

THE NEW DIMENSIONS OF THE INSURANCE MARKET IN ROMANIA IN THE CONDITIONS OF FINANCIAL CRISIS

CRISTINA MIHAELA NAGY

"TIBISCUS" UNIVERSITY OF TIMIȘOARA, FACULTY OF ECONOMICS, 1A DALIEI STREET,
TIMIȘOARA, 300558, ROMANIA, e-mail: cristinanagy2009@yahoo.com

Abstract:

Insurance in modern society has developed both because of the awareness of risks and increase of their range, as a result of new techniques and technologies, explosive growth in transport, as well as other economic and social issues arising from growth and complexity generating stress of daily life. In Romania in 2009 the volume of subscribed gross premiums decreased, the Romanian insurance market is influenced by the global and European insurance market.

Key words: *insurance, the insurance market size, the volume of collected insurance premiums*

JEL classification: G22

Any person, organization or company is affected by the risks that are defined as something future and uncertain, but if it will produce, it will generate a loss. In a world with high dynamics, in which developments and events are difficult to anticipate, insurances provide the safety that, in the event of losses, they guarantees the partial or total recovery of damages.

Assessing the situation of the insurance market can be achieved by presenting some quantitative indicators that reflect the importance of the insurance sector in the national economy as well as some qualitative indicators.

The insurance market size is expressed using several indicators including¹:

- ▣ number of contracts concluded in a particular branch or sub-branch of insurance;
- ▣ volume of collected insurance premiums;
- ▣ amount of undertaken insurance obligations;
- ▣ amount of paid indemnities etc.

The volume of collected insurance premiums is one of the main indicators, which emphasize extending the category of insurances practiced by the insurance company. The collected insurance premiums are used for setting the insurance fund used to pay claims and the amounts insured. Therefore, it is necessary to know the insurable objects and to determine, well substantiated and scientifically, the insurance premiums. The volume of the collected insurance premium indicator provides a conclusive image about the absorption capacity of the insurance market.

The total volume of subscribed insurance premiums expresses absolutely the insurance market size; its growth reflects both the increased supply of insurance companies, as well as an increased demand for insurance from those who want to ensure themselves.

¹ Bistriceanu Gheorghe D. - *Asigurări și reasigurări în România*, Editura Universitara, București, 2006, p.478-480, și Negru Titel – *Asigurări*, Editura Fundației România de Măine, București, 2007, p.106, Negru Titel – *Asigurările și reasigurările în economie*, Editura C.H. Beck, București, 2008, p. 94

Table no. 1

The dynamic of gross subscribed premiums

Year	Total gross subscribed premiums (lei)	Nominal growth over the previous year (%)	Total gross subscribed premiums for general insurance (lei)	Nominal growth over the previous year (%)	Total gross subscribed premiums for life insurance (lei)	Nominal growth over the previous year (%)
2007	7.175.789.699	-	5.726.752.784	-	1.449.036.915	-
2008	8.936.286.505	24,53	7.068.173.520	23,42	1.868.112.985	28,92
2009	8.869.746.957	-0,74	7.241.584.322	2,45	1.628.162.635	-12,84
2010	8.305.402.152	-6,36	6.639.733.598	-8,31	1.665.668.554	2,30
2011	7.948.069.323	-4,30	6.205.778.912	-6,54	1.742.290.411	4,60

Source: Own processing according to ISC reports from the period 2007-2011

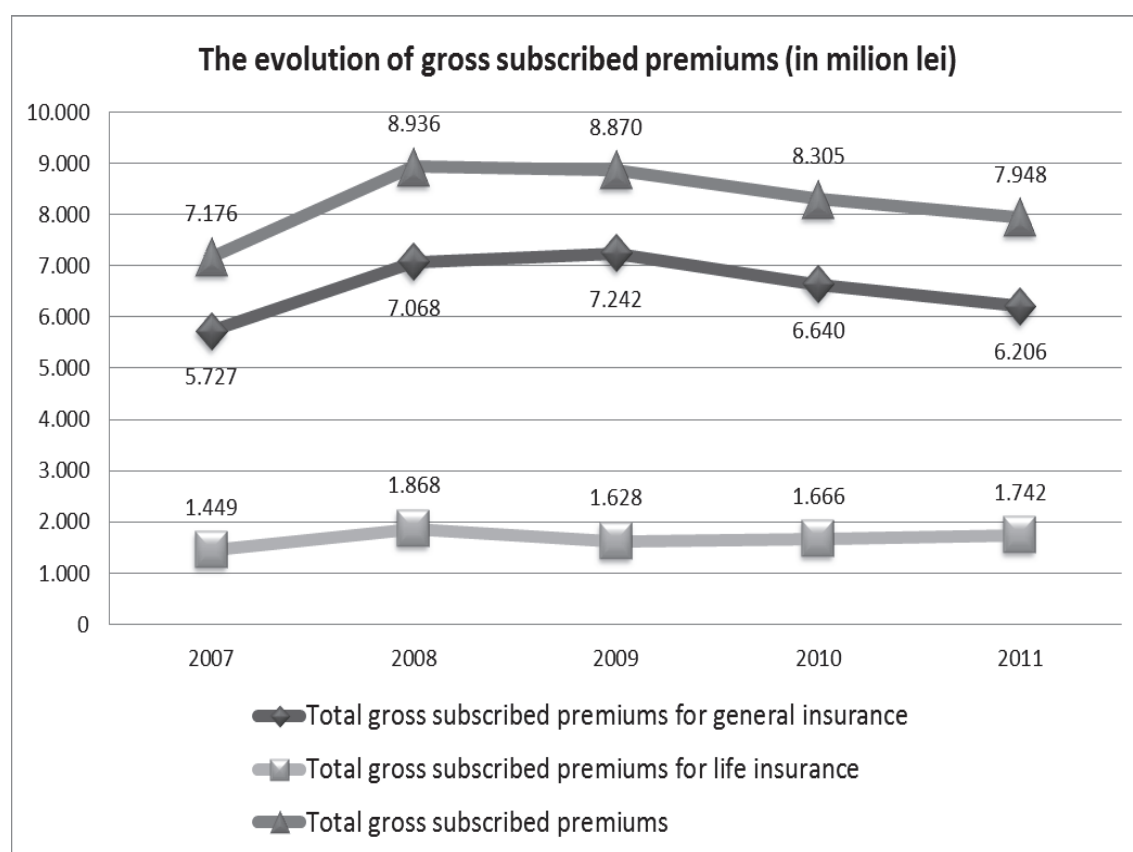


Figure no. 1 The evolution of gross subscribed premiums

Source: Own processing according to ISC reports from the period 2007-2011

Analyzing the data from table no. 1 and figure 1 it can be seen that the value of gross subscribed premiums on the insurance market in Romania has only increased in 2008 compared to 2007, and since 2009 and until 2011 including their value registered a decrease, the largest decrease was registered in the year 2010.

In 2007 the total gross subscribed premiums on the insurance market in Romania has exceeded the value of 7 billion lei, while in 2009 the volume of gross subscribed premiums was about 9 billion lei. The gross premiums subscribed by insurance companies in 2010 decreased by 6.36% in the conditions of economic activity restriction since 2009, but also the unfavorable international climate. They also continued to decline in 2011 with 4.30% compared to 2010.

We also observe that from the total amount of gross subscribed premiums relating to the concluded insurance contracts, the largest share is held by the ones related to general insurance contracts. Of the total volume of gross subscribed premiums relating to insurance contracts concluded in the year 2011, the gross subscribed premiums relating to general insurance contracts amounted to 6,20 billion lei (78,08% of the total), while life insurance generated subscribed premiums in the amount of just 1,74 billion lei (21,92% of the total).

The volume of gross subscribed premiums relating to general insurance contracts amounted in 2007 to 5.7 billion lei and recorded a growth both in 2008 and in 2009, because in Romania mandatory and optional insurance related means of land vehicles had a very high share within general insurance, but in 2010 and 2011, this sector has registered a decrease with 8.31% (in 2010) and 6.54% in 2011.

In 2008 the volume of gross subscribed premiums relating to life insurance contracts has been increasing by 28,92% compared to 2007, and in 2009, due to pronounced economic depreciation and the reduced demand for life insurance products, there has been a decrease in the volume of gross subscribed premiums for life insurance with almost 13% compared with 2008.

CONCLUSIONS

The economic crisis led to decreases especially in subscriptions of life insurance premiums, civil liability, property type, health insurance determined by reduced purchasing power of the population and distrust in the public health system.

In 2009 and 2010, the volume of gross subscribed premiums relating to life insurance contracts began to recover, registering increases of 2.3% and 4.6%.

The effects of the global economic crisis began to be felt in the Romanian economy since the third quarter of 2008, so that the insurance industry in Romania has registered a significant decrease in 2009.

In 2009, the insurance market faced with the deterioration of the economic activity and with tensions in the financial markets, resulting in a decrease of the growth rate for life insurance and a decrease in life insurance, insurance companies being also affected by the economic recession, stock prices depression and the depreciation of the national currency, but they have benefited from substantial returns from investments in government bonds and bank deposits. The main risks for this market were the fragile economic environment and high auto insurance costs. In 2010, the general insurance market felt the decline of the economic activity in terms of lowering the value of gross subscribed premiums, but life insurance market registered a positive evolution, based on the stabilization of the financial markets.

In conclusion, we can say that in Romania, throughout the analyzed period, life insurance market has a weak representation both in terms of gross subscribed premiums (about 22% in 2010 from the total Romanian insurance market), as well as the degree of penetration and low density.

BIBLIOGRAPHY:

1. Bistriceanu Gheorghe D. - Asigurări și reasigurări în România, Editura Universitară, București, 2006
2. Negru Titel – Asigurări, Editura Fundației România de Măine, București, 2007
3. Negru Titel – Asigurările și reasigurările în economie, Editura C.H. Beck, București, 2008
4. *** Rapoartele Comisiei de Supraveghere a Asigurărilor 2007-2011 (Insurance Supervisory Commission reports 2007-2011)