

# **INSURANCE MARKET: COMPETITION AND OPPORTUNITIES**

**Assoc. Prof. Mădălina Giorgiana Mangra Ph. D.**  
**University of Craiova Faculty of Economics and**  
**Business Administration, Craiova, Romania**  
**Assoc. Prof. Ph. D. Marieta Stanciu**  
**University of Craiova Faculty of Economics and**  
**Business Administration, Craiova, Romania**  
**Assoc. Prof. Gabriel Ioan Mangra Ph. D.**  
**University of Craiova Faculty of Physical Education**  
**and Sports, Craiova, Romania**

**Abstract:** The insurance activity was focused from the very beginning on the need of protection that its members requested taking into consideration the dangers that affected their physical and moral integrity, as a result of the appearance of the devastating phenomena, disease, epidemics, the pollution of the environment and also as a result of the consequences of illegal behavioral actions that human factors had in the process of destruction and degradation of goods, in health damage and in the prejudice of body integrity. The variety of deals is a consequence of the competition which is present in the insurance market and the brokerage market. The clients' tendency to use the compulsory insurance, in fact the civil liability insurance and the home insurance, is reflected in the belief that the insurer's duties and rights are established by law. The clients' desire to use optional insurance is based on the financial possibilities of the insured and the rights and duties of the parts are established by contract.

**JEL classification: G22,G23,G29**

**Key words: insurance, protection, opportunities, insurance market.**

## **1. INTRODUCTION**

Throughout the evolution of society, has become more pronounced the need to protect the people confronted with the devastating natural phenomena, with diseases and epidemics, with the environmental pollution, with the degradation of goods and with the harm of bodily integrity through accidents at work or by the behavioral actions of outlaws and, more recently, with cyber risks. This need for protection had the consequence of finding measures to increase the resistance of the society's members in the face of these dangers, measures materialized through insurance, the term of insurance being, in the opinion of specialists, used as that activity that offers security by covering risks arising in the consequence of unpredictable events, which can lead not only to economic-financial losses but can also affect people's lives. The essence of insurance consists, thus in diminishing the effects and impact of incidents, in minimizing damages and in recovering after incidents by implementing measures, by clear action plans, by strategies that prove that insurances are useful tools, necessary for daily life.

## 2. EVOLUTION AND PERSPECTIVES ON THE INSURANCE MARKET IN ROMANIA

The insurance market in Romania is composed of the insurance companies authorized and regulated by ASF and, as a result of the free movement of services, they carry out their activity either with Romanian capital, or with foreign or mixed capital, making available to the population a diversified range of insurances, financial and banking services, but the ones with Romanian capital grant the opportunity to offer services to applicants from another country.

At the end of March 2019, 28 companies were active on the Romanian insurance market. Of these, 15 practiced only the general insurance activity, 7 were involved in the life insurance activity and 6 practiced a mixed activity. It is noteworthy that the insurance market in our country is oriented towards the activity of general insurance, respectively the auto insurance, as opposed to the European market oriented more on life insurance, which in our country accounts for only 21% of the gross subscribed premiums.

General insurances dominate the market for two reasons:

1. The general insurance segment includes compulsory insurance, i.e. motor liability insurance and home insurance against floods, earthquakes and landslides. Therefore, purchasing these two types of insurance is not an option for people who own a home or a vehicle, but an obligation, which leads to a higher share of general insurance compared to life insurance.;
2. For many Romanians, unfortunately, ensuring wealth is more important than ensuring their lives. It is a sad fact and I hope that in the future people will learn to place greater importance on their health and life, and then think about material goods.

Thus, out of the 2.14 billion lei, representing the gross premiums subscribed in the first three months of 2019, their share concerns the classes A<sub>10</sub> - Civil liability for the use of motor vehicles, A<sub>3</sub> - Land vehicles, A<sub>8</sub> - Fire and natural disasters (outside insurable goods of classes A<sub>3</sub> and A<sub>7</sub>) totaling approximately 86% of the total gross premiums subscribed for general insurances<sup>1</sup>.

As regards life insurance, 95% of the total gross premiums subscribed are held by classes C<sub>1</sub> - Life insurance, annuities and additional life insurance and C<sub>3</sub> - Life insurance and annuities, related to investment funds. In the case of life insurance, in addition to the gross indemnities, insurers are still required to pay certain amounts of money to the insured under the name of maturities or redemptions. In 2018, the value of the redemptions, maturities and gross indemnities (related to life insurance) paid by the Romanian insurance companies reached about 184,615,225 lei, registering an increase of about 18% compared to 2017.

The gross indemnities, maturities and repayments paid for life insurance represented, in the first quarter of 2019, a value of 224,180,990 lei, i.e. 99% of the total gross amounts paid by 10 life insurance companies.

The competition that resides in the activities of the entire insurance market is based (for a series of general insurance products, such as catastrophe insurance or civil liability insurance) on the risk management strategy by using various forms of assignment contracts in reinsurance so that, at the end of the first quarter of 2019, about 39.76% of the gross subscribed premiums were transferred to reinsurance.

---

<sup>1</sup> Revista Piața Financiară, nr. 06(283)/iunie 2019, pp. 48.

Compulsory RCA insurance has represented in recent years and is still one of the most discussed topics. In order to eliminate the long-standing disturbances, two years ago the legislation regarding the RCA insurance has undergone some changes. Given the fact that Romania has been a member of the European Union for 12 years, the legislation regarding this segment of insurance is expected to comply with the norms supported by the U.E. So, in 2018, our country received a warning from the European Commission regarding the changes made in 2017 and was advised to find the most appropriate procedures to align the RCA compulsory insurance legislation with the EU rules.

The fact that, nowadays, individuals have the possibility to conclude an RCA policy for only 30 days / month is a major dysfunction because, without an automatic renewal, this possibility offered to individuals can in time lead to a decrease in the degree of coverage with RCA.

Most people who buy an insurance policy with a validity of only one month have the impression that in this way they will postpone making a payment with an average cost.

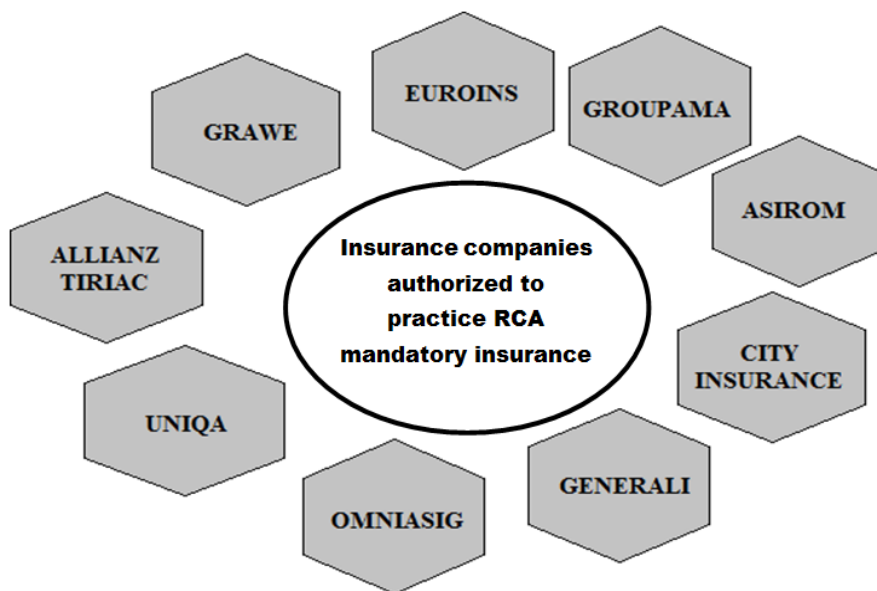
Monthly renewal of RCA insurance represents:

- a disadvantage for individuals because for the same period of time they pay a higher rate;
- an advantage for the providers of this type of insurance because they obtain a better price for the same period of time.

Also, we can see that the policy rate is calculated both according to the characteristics of the vehicle and also according to the characteristics of the insured. The following are very important for the vehicle: type, engine power, cylindrical capacity, number of seats and mass. As far as the insured person is concerned, age matters and whether he is a natural or legal person.

Another significant change made to the compulsory insurance RCA by Law no.132 / 2017 is the introduction of the insured's right to be announced a few days before (30 days) the termination of the contract on the possibility of renewing it. This change is one beneficial both for policyholders and insurers. We say this because the value of the gross premiums subscribed by the insurers could increase, while the insured, knowing the date of termination of the insurance policy and renewing it, would no longer be subject to the risk of being penalized because they do not have a valid insurance policy.

In order to provide information as efficiently as possible, an application could be created whereby insurers are notified about the RCA insurance contract date of termination, and not only, could this application provide information on all types of insurance held by a person. Also, the insured person can be informed by email, SMS, phone call or post. A very important thing to mention is that insurers must give insureds the opportunity to choose which way they want to be informed because there are people who, for example, do not know how to use an application or do not have internet access. This measure may lead to an increase in coverage if properly implemented. If we talk about the insurance companies that are authorized to practice this type of insurance, we can say that on March 31, 2019, there were only nine such companies on the Romanian insurance market. (Figure 1).



**Figure 1: Companies practicing compulsory RCA insurance**

On the RCA market, dominated at the end of the first quarter of 2019 by the companies with the highest weight, respectively City Insurance, Euroins and Omnia Sig Vienna Insurance Group SA, 63,464 direct settlement clauses were concluded, the related gross premiums amounting to 5,980,405 lei.

Currently, Romania is one of the most exposed countries in terms of earthquakes, floods and landslides.

For example, our country is, at worldwide level, in the top 10 countries and on the third place at European level in terms of seismic risk. In 2018 alone, there were about 300 earthquakes of small and medium magnitude, but also the strongest earthquake in the last 15 years, which had a magnitude of 5.8 degrees on the Richter scale (Buzău County).

While most Romanians fear an earthquake, they occupy some of the last places in terms of providing housing insurance against earthquakes, floods and landslides. In other words, it seems that they are not really aware of the seriousness of such events. Most of the time, the production of such events creates significant damages, which are difficult to cover or even impossible in a short period of time.

In order to protect the population against these catastrophic risks, an insurance-reinsurance company formed by the association of 12 insurance companies for the conclusion of compulsory home insurance was born in 2009. This insurance company is known as the Natural Disaster Insurance Pool (PAID) and was intended to increase the percentage of insured homes.

As the years went by, it was found that the percentage of insured homes did not increase but, on the contrary, it decreased dramatically from almost 40% in 2009 to about 19% in 2018.

In this case, we can say that the Natural Disaster Insurance Pool has not fulfilled the mission for which it was created, namely, to increase the number of houses that are insured against earthquakes, landslides and floods.

**Table no.1: Earthquake and flood risk in Romania**

| Nr. crt. | Județ           | % locuințe asigurate | Risc cutremur | Risc inundații | Salariu mediu net (lei) |
|----------|-----------------|----------------------|---------------|----------------|-------------------------|
| 1.       | București       | 38%                  | very big      | very small     | 3.535                   |
| 2.       | Timiș           | 30%                  | very small    | middle         | 2.940                   |
| 3.       | Sibiu           | 23%                  | small         | small          | 2.792                   |
| 4.       | Prahova         | 22,3%                | very big      | very big       | 2.467                   |
| 5.       | Constanța       | 22%                  | big           | big            | 2.353                   |
| 6.       | Cluj            | 21%                  | small         | middle         | 3.065                   |
| 7.       | Covasna         | 21%                  | middle        | middle         | 2.234                   |
| 8.       | Bistrița-Năsăud | 19,5%                | small         | very small     | 2.115                   |
| 9.       | Arad            | 19%                  | very small    | small          | 2.408                   |
| 10.      | Mureș           | 19%                  | small         | big            | 2.516                   |
| 11.      | Galați          | 18%                  | very big      | very big       | 2.421                   |
| 12.      | Caraș-Severin   | 17,4%                | middle        | big            | 2.121                   |
| 13.      | Iași            | 17%                  | big           | middle         | 2.664                   |
| 14.      | Suceava         | 17%                  | middle        | small          | 2.058                   |
| 15.      | Hunedoara       | 16,4%                | small         | small          | 2.185                   |
| 16.      | Bacău           | 16,2%                | middle        | middle         | 2.391                   |
| 17.      | Brăila          | 16,1%                | big           | middle         | 2.146                   |
| 18.      | Buzău           | 15,6%                | very big      | middle         | 2.192                   |
| 19.      | Satu Mare       | 15,5%                | very small    | very big       | 2.180                   |
| 20.      | Argeș           | 15,3%                | big           | middle         | 2.518                   |
| 21.      | Teleorman       | 15%                  | very big      | very big       | 2.188                   |
| 22.      | Tulcea          | 15%                  | middle        | very big       | 2.199                   |
| 23.      | Vrancea         | 15%                  | very big      | big            | 2.136                   |
| 24.      | Alba            | 14,8%                | middle        | middle         | 2.400                   |
| 25.      | Maramureș       | 14,5%                | very small    | middle         | 2.177                   |
| 26.      | Bihor           | 14%                  | small         | middle         | 2.207                   |
| 27.      | Sălaj           | 14%                  | small         | big            | 2.308                   |
| 28.      | Dolj            | 13%                  | big           | big            | 2.421                   |
| 29.      | Harghita        | 13%                  | middle        | big            | 2.105                   |
| 30.      | Neamț           | 13%                  | very big      | big            | 2.105                   |
| 31.      | Vâlcea          | 13%                  | small         | middle         | 2.198                   |
| 32.      | Giurgiu         | 12,3%                | big           | big            | 2.408                   |
| 33.      | Ialomița        | 12%                  | very big      | big            | 2.208                   |
| 34.      | Dâmbovița       | 11,5%                | small         | middle         | 2.354                   |
| 35.      | Botoșani        | 8,8%                 | middle        | small          | 2.070                   |
| 36.      | Gorj            | 8,7%                 | middle        | small          | 2.407                   |
| 37.      | Mehedinți       | 8,4%                 | small         | big            | 2.393                   |
| 38.      | Olt             | 8%                   | big           | very big       | 2.444                   |
| 39.      | Vaslui          | 8%                   | big           | big            | 2.131                   |

*Source: Capital Newspaper, Nr. 11 (1272), March 19-25, 2018*

In Romania, unfortunately, the regions where the risk of earthquake and floods is the highest, are also the least insured (Table 1). For example, Neamt, Giurgiu, Ialomița, Olt and Vaslui counties, although they are at high or very high risk of earthquake and floods, they have a percentage of insured houses less than 15%. At the opposite pole, are Bucharest, Timiș, Sibiu, Prahova and Constanța, which have a percentage of homes insured by at least 22%. (Source: Capital Newspaper, Nr. 11 (1272), March 19-25, 2018)

Over time, these differences were due to the level of income from one region to another. Indeed, there is a big difference between the most insured counties and the least insured counties in terms of the average net salary, but there are counties that, although they do not have the average net salary higher than 2,500 lei, are in the top 5 most insured counties (Prahova, Constanța).

In our opinion, the factors that lead to the existence of such a small number of insured homes, at national level, could be:

- lack of information of the population. Unfortunately, a large part of the population is still unaware of the existence of a law on compulsory home insurance. This misinformation exists, especially in the rural area, where there is the highest risk of floods and landslides;
- mentality of the people. Although they are aware that an earthquake may occur at any time or due to extreme weather events, floods or landslides may occur, people find that there is very little likelihood of this happening to them;
- lack of involvement of the authorities. The public institution which should encourage, in my view, the conclusion of compulsory home insurance policies and at the same time comply with the law, is the town/city hall. This institution should check the homes in each locality and, in the case of uninsured homes, take measures according to the law. Also, the authorities should organize public awareness campaigns regarding the need to contract insurance that is meant to protect their home.

Compared to 2017, 2018 was a good year in terms of compulsory home insurance because of an increase in both the number of insurance contracts and the value of the gross premiums subscribed.

The compulsory housing insurance, as well as the optional ones, registered at the end of the first quarter of 2019 an increase in the number of contracts, the gross premiums subscribed and the gross indemnities paid.

And at the end of the first quarter of 2019, health insurance registered an increase of the gross premiums subscribed by about 20% compared to the same period of 2018, and most of the contracts in force totaling 372,847, that is about 95% of the total contracts, concluded for health insurance.

An important role on the insurance market that contributes to boosting the competitiveness and the supply of products is played by the insurance brokers whose brokerage activity was in the first quarter of 2019 at approximately 62% of the total volume of gross premiums subscribed by insurers for general insurances and life insurance.

A significant share in the structure of the premiums intermediated by insurance and / or reinsurance brokers can be observed in class A<sub>10</sub> - Civil liability insurance for vehicles, in class A<sub>3</sub> - Insurance of land means of transport (CASCO) and class A<sub>8</sub> - Fire and other natural disasters, but also a positive change can be noted in the activity of

intermediation by life insurance classes, such as class C<sub>1</sub> - Life insurance, annuities and additional life insurance and class C<sub>3</sub> - Life insurance and annuities, which are related to investment funds.

The insurance brokers, representing the insured's interests, come to his assistance advising him in the purchase of the insurance policy adapted to the needs of the insured person, conclude insurance contracts and manage the damages at the occurrence of the production of the insured risk. The competition between the companies in the insurance industry is based on the management of each insurance company that channels its efforts to promote a variety of products for the benefit of the clients, in attracting them through some information and explanation policy that will raise the awareness of the need for protection in order to make a responsible decision.

Some consumers are buying less and less life insurance and annuities being inclined to invest in travel and recreation, which forces insurers to adopt a strategy aimed at developing new and accessible relevant products. It is worth mentioning the new product launched at the beginning of 2019 by Eurolife Asigurări, the first policy in Romania dedicated to the protection of customers who purchase tickets online for shows, cultural and sporting events, a product developed in partnership with the online platform [www.bilete.ro](http://www.bilete.ro), which ensures full return of ticket costs when an unforeseen event (family, medical, road accident) prevents the buyer from reaching the show.

An important mention must be made about cyber risk management. The insurance market against cyber risks is undergoing continuous development, the estimates for 2020 indicating a volume of premiums, at global level, of approximately USD 7.5 billion, and they could reach a volume of gross premiums subscribed of € 25 million in 2025 on the insurance market in Romania. The need to accelerate cyber-protection measures involves counteracting attacks and must be based on knowledge of threats, assessment of potential financial impact and clear actions if, for example, we refer to the health field, one of the most targeted areas, where the attacks are not only causing financial loss and loss of patient information databases, but can seriously affect the lives of patients.

### **3. CONCLUSIONS**

The insurance market in Romania has followed a development trend based on an adequate financial education, interaction with customers, advanced platforms and technologies. Insurers need to be focused on innovation directions even if they face regulatory issues, the outdated distribution system or the lack of attractive products for the constantly changing customer needs. The main objective of the insurance companies is to be as close as possible to the customers through useful services, which are compatible with their needs.

The benefits of insurance products should be understood by all in order to increase the awareness of customers, but products aimed at the young, who understand the need for protection, should be launched. From the insurer's perspective, in addition to the advisory activity, it is necessary to encourage the purchase of products, especially in the case of life insurance, that safety pillar, useful at all stages of a client's life in order to build a career, to establish a family or to prepare for the retirement stage, because this insurance means not only pure protection, but also has a saving or investment component.

## REFERENCES

1. Achim, M. L. Asigurările de bunuri și persoane în economia cunoașterii, Ed. Economică, 2008.
2. Dumitrașcu, R. Produse și servicii de asigurări, Ed. Universitară București, 2014. A.
3. Mangra, M.G., Insurance, Reinsurance and General Inventory of Economic Entities, Dumitru, A. LAP - Lambert Academic Publishing, Saarbrucken Germany, 2015.
4. Negru, T. Economia Asigurărilor – Metode, tehnici, soluții, Wolters Kluwer, România, 2010.
5. Simion D., Tobă D. Analyzing the relationship between intellectual capital and organizational performance, International Conference Competitiveness and Stability in the Knowledge- Based Economy, 8th iConEc Conference, Craiova, 2016, p.21.
6. Simionescu, M., Popescu, J., GDP in CEE-5 Countries”, Transformations in Business & Economics, Vol. 18, No 2A(47A), pp.416-430. N.-L.
7. Vărzaru, A.A. Social management control-decisive factor for the organizational performance, Annals of the University of Petroșani. Economics, vol.17/2017, pp. 295-306.
8. \*\*\* Tribuna Economică, ianuarie-martie, 2019.
9. \*\*\* Piața Financiară, nr. 1,2,3,6/2019.