

ROMANIAN INSURANCE MARKET: SIZE, STRUCTURE AND TRENDS

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ABSTRACT: This paper had the objective to present the evolution and changes occurred on the Romanian insurance market in the recent years based on the official data available at the Financial Supervisory Authority. The dimension of the insurance market is expressed through few indicators such as: share capital of insurance undertakings, the volume of gross written premiums, insurance density, insurance penetration degree.

KEY WORDS: insurance, insurance market, gross written premium, evolution.

1. INTRODUCTION

Before the financial crisis trigger in our country, the economic context was totally different from present days. The economy recorded growth rates, financial markets including insurance were booming while, real estate market is developing strongly, however like every other country, Romania have to cope with a financial and economic crisis without precedent.

The insurance activity plays an important role in the economic development of a country, mainly by its role of intermediary and provider of financial services [4].

The main features of the insurance activity are dynamism, diversity of the insurance types, and also insurer inventiveness. Insurer tries to make the insurance products more and more attractive and efficient for the insured, especially in times of crisis.

Assessment of the insurance market dimension, the size and trends of these can be expressed by several quantitative and qualitative indicators, some of them are expressed the size of the market and others are used to assess the level of the insurance market development [2], [3], [6]:

- number of insurance undertakings;
- number of contracts;
- number of active insurance policy;
- capital invested;
- gross written premiums;
- gross claims paid;
- insurance density,
- insurance penetration degree;

2. INSURANCE UNDERTAKINGS AND THE STRUCTURE OF SHARE CAPITAL

Based on the statistical data provided by the Insurance Supervisory Commission and Financial Supervisory Authority in their annual reports we analysed the evolution of the number of insurance undertakings and the evolution and structure of share capital in the period between 2005 and 2013.

Evolution of the insurance undertakings in Romania and the share of foreign capital in the total capital subscribed between 2005 and 2013 are presented in Table. 1

Table 1. Evolution of the number of insurance undertakings and contribution of foreign capital

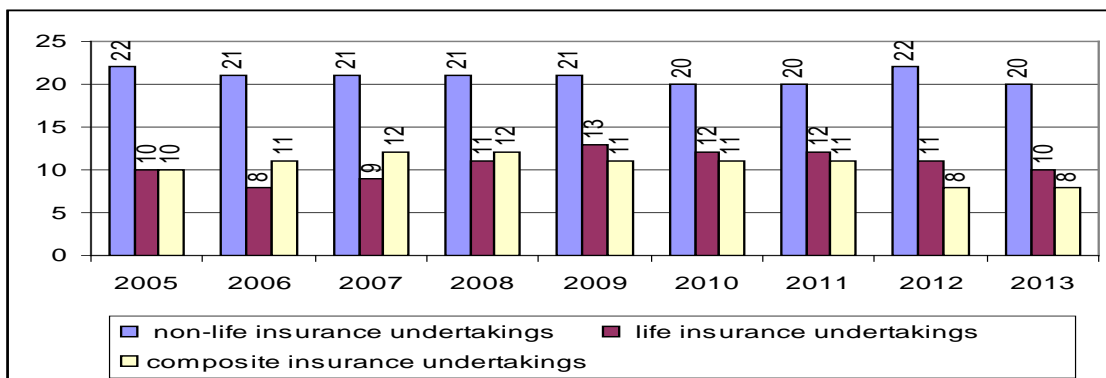
Year	Number of insurance undertakings	Foreign capital share (%)
2005	42	49%
2006	40	53,33%
2007	42	58,10%
2008	44	87,93%
2009	45	88,65%
2010	43	90,40%
2011	43	91,22%
2012	41	78,08%
2013	38	83,21%

Source: based on data from Annual Reports of CSA 2006, 2007, 2008, 2009, 2010, 2011, 2012, Annual Report FSA 2013.

According to the 2013 Annual Report of the Financial Supervisory Authority, insurance /reinsurance activity in 2013 was conducted by 38 insurance undertakings, as follows [8]:

- 20 undertakings conducted non-life insurance activity;
- 10 undertakings conducted life insurance activity;
- 8 undertakings conducted both type of insurance (life and non-life).

The insurance activity conducted by undertakings in the period analysed through the main type of insurance (life, non-life, or both type) according to annual reports of CSA is presented in Figure 1.

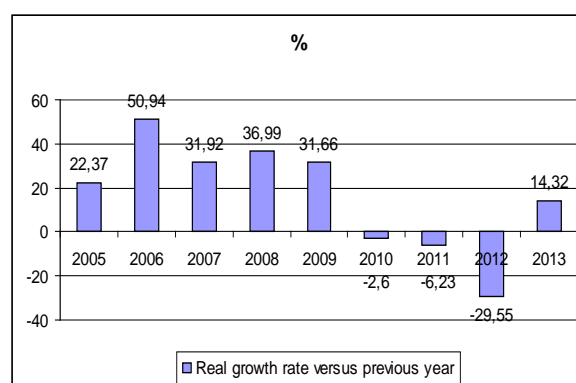


Source: based on data from Annual Reports of CSA 2006, 2007, 2008, 2009, 2010, 2011, 2012, Annual Report FSA 2013.

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

Major changes are observed on the evolution of the share capital subscribed between 2005 and 2013. In 2005 the participation share of foreign investors in the insurance sector was 49%, and increased yearly so in 2010-2011 the insurance system in Romania was based more than 90% on foreign capital which means that the insurance market in our country was seen as a good business opportunity. In 2013 the participation share of foreign investors decreased at 83,21%.

The evolution of the share capital subscribed and nominal growth compared to the previous year between 2005 and 2013 is presented in Table 2, Also, taking into account the inflation rate at the end of each year, we presented the evolution of real growth compared to the previous year (Figure 2). The data are based on annual reports provided by Insurance Supervisory Commission 2006-2012.



Source: based on data from Annual Reports of CSA 2006, 2007, 2008, 2009, 2010, 2011, 2012, Annual Report FSA 2013.

Figure 2. The evolution of real growth of share capital subscribed

Table 2. Evolution of the share capital subscribed

Year	Share capital subscribed (lei)	Nominal growth (%)	Inflation rate (%)
2005	888.438.922	29,54	8,6
2006	1.406.287.079	58,28	4,8
2007	1.977.184.554	40,59	6,74
2008	2.879.242.345	45,62	6,3
2009	3.970.678.256	37,90	4,74
2010	4.175.309.300	5,15	7,96
2011	4.038.239.446	-3,28	3,14
2012	2.985.886.114	-26,06	4,95
2013	3.466.278.606	16,09	1,55

Source: based on data from Annual Reports of CSA 2006, 2007, 2008, 2009, 2010, 2011, 2012, Annual Report FSA 2013.

Share capital subscribed increased between 2006 and 2009, and the data shows a decrease starting in 2010, because of the financial crisis trigger. The decline continued in 2011 and the strong impact of the crisis was on 2012 when there is a decrease of 29.55%.

The main investors are from: Austria, France, Netherlands, Great Britain, Bulgaria, Italy, Ireland, Germany, Greece, Cyprus. [8]:

3. EVOLUTION AND STRUCTURE OF GROSS WRITTEN PREMIUMS

Insurance premiums represent for the insured the price of the protection offered by the insurer, and for the insurer represents the amount of money that this receives from the insured in exchange for the promise service [2].

The insurance premiums are established taking into account, mainly: the nature of the insured property, the number and types of the risks, the intensity and dispersion degree of the risks, the insured amount, the period of the contract, the coverage, statistical data regarding the history and the assessment of losses, the market conditions, the payment conditions [2]. The insurance premium paid by the insured represent the gross premium.

The size of the insurance market is assessed taking into account the total volume of the gross written premiums.

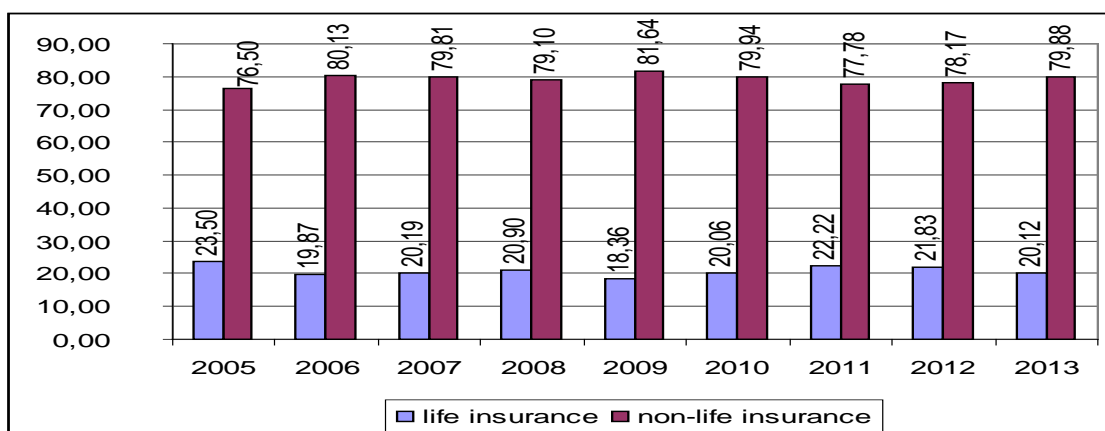
The evolution of the gross written premiums between 2005 and 2013 is presented in Table 3 (including the gross written premiums from life and

non life insurance and cumulated for the two insurance types), and also in Figure 3 is presented the structure of gross written premiums between 2005 and 2013.

Table 3. Evolution of the gross written premiums between 2005 and 2013

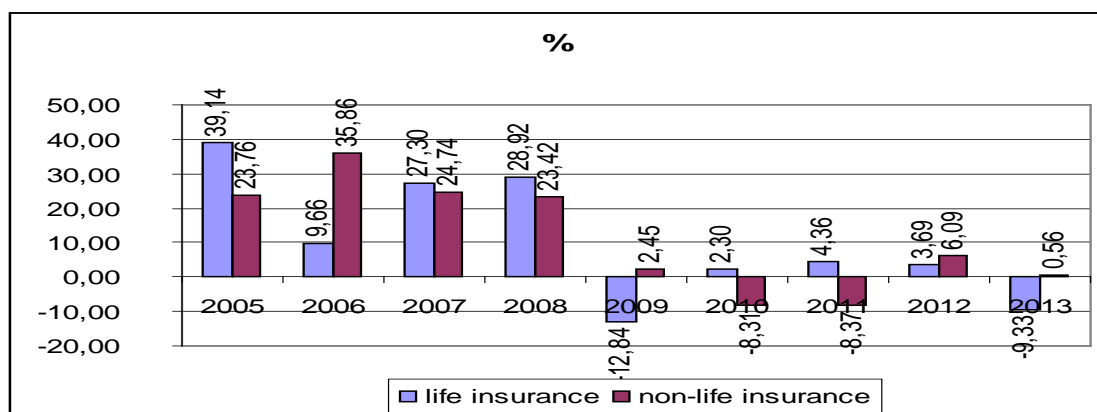
Year	Gross written premiums from life insurance type (lei)	Share of life insurance premiums (%)	Gross written premium from non-life insurance type (lei)	Share of non-life insurance premiums (%)	Gross written premiums from total business insurance (lei)
2005	1.037.995.713	23,50	3.379.170.106	76,50	4.417.165.819
2006	1.138.281.900	19,87	4.591.002.641	80,13	5.729.284.541
2007	1.449.036.915	20,19	5.726.752.784	79,81	7.175.789.699
2008	1.868.112.985	20,90	7.068.173.520	79,10	8.936.286.505
2009	1.628.162.635	18,36	7.241.584.322	81,64	8.869.746.957
2010	1.665.668.554	20,06	6.639.733.598	79,94	8.305.402.152
2011	1.738.366.854	22,22	6.083.943.098	77,78	7.822.309.952
2012	1.802.519.132	21,83	6.454.395.818	78,17	8.256.914.950
2013	1.634.296.439	20,12	6.490.358.402	79,88	8.124.654.841

Source: based on data from Annual Reports of CSA 2006, 2007, 2008, 2009, 2010, 2011, 2012, Annual Report FSA 2013



Source: based on data from Annual Reports of CSA 2006, 2007, 2008, 2009, 2010, 2011, 2012, Annual Report FSA 2013

Figure 3. Evolution of share of the gross written premiums from life and non-life insurance in the total gross written premiums



Source: based on data from Annual Reports of CSA 2006, 2007, 2008, 2009, 2010, 2011, 2012, Annual Report FSA 2013

Figure 4. Evolution of gross written premiums by insurance category, compared to the previous year

Gross written premiums registered a nominal growth increase between 2005 and 2008, and after this year, when financial crisis effects occurred, we observed a decrease both in nominal and real terms. In table 3 we presented the evolution of the volume of gross written premiums from total business insurance and also from the two main types of insurance (life and non-life). In the last years the share of gross written premiums from life insurance in total was about 20%-22%, the rest being from non-life insurance type, almost 80%. The evolution of share of the gross written premiums from life and non-life insurance in the total gross written premiums are presented in Figure 3. In Figure 4 we presented the evolution of gross written premiums by insurance category, compared to the previous year. After 2008 (2009, 2010 and 2011) shows a decrease every year compared with the previous. In 2013 gross written premiums decreased compared with 2012, from an amount of 8.256.914.950 lei at 8.124.654.841, a decrease of 1.60%, in nominal terms, mostly because of the

decreased amount of premiums from life insurance sector. It is well known that the Romanian market depends of the automobile insurance segment [8].

3. EVOLUTION OF THE INSURANCE PENETRATION DEGREE AND INSURANCE DENSITY

Insurance penetration degree and insurance density are two specific indicators for the insurance sector.

Insurance penetration degree – represents insurance sector share in GDP, and is determined as a ratio between gross written premiums from total business insurance (life and non-life) and Gross Domestic Product.

Insurance density – represents the amount of insurance premiums per capita, and is determined as a ratio between gross written premiums and the number of inhabitants.

The evolution of these specific indicators between 2005 and 2013 is presented in Table 4.

Table 4. Evolution of the insurance penetration degree and insurance density between 2005 and 2013

Indicators	2005	2006	2007	2008	2009	2010	2011	2012	2013
Insurance penetration degree (% GDP)	1,54	1,67	1,77	1,77	1,8	1,62	1,40	1,41	1,29
Insurance density (lei/inhabitant)	204	265,7	332,4	415,62	413,27	386,85	388,25	410,87	405,87

Source: based on data from Annual Reports of CSA 2006, 2007, 2008, 2009, 2010, 2011, 2012, Annual Report FSA 2013

The insurance penetration degree increased during 2005-2009, and after 2009 decreased yearly, from 1,8% to 1,29%, and we can appreciate this level being low.

The density of insurance increased from 204 lei/inhabitant in 2005 to 415,62 lei/inhabitant in 2009, and after 2009 fell until 2011. In the last year registered a value of 405,87 lei/inhabitant, (which is less than 100 euro).

4. CONCLUSIONS:

Romanian economy was affected by global economic crisis, and the effects of the crisis began to be felt in the insurance sector after 2009, when the Romanian insurance market registered a significant decrease.

Life insurance segment was most affected by the global crisis. 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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