

THE PRIVATE HEALTH INSURANCE MARKET IN ROMANIA – PAST, PRESENT AND FUTURE

Lect. Ioan Alin NISTOR, PhD

Assist. Prof. Viorela Ligia VĂIDEAN, PhD student

“Babeş-Bolyai” University, Cluj Napoca

1. Introduction

The global financial and economic crisis is felt in almost all the companies that operate on the European financial and insurance markets. The European insurance and re-insurance industry has registered a significant decrease of the investments and a reduction of certain insurance lines' weight within the portfolio.

In Romania the contributions to the insurance companies are not guaranteed in case of financial problems as it happens with deposits. Moreover, the Romanian insurance companies are mainly owned by the major heavily involved insurers of the worldwide global financial markets that presently find themselves in acute crisis period.

Considering these circumstances, many people have waived their insurance contracts and further withdrew money with the rigor losses and placed them into a bank deposit, which, at least theoretically, is a safer option than pitching them within an insurance contract. So, the Romanian insurance market has gone down in the last years, decreasing the private health insurance subscriptions as well.

The crisis has strongly affected the profit margins of insurers and has hit the life insurance sector, which could only be supported by the state by introducing the *deductibility of premiums*. In Romania, the premiums paid for life insurances are not deductible from taxes, compared with other countries that have benefited from such deductibilities for

several years by now. But the Ministry of Finance, the institution that could change this situation, says the Romanian fiscal system does not allow the introduction of such incentives¹.

2. Characteristics of the private health insurance market in Romania

Unfortunately, the Romanian private health insurance market rounds up to an annual figure of only a couple of millions euro, due to the lack of financial and sanitary education, low incomes, lack of fiscal stimulants and the present financial crisis. It's considered that only about 10% of the country's population owns a private health insurance or a subscription to a private medical centre.

We've considered of a great interest an analysis regarding the evolution of the private health insurance market in Romania, for the 2001-2009 period, according to tables no. 1 and 2.

The first period that we have considered is the 2001-2004 time interval, the data being available starting with the 2001 first annual report of the Insurance Supervisory Commission (ISC). The private health care insurance market developed slowly. For 2004, the market leader of the Romanian private health insurances was Carpatica Asigurări, with a market share of 23,13%, determined as a ratio of the subscribed gross insurance premiums for general

¹ Ciumaş C., Nistor I., Dragoş S., Văidean V., *The Potential Effects of the Crisis – the Romanian Insurance Market, The Financial and Economic Crisis-Causes, Effects and Solutions* Alma Mater Publishing House, Cluj-Napoca, 2009, pag. 132-135

insurances. The market co-leaders were 12,50% and 11,45% respectively. ING Nederlanden and ASTRA with

Table no. 1. The evolution of the private health insurances market in Romania, 2001-2004

| Indicator | 2001 | 2002 | 2003 | 2004 |
|--|--------|--------|--------|--------|
| The weight of the health insurance subscribed premiums in the total subscribed premiums for general insurances | 0.23% | 1.05% | 0.81% | 1.17% |
| The market share determined from the gross subscribed premiums from general insurances | | | | |
| AIG România | 25.17% | 0.01% | - | - |
| ARDAF | 45.01% | 24.32% | 17.43% | 10.75% |
| ASIROM | 0.34% | 23.49% | 18.59% | 10.51% |
| MEDAS | 0.80% | 0.40% | - | 3.44% |
| UNITA | 28.68% | 16.42% | 13.98% | 6.57% |
| ASIBAN | - | 2.55% | 3.78% | 2.08% |
| CROMA | - | 0.005% | - | - |
| METROPOL | - | 8.195% | - | - |
| OMNIASIG | - | 22.63% | 16.70% | 9.81% |
| OMNIASIG VIAȚĂ | - | 0.84% | 0.97% | 0.57% |
| PETROAS | - | 0.50% | - | - |
| SAR Transilvania | - | 0.64% | 0.82% | - |
| ASTRA | - | - | 0.33% | 11.45% |
| Generali | - | - | 3.95% | 1.97% |
| ING Nederlanden | - | - | 13.61% | 12.50% |
| Omniasig Addenda | - | - | 0.08% | 0.53% |
| RAI | - | - | 2.17% | 1.98% |
| Mondial | - | - | 7.59% | - |
| CARPATICA ASIG | - | - | - | 23.13% |
| ASIMED | - | - | - | 2.33% |
| AGRAS | - | - | - | 1.38% |
| BT Transilvania Asigurări | - | - | - | 1.02% |
| ASITRANS | - | - | - | 0.02% |

Source: Authors' processing from the 2001-2004 annual Reports of the ISC
<http://csa-isc.ro/eng/>

We may also notice an increase of the number of societies that include the private health insurances in their offer portfolio, an extremely good situation for

the development of this insurance market segment.

Table no. 2. The evolution of the private health insurances market in Romania, 2005-2009

| Indicator | 2005 | 2006 | 2007 | 2008 | 2009 |
|--|--------|--------|--------|--------|--------|
| The weight of the health insurance subscribed premiums in the total subscribed premiums for general insurances | 0.56% | 0.65% | 0.41% | 0.39% | 0.34% |
| The market share determined from the gross subscribed premiums from general insurances | | | | | |
| ARDAF S.A. | 20.45% | 11.71% | - | - | - |
| AGRAS | 1.87% | - | - | - | - |
| ASIBAN S.A. | 0.25% | 0.05% | 0.03% | 0.04% | 0.03% |
| ASIMED S.A. | 3.91% | 2.86% | 2.88% | 2.89% | 3.28% |
| ASIROM S.A. | 19.54% | 11.51% | 11.12% | 10.15% | 8.68% |
| ASITRANS | 0.50% | 0.03% | 0.04% | - | - |
| ASTRA S.A. | 22.34% | 13.08% | 11.17% | 0.16% | - |
| BT Asigurări Transilvania | 5.06% | 12.35% | - | - | - |
| GARANTA ASIGURĂRI S.A. | 0.65% | 0.66% | 0.42% | 0.35% | 0.30% |
| INTERAMERICAN | 5.68% | 8.72% | 28.40% | - | - |
| MEDAS | 6.48% | - | - | - | - |
| OMNIASIG ADDENDA | 1.09% | - | - | - | - |
| ROUMANIE ASSURANCE INTERNATIONAL S.A. | 2.81% | 0.54% | 0.30% | 0.25% | 0.14% |
| UNIQA ASIGURĂRI S.A. | 9.38% | 6.86% | 8.11% | 6.94% | 7.55% |
| ALLIANZ-ȚIRIAC ASIGURĂRI S.A. | - | 31.63% | 37.49% | 36.86% | 39.31% |
| BCR Asigurări | - | - | 0.04% | 3.33% | -1.52% |
| CARPATICA ASIG | - | - | - | 2.57% | - |
| EUREKO ASIGURĂRI S.A. | - | - | - | 36.40% | 39.03% |
| EUROINS ROMÂNIA S.A. | - | - | - | 0.06% | 0.14% |
| GROUPAMA ASIGURĂRI S.A. | - | - | - | - | 0.01% |

Source: Authors' processing from the 2005-2009 annual Reports of the ISC
<http://csa-isc.ro/eng/>

For the last five year period (the 2005-2009 period), the volume of gross subscribed premiums for this segment registered a slight increase in absolute figures, but from the relative point of view, the weight of these insurances in the total gross subscribed premiums for general insurances was diminished, getting to represent just 0.34% of the 2009 insurance market, according to table no.2.

The 2009 market leader is ALLIANZ-TIRIAC ASIGURĂRI S.A., having kept its market position for four years. The market co-leader is EUREKO ASIGURĂRI S.A. Basically Eureka (Holland) has been the main shareholder of Interamerican since 2001. The Interamerican Group, that had held up to 2007 an insurance company and a private pension company, underwent a re-branding process at the beginning of 2008, changing its name to Eureka.

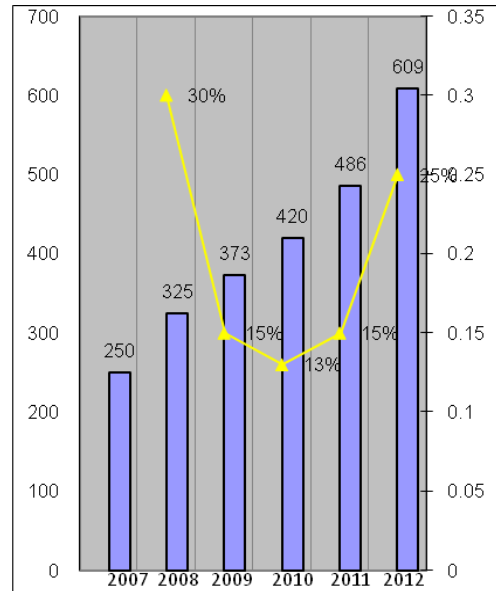
Important market shares are held by ASIROM S.A. and UNIQA ASIGURĂRI S.A. respectively. UNIQA Asigurari S.A. has been, since April 6th 2009, the new name of the SC Unita VIG SA company, because at the end of 2008, UNIQA Group bought the whole share package of the company.

For the upcoming future, percentage increases of the private medical services sector are expected, according to the British PMR² market research company, considering the fact that more and more people are less satisfied by the public medical services. These aspects are revealed by the foreseen evolution of the private health insurance market from figure no. 1.

The increase of the private sector should be determined by the under-financing of the public medical

system as well, because the quality of the medical care given in public hospitals has decreased continuously, so people might start to consider the private healthcare environment.

Figure no. 1 The value –million euros- and increase rate -%- of the private health insurance market in Romania for 2007-2012



Source:

http://www.pmrpublications.com/_i/images/2010-private-big.jpg

In 2009, 380.000 people owned subscriptions to private medical units from Romania that would guarantee just a minimum set of services, while the more complex medical treatments are billed separately. Most subscriptions are for dental care, general analysis, gynaecology and maternity.

3. Conclusions

The development of the Romanian private healthcare market heavily relies on the development of private hospitals. But, according to the same cited study, just 12% of this market, with a 400 million euro potential, may be finished by 2012

² PMR, British research and counseling company, *Private healthcare market in Romania 2010. Development forecasts for 2010-2012*, PMR press release 2010, http://www.pmrpublications.com/press_room/en_-Private-healthcare-market-in-Romania-2010_-growth-to-be-driven-by-health-insurance.html

Although life insurances have existed on the Romanian market for over ten years, so far insurance companies have not managed to obtain tax deductibility of premiums. The possibility of introducing such deductibilities for the private health insurances would boost this segment as well.

A recent World Bank study revealed the fact that three out of five Romanians offer extra sums of money to the doctors of the public system in order to benefit from a better medical service. The conclusion of the study was the fact that the Romanians' attitude towards informal payments in the medical system is a natural one. Nevertheless, the development of the

private healthcare system would represent a piece of means for the people to change their mentalities.

The Romanian private health insurance sector is almost inexistent. Till now, only a few insurance companies dared to offer insurance contracts that guarantee a human treatment in the hospital, without buying it "out of the pocket". At present, the number of people that have subscribed for a private health insurance is relatively low, of just tens of thousands people. Besides these, there's a wider category of people that hold a private health subscription (380.000 people in 2009). Anyway, the private health insurance market's growing potential is huge.

REFERENCES

| | |
|---|---|
| Gapenski, L.C. | <i>Fundamentals of Healthcare Finance</i> , Gateway to Healthcare Management, Health Administration Press, Chicago, 2009 |
| Ciumaş C., Nistor I., Dragoş S., Văidean V.L. | <i>The Potential Effects of the Crisis – the Romanian Insurance Market, The Financial and Economic Crisis-Causes, Effects and Solutions</i> Alma Mater Publishing House, Cluj-Napoca, 2009, pag. 132-135 |
| Ciumaş C., Nistor I., Cumpănaşu E., Văidean V.-L. | <i>The Romanian Insurance Market and the Potential Effects of the Crisis upon it, Analele Universităţii din Oradea</i> , TOM XVIII, Volume 3, Finances, Banks and Accountancy, Oradea 2009, pag.127-131 |
| ***** | http://csa-isc.ro/eng/ |
| ***** | http://www.pmrpublications.com/press_room/en_-Private-healthcare-market-in-Romania-2010_-growth-to-be-driven-by-health-insurance.html |
| ***** | Health Consumer Powerhouse, <i>Euro Health Consumer Index 2009</i> Report |