30.09.2011/ 30.09.2010 (%)	30.09.2012 (lei)	Rhythm of change in nominal 30.09.2012/ 30.09.2011 (%)
General insurances	5,092,053,349	4,792,161,585	-5.89	4,875,730,888	1.74

Source: created by the author based on collected information from the Newsletter of the Insurance Supervisory Commission-Year VI, no.3-December 2012, p.7.

The allocation of subscribed premiums on different regions in Romania is as it follows: Bucharest and Ilfov: 48.21% of the total PBS, Central region: 7.53%, North-East: 6.63%, North-West: 8.04%, South: 7.53%, South-East: 7.07%, South-West: 4.53% and West: 5.68% ([http://www.csaisc.ro/index.php?option=com\\_content&view=article&id=845&Itemid=203&lang=ro](http://www.csaisc.ro/index.php?option=com_content&view=article&id=845&Itemid=203&lang=ro)).

In Table 4 a decrease of written gross premiums can be noticed in the first nine months of 2012 for classes III-Land vehicles Insurances (other than railway) and VIII-Fire and other natural calamities Insurances with 9.59% for both classes. For the X-Vehicle liability insurance class on 30.09.2012 an increase of 3.55% was registered more than on 30.09.2011. These three classes own significant weightings in the portfolio structure with a

total of 80.33% of the subscribed gross premiums of this insurance category. The insurances framed in “other classes” own a share of 19.66% in total of subscribed gross premiums for general insurance, which is growing by 39.88% over the level recorded on 30.09.2011. From all these, the classes that have registered significant increases in total weight were: Class XIII-Generally Liability Insurances and Class XV-Guarantee Insurances.

**Table no. 4. The dynamic portfolio structure for general insurances**

Classes	Gross premiums (lei)			Absolute change(lei)		Rhythm of Change (%)	
	30.09.2010	30.09.2011	30.09.2012	30.09.2011 / 30.09.2010	30.09.2012 / 30.09.2011	30.09.2011/ 30.09.2010	30.09.2012/ 30.09.2011
III	1,935,498,175	1,552,498,063	1,449,812,447	-383,000,112	-102,685,616	-19.79	-6.61
VIII	740,845,572	1,001,758,076	859,529,922	260,912,504	-142,228,154	35.22	-14.20
X	1,904,592,677	1,552,318,559	1,607,386,813	-352,274,118	55,068,254	-18.50	3.55
Other classes	511,116,925	685,586,887	959,001,706	174,469,962	273,414,819	34.14	39.88
<b>Total</b>	<b>5,092,053,349</b>	<b>4,792,161,585</b>	<b>4,875,730,888</b>	<b>-299,891,764</b>	<b>83,569,303</b>	<b>-5.89</b>	<b>1.74</b>

Source: Newsletter of the Insurance Supervisory Commission-Year VI, no3.-December 2012, p. 8.

According to the reported information from the Insurance Supervisory Commission, in the CEDAM database (<http://cedam.csa-isc.ro/>) in the first nine months of 2012 a number of 11 insurers were authorized to conduct RCA conclusion policy activities. They recorded the following market shares: EUROINS with 19.22%, ASTRA with 15.48% and ASIROM with 12.05%. We notice these companies are the majority concerning the market shares. At the opposite side there are the ABC Insurance-Reinsurance and CITY-Insurance companies that are recording a total of 2.47% of the market. So the total amount of the subscribed written premiums for RCA in the first nine months of 2012 amounted up to 1,518,239,377 lei. In comparison with the similar period of 2011 when subscribed premiums for the vehicle liability insurance were 1,450,192,637 lei, in 2012 there was an increase of 5% on the total market. Given the same database, the number of policies in force on September 30, 2012 was 4,316,255 RCA insurance policies (<http://www.finantistii.ro/asigurari/piata-de-asigurari-a-crescut-cu-035-in-t1-2012-politele-auto-si-de-locuinte-s-au-ieftinit-72698>).

According to the paid gross claims in that period, the insurance companies reported that the paid gross claims in the two types of insurance (general and life insurance) recorded an amount of 3,789,710,193 lei with an increase of 3.90% from 30.09.2011. But according to Table 5, from the total amount of paid gross claims, 3,251,027,075 lei is related to insurance contracts, where an increase of 3.36% was recorded, unlike the same period of 2011 (<http://www.wall-street.ro/tag/piata-de-asigurari.html>).

**Table no. 5. The situation of paid gross claims for general insurances**

Period	Allowances gross paid for insurance general (lei)	Rhythm of change in nominal (%)
30.09.2010	3,496,859,737	-
30.09.2011	3,145,407,843	<b>-10.05</b>
<b>30.09.2012</b>	<b>3,251,027,075</b>	<b>3.36</b>

Source: created by the author based on collected data from the Newsletter of Insurance Supervisory Commission-Year VI, no.3-December 2012, p.9.

The situation of the gross claims paid to the general insurances on 09/30/2012, as shown in Table 6, shows that the biggest amounts were paid for the III-Land vehicles

Insurance class (other than the railway), the X-Liability vehicle Insurance class, VII-Fire and other natural disasters class and XIV-Credit Insurance class, which together are representing 94.76% of the total paid gross claims for general insurances. From the total value of the gross claims paid for this insurance category, the car payments accounted up to 85,87% (2,791,627,739 lei). Compared to 30.09.2011 the gross claims paid for CASCO insurances (Class III) decreased by 3.93%, while the allowances for Class X (RCA) recorded an increase of 9.81%.

**Table no. 6. Dynamic class structure of gross claims paid for general insurances**

Classes	Allowances gross paid for insurance general (lei)			Rhythm of change 30.09. 2011/ 30.09.2010 %.	Rhythm of change 30.09.2012 /30.09.2011 (%)
	30.09.2010	30.09.2011	30.09.2012		
III	1,882,483,336	1,496,434,493	1,437,686,052	-20.51	-3.93
VIII	158,410,226	194,670,221	162,059,763	22.89	-16.75
X	1,220,703,975	1,233,038,530	1,353,941,687	1.01	9.81
XIV	114,766,899	84,724,715	126,886,955	-26.18	49.76
Other classes	120,495,301	136,539,884	170,452,618	13.32	24.84
<b>Total</b>	<b>3,496,859,737</b>	<b>3,145,407,843</b>	<b>3,251,027,075</b>	<b>-10.05</b>	<b>3.36</b>

*Source: Newsletter of Insurance Supervisory Commission-Year VI,no.3-December 2012, p. 9*

In Class III-Land vehicles insurance (other than railway), we can notice that there were made payments totaling 1,437,686,052 lei, representing 44.22% of the total. In Class X-Vehicle liability insurance, payments were made totaling 1,353,941,687 lei, representing 41.65% of the total. In Class VIII-Fire and other natural disasters Insurance, payments were made totaling 162,059,763 representing 4.98% of the total, recording a 16.75% nominal decrease unlike the same period of 2011. In Class XIV-Credit insurance, payments were made totaling 126,886,955 lei representing 3.90% of the total. This class recorded an increase of 49.76% compared to the same period in 2011.

According to the published and submitted information to the Insurance Supervisory Commission, Groupama Insurances holds 62.39% total allowances for credit insurances, followed by Garanti Insurances which holds 33.41%. Making an analysis on the gross claims paid in the first nine months of 2012, it can be noticed that the biggest amounts paid for classes III, X and VIII which cumulatively represented 90.85% of the total gross claims paid general insurances.

#### **4. Conclusions**

Regarding what I presented, my conclusion is that the insurers recorded in 2012 a volume of written gross premiums which shows that they are maintaining on an slightly ascending trend in comparison to the same period in 2011.

2012 was not fundamentally different from 2011, especially in terms of income, credit, car demand and, not least, the low level of knowledge about insurances.

From the above it can be concluded that insurers are treating with major importance the vehicle segment which is the largest mortality sector. Unfortunately the price is the one that dictates in this category at the expense of quality services in case that the insured events occur.

On the auto insurance market it appears that the limit of economic acceptability was reached. RCA has become difficult to sustain as business line. Also, we can notice that the insurance business has become lately a risk that all market players should take on. Even if the insurance market in Romania is going through difficult times there is still development potential. In my opinion, the health insurance sector is still an unpromoted sector and it is not shown to the customers enough.

Given all this, in the developed world nothing can be imagined outside the insurances field. This was proved a long time ago. But even this sector, as I showed, was hit by the global economic crisis that affected the worldwide insurance companies. Which companies will survive? Which will develop beyond expectations? These are questions that the specialists are trying to answer every year. The fact is that nothing will settle down.

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