

THE NECESSITY TO INTRODUCE COMPULSORY DWELLING INSURANCES IN ROMANIA

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Abstract: The hereby paper concerns the importance of introduction of compulsory dwelling insurances against natural disasters. By finalizing the contract of compulsory insurance, the insured person beneficiaries, in the case of production of the risk insured, of support for the reconstruction of the destroyed dwelling. The insurance companies accumulate a huge potential of sale for the compulsory and optional dwelling insurances and realize profits. This new type of insurance is administered by PAID (Pool of Insurance Against Disasters) formed by the association of the insurance companies authorized to finalize compulsory dwelling insurances. The strategy of some companies consists in selling in package the compulsory dwelling insurance and the compulsory car insurances of RCA type, strategy which anticipates the application of the Law of compulsory dwelling insurances.

The money compensation for damages, after the production of some events constitutes an important function of the insurances.

The lack of an adequate education among the population due to its low level of interest or misunderstanding of the role and necessity of insurance, corroborated, mostly, with the poor financial situation has had as an effect the polarization of the population's interest first of all towards the car insurance. The European peer-review experts appreciated positively, in 2006 in Bucharest, the tendency of growth in the number of RCA insured auto-vehicles, observing that 87% of the vehicles are insured, demonstrating by the insurance policy and the vignette the quality of insured person of the owner of the vehicle. The various events from the last years, like floods or landslides, have led to the initialization by MAI specialists of a project of law regarding the compulsory dwelling insurance against natural disasters.

In order to establish which are the areas of risk, MAI (Ministry of Administration and Interns) started an auction, supported with funds from the International Bank, in order to select an international company which will realize 'the risk map' in case of calamities for Romania. After the covering option will be chose, there will be selected the insurance companies that will be assigned to insure compulsory the population's dwellings. These will have to possess financial resources and solvability indexes sufficiently strong enough to guarantee the safety of the insured person.

The legislative application had in view, starting with January 1st, 2007, the obligation of natural or juridical persons to insure their dwellings, the amount of the insurance depending on the nature of the construction materials. The insurance bonus is of 20 euro per year for the dwellings of reinforced-concrete or metal or brick walls, insured to 20000 euro and of 10 euro per year for the dwellings of wood walls, natural stone, burned brick etc., insured to 10000 euro.

The natural persons who benefit from social support will be exempt from paying the annual bonus this being supported by the local budgets of the authorities. For the dwellings that are in the state's property or of the territorial administrative units, the obligation to finalize an insurance contract will revert to the persons or authorities designated to administer them. There are exempted from finalizing insurance contracts the places used for intervention and those of necessity.

In the case of the dwellings that are the object of a leasing contract, the owner will have the obligation to pay the insurance bonus against natural disasters (earthquake, landslides or floods).

For the constructions designated for dwelling that are in joint possession there will be finalized only one contract of compulsory insurance, irrespective of the number of joint proprietors.

In this case, it will be paid only one insurance bonus, and its percentage, due to each co-insured person, will be established reported to the quota from joint possession that corresponds to that person.

The natural and juridical persons will not be obliged to finalize insurance contracts for the outhouses that do not form a common body with the dwelling and neither for the goods within it. For the compulsory dwelling insurance it was proposed in 2006 the foundation of the Pool of Insurance Against Disasters (PAID), as stock-company, by the affiliation of the authorized insurance companies (17 companies), that shall finalize compulsory dwelling insurances and to take over catastrophic risks. The owners of the dwellings will be able to finalize insurance contracts only with insurance companies authorized by the Commission of Surveillance of Insurances (CSA) that are part of PAID and are accredited to finalize such contracts.

The refusal of the insured person to insure the dwelling is a contravention sanctioned with a fine between 100-500 lei, and for the insuring person the fine is of 500-1000 lei.

Any dwelling can be insured to a minimum amount or a bigger value but according to the specific regulations of insurances.

If in the West the private property represents 45-65%, and the dwellings are insured to approximately 100%, in Romania the private property represents 85% from the dwellings but only 10% from them are insured.

The big insurance companies offer to the insured person the possibility to choose for an optimal insurance, the value of the amount insured as well as the price of the insurance bonus being agreed between the two partners of the insurance contract.

The specialists from the insurance domain appreciate that during the last years the demand for optional insurance policies has raised in the urban environment while in the rural environment it is maintained to a low level.

The volume of gross bonuses subscribed annually per citizen in Romania is 35 times less than in the Western European countries.

The introduction of compulsory dwelling insurances encounters an impediment in the owner's refusal to insure his/her dwellings, other goods and even hi/her health.

In the case of a compulsory insurance is possible that a small percentage of owners be willing to finalize such an insurance, taking into account the small amount of indemnities.

Many of those who possess dwellings with big value might prefer an optional insurance with an amount of indemnity that will cover at least the real value of the immobile.

Also, an optional insurance for the dwelling can cover also the risks for other causes, not only the natural ones, such as theft or deterioration of the building from other reasons.

Moreover, an optional insurance for the dwelling can also cover the goods that are inside a building, whose values can be, in many cases, impressive.

The owners of an optional dwelling insurance who also cover for the risks of natural disasters do not have to finalize a compulsory insurance. According to the analysts in order to function the new law of compulsory insurances it is necessary that at least 80% from the nine millions of dwellings be insured.

The Commission of Surveillance of Insurances has come with a proposition, that aims to, for the citizens of Bucharest, the compulsory insurance of dwellings, the bonuses being payable once with the local taxes, than the proposition was extended to the country entire level, the compulsory insurance covering the risks produced by natural disasters.

The representatives of the Commission of Surveillance of Insurances (CSA) appreciates the fact that though the majority of Romanians do not wish that the law be introduced, they do not acknowledge the existence of risks, because of the lack of education and culture about this subject. In the project initiated by CSA it is taken into account the possibility that the local authorities decide the character of obligation of insurances against natural calamities according to the particularities of each area and the local exposure to risk.

In 2002 the Năstase Government proposed a project of law regarding the introduction of compulsory dwelling insurances by a company of insurances within which the majority of stocks were possessed by CEC. The project also foresaw subventions for the unprivileged categories, but it was not put into application, in the context of the critics brought by representatives of the political environment as well as those of the companies in the field.

The fact that there were not found solutions to oblige the citizens to insure themselves has led to the apparition of juridical problems that the Romanian authorities have encountered when they started to elaborate the legislation for this field.

In conclusion, we can say that it could not be imposed to the owners the obligation to insure the goods especially for dwellings, for as long as 10% from the private properties are insured. The motivation is to be found in the lack of information regarding the scope of insurances, that is that to support the citizens in the reconstruction of the dwellings destroyed by natural disasters and to have the costs of reconstruction covered.

The fight for the compulsory dwelling insurance shows that the insurance companies are very interested because the dwelling insurances are more profitable than, for example, those for vehicles. The insurance policies will be issued by the insurance companies, these being also the responsible entities for the evaluation of damages and payment of indemnities to the insured persons. The insurance companies will form, at the same time, a society of insurance-reinsurance that will have as main attribution the administration of the relationships with the reinsuring persons. It is estimated that the value of the bonuses subscribed after the introduction of the law regarding the compulsory dwelling insurance will reach over 150 millions of euro annually. On the other hand, the amount of medium annual losses resulted after the realization, for example, of floods is raised up to approximately 20 millions of euro, than the approximate 105 billions of euro that is the amount of losses in the case of earthquakes,

amounts that can be covered by the budgets of the insurance companies that have assumed the risks in the case of production of natural disasters and have evaluated the eventual indemnities that would have to pay. The adoption, during the session of August 28th, 2007, by the government of the project of law regarding the compulsory dwelling insurance was imposed as consequence of the fact that Romania is one of the European countries that are exposed significantly to natural disasters, especially earthquakes and floods, these often causing human losses and material damages whose economic and social costs are very high.

The objective of this normative act, to which elaboration was taken into account the population's and the Government's interests, as well as those of the local authorities, is that to support the citizens in the reconstruction of the destroyed dwellings that were caused by natural disasters, by covering the costs of reconstruction as consequence of the generalization of the dwelling insurance actions.

Taking into account the seriousness of the meteorological phenomena that affected Romania lately, the high costs of the reconstruction of the destroyed goods, the Romanian Government considered necessary the adoption, as soon as possible, of this normative act that will regulate the conditions of compulsory dwelling insurances against natural disasters.

The project of law regarding the compulsory dwelling insurance was elaborated with the participation of the representatives of the general insurance companies that develop their activity on the territory of Romania. There have been consulted also the National Union of Brokers of Insurances from Romania, the Parliament of Romania (the Commissions of budget-finances within the Chamber of Deputies and Senate), the National Union of Insurance Companies from Romania, the representative structure of associated owners, insurance companies that are not members of the National Union of Insurance Companies from Romania. The law of compulsory dwelling insurance will be effective after its approval by the parliament.

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