

THE DEVELOPMENT LEVEL OF THE INSURANCE MARKET IN THE EU

CRISTINA MIHAELA NAGY

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

Abstract:

At present, insurance has become an important sector of the national economy. The percentage of insurance penetration rate in GDP can reach up to 13% and is generally much higher as the country reached a higher level of economic development, for example, the average of this indicator in the EU-27 in year 2009 was 8,5%, while in Romania it is 1,5%, this figure shows that there is a large untapped potential in the insurance market.

Key words: *The penetration rate, general insurance penetration level, the penetration degree of non-life insurance*

JEL classification: G22

Because the maturity and experience of the countries of the world in terms of insurance is very different, the insurance functions have known over the years a particular development. Where the insurance sector is more developed, insurances have an important role and their representative functions are more extensive, and in countries where insurance is in the process of formation, consolidation or maturation their functions are limited. However, the differences between the functions of insurance in the two categories of countries refer less to micro-economic issues and more to their impact on the entire economy.

To assess the development level of the insurance market the most frequently used indicators were analyzed, namely the insurance degree of penetration in the economy and insurance density¹. "The **penetration rate** of insurance in the economy is a synthetic indicator which shows the contribution of the insurance sector to the GDP and is calculated as the ratio between the amount of direct gross premiums and gross domestic product"².

From table 1 we can see that the share of the insurance sector in the EU (27) had the highest contribution in GDP in 2007, respectively 9,1% (higher than that recorded by the European average, which had the highest share of 8.41%), after which it began to decrease again reaching in 2009 to 8.5% of GDP. We can observe that in 2000-2008 the insurance sector is the most developed in England with a share which ranged from 13.6% (in 2008) and 17.9% (in 2007) and in the period 2000-2009 Netherlands had the largest development with an increase from 10.2% to 13.6%.

If we analyze the year 2009, we can notice that the insurance sector's contribution to the GDP was highest in the Netherlands with 13.6%, followed by England with a share of 13.1% and France with a share of 10.5%. In fourth place was Finland with a share of 9.5%, followed by Denmark with 9.1% and Portugal with 8.6%. In all the countries previously mentioned the insurance companies' contribution to the GDP was higher than that of the EU (27).

¹ Nagy Cristina Mihaela - Size insurance density at European Union level, 2nd International Conference on Business Administration and Economics "People. Ideas. Experience", 2012, p. 314

² Dănuțiu Dan, Dănuțiu Adina – „Elemente de analiză a pieței asigurărilor din România”, Annales Universitatis Apulensis Series Oeconomica, volumul 3, Nr. 8 /2006

Analyzing the data in table 1 on the situation of the latest countries which entered the EU (27) we see that in 2009, Bulgaria was ranked 23rd with a contribution of this sector in the GDP of 2.4%, ahead of Greece, Latvia and Lithuania, but Romania was ranked last with a share of 1.5%.

Table no.1.

The evolution of insurance penetration level in the European Union

Countries	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	5,6%	5,9%	5,8%	5,9%	6,0%	6,3%	6,1%	5,9%	5,7%	6,0%
Belgium	7,9%	7,9%	8,3%	9,3%	9,8%	11,2%	9,3%	9,3%	8,5%	8,4%
Bulgaria	1,4%	1,5%	1,9%	1,9%	2,2%	2,5%	2,5%	2,7%	2,6%	2,4%
Cyprus	5,6%	4,2%	4,3%	4,5%	4,3%	4,3%	4,3%	4,4%	4,1%	4,7%
Czech Republic	2,8%	2,9%	3,2%	3,5%	3,8%	3,7%	3,6%	3,6%	3,5%	3,7%
Denmark	6,3%	6,8%	7,3%	8,0%	8,1%	8,2%	8,5%	8,6%	8,8%	9,1%
Estonia	1,7%	1,6%	1,8%	1,9%	2,1%	2,3%	2,1%	2,8%	2,3%	2,6%
Finland	8,9%	8,5%	8,5%	8,7%	8,7%	9,1%	8,9%	8,4%	8,6%	9,5%
France	9,1%	8,6%	8,5%	8,9%	9,5%	10,2%	10,9%	10,3%	9,4%	10,5%
Germany	6,4%	6,4%	6,6%	6,8%	6,9%	7,0%	7,0%	6,7%	6,6%	7,2%
Greece	1,9%	1,8%	1,8%	1,9%	2,0%	2,0%	2,1%	2,1%	2,2%	2,3%
Hungary	2,9%	2,7%	2,9%	3,0%	2,9%	3,1%	3,5%	3,7%	3,3%	3,2%
Ireland	10,1%	9,0%	8,6%	8,5%	8,0%	8,4%	9,1%	9,6%	7,5%	7,8%
Italy	5,7%	6,1%	6,8%	7,3%	7,3%	7,7%	7,2%	6,4%	5,9%	7,7%
Latvia	2,0%	1,9%	1,8%	2,0%	1,8%	1,7%	1,8%	2,1%	2,1%	1,7%
Lithuania	1,0%	1,0%	1,5%	1,5%	1,5%	1,5%	1,8%	2,1%	1,8%	1,7%
Luxembourg	3,8%	3,5%	3,8%	3,5%	3,5%	3,6%	3,3%	3,3%	4,8%	4,8%
Malta	3,7%	3,8%	4,1%	4,7%	5,3%	5,4%	5,6%	6,4%	4,7%	5,0%
Netherlands	10,2%	9,5%	9,5%	9,8%	9,9%	9,4%	13,6%	13,2%	13,2%	13,6%
Poland	2,8%	2,9%	2,9%	2,9%	3,0%	3,2%	3,5%	3,7%	4,6%	3,8%
Portugal	6,0%	6,2%	6,2%	6,8%	7,3%	9,0%	8,4%	8,4%	8,9%	8,6%
Romania	n.a.	n.a.	0,9%	1,0%	1,0%	1,1%	1,3%	1,6%	1,7%	1,5%
Slovakia	2,9%	3,1%	3,3%	3,4%	3,5%	3,4%	3,2%	3,1%	3,1%	3,2%
Slovenia	4,4%	4,6%	4,8%	5,0%	5,4%	5,4%	5,6%	5,5%	5,4%	5,9%
Spain	6,5%	6,0%	6,6%	5,2%	5,4%	5,4%	5,4%	5,2%	5,4%	5,7%
Sweden	7,4%	7,1%	6,4%	7,0%	6,6%	7,6%	7,4%	7,5%	7,5%	8,1%
United Kingdom	15,8%	13,9%	14,9%	14,4%	13,9%	14,5%	15,1%	17,9%	13,6%	13,1%
EU (27)	8,4%	8,0%	8,3%	8,3%	8,4%	8,7%	9,0%	9,1%	8,0%	8,5%

In figure 1, I chose a comparison between 2002 and 2009, because since 2002 appear in the European statistical data information regarding Romania and Bulgaria.

Unfortunately, we can see that our country was in last place at the beginning but also at the end of the period, the growth of the insurance sector contribution to the GDP creation was only 0.6%, however, even if Bulgaria had an increase in the contribution of this sector of 0.5% (from 1.9% in 2002 to 2.4% in 2009) ranks 23.

If you analyze the top five places but note that changes occurred in the hierarchy, if in 2002 Britain was in first place with a share of 14.9%, in 2009 was ranked second with a share of 13.1%, the first place being occupied by Netherlands with a share of 13.1%. We can see that Denmark has climbed three places from a share of 7.3% in 2002 (8th place) to a share of 9.1% in 2009 (5th place), and France registered an increase of 2% of this sector's contribution, from 8.5% in 2002 to 10.5% in 2009.

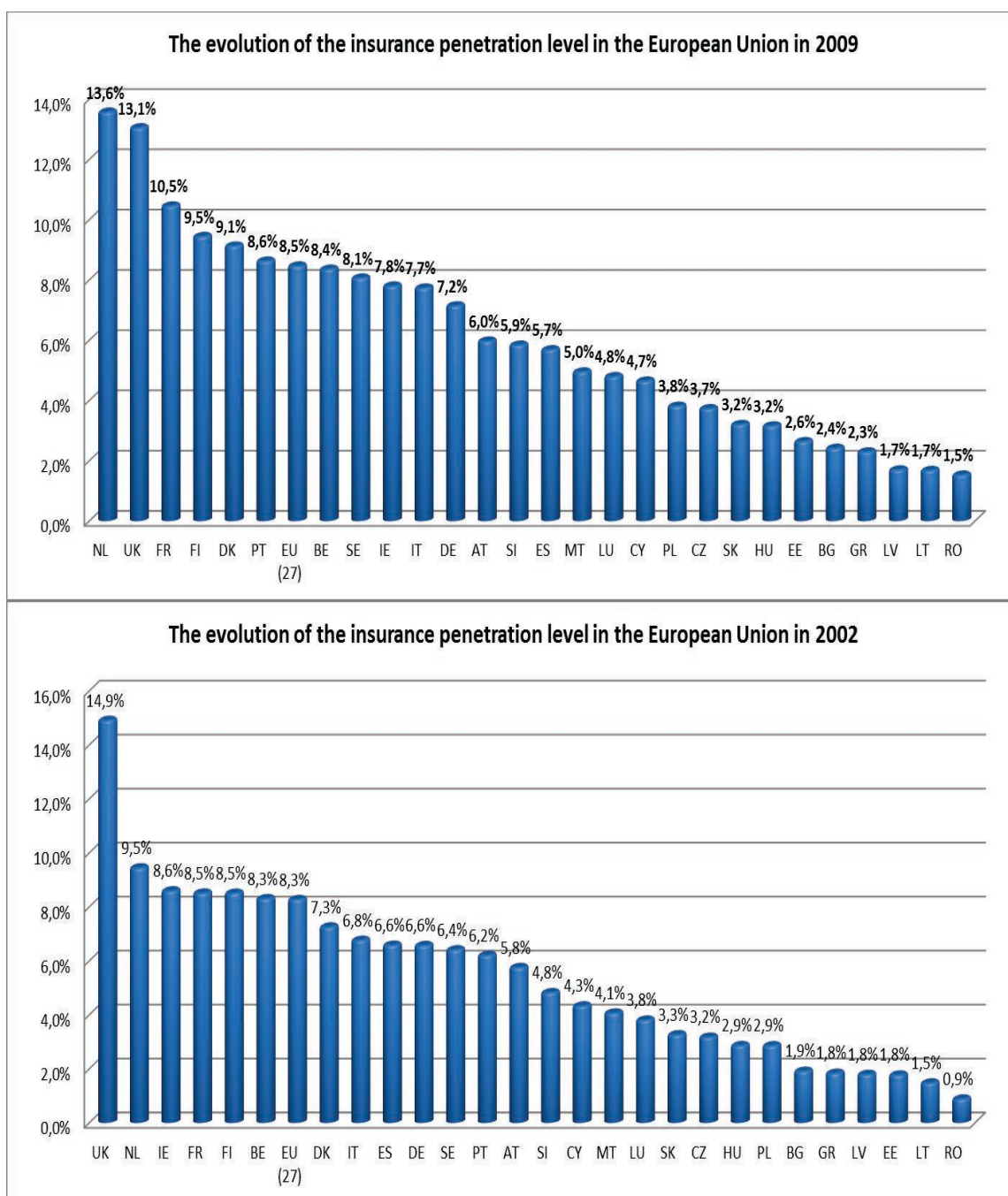


Figure no. 1 The evolution of the insurance penetration level in the European Union in 2002 and 2009 (the year)

From table 2, we can see that the share of life insurance sector at EU level (27) had the highest contribution in GDP in 2008, respectively 5.9%, but in 2009 registered a significant decrease (1%), that aggravated due to the crisis, which meant a significant setback, bringing this sector at the level reached in 2000 when the share of this sector was 4.7%. We can also observe that in the period 2000-2009 the life insurance sector was the most developed in England with a share that ranged between 9.9% (in 2000) and 14.4% (in 2008), so the increase registered was 4.5%.

If we analyze 2009, we can see that the highest value of the penetration degree of life insurance in GDP was in England, with a share of 10.2%, more than double the average in the EU (27) which was 4.9%. In Finland, Portugal and France this sector's contribution to the gross domestic product creation was over 6%, and in Belgium, Ireland and Sweden over 5%.

Romania and Bulgaria were tied with a share of 0.4%, occupying the penultimate places, last-place was occupied by Latvia with a weight of 0.1% of this sector to the gross domestic product creation, this confirming once again that in our country the insurance companies need a competent management to use to the maximum the opportunities and ways of development of this sector.

Table no.2

The evolution of general insurance penetration level in the EU

Countries	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	2,4%	2,6%	2,7%	2,6%	2,6%	2,6%	2,9%	2,8%	2,7%	2,6%
Belgium	4,2%	5,1%	5,1%	5,4%	6,4%	6,8%	8,3%	6,4%	6,5%	5,6%
Bulgaria	0,1%	0,2%	0,3%	0,5%	0,2%	0,3%	0,4%	0,4%	0,4%	0,4%
Cyprus	0,8%	0,6%	0,7%	0,9%	1,0%	1,4%	1,3%	1,3%	1,3%	1,3%
Czech Republic	6,4%	3,8%	2,3%	2,3%	2,3%	2,1%	2,0%	2,0%	2,0%	2,0%
Denmark	3,9%	4,1%	4,5%	4,8%	5,1%	5,1%	5,3%	5,7%	6,0%	6,2%
Estonia	0,3%	0,3%	0,3%	0,4%	0,4%	0,5%	0,7%	0,6%	1,2%	0,8%
Finland	6,6%	7,1%	6,7%	6,7%	6,8%	6,8%	7,2%	7,1%	6,6%	6,8%
France	5,5%	6,3%	5,7%	5,5%	5,8%	6,3%	7,0%	7,8%	7,2%	6,3%
Germany	2,9%	3,0%	3,0%	3,0%	3,2%	3,2%	3,4%	3,4%	3,3%	3,2%
Greece	1,1%	1,0%	0,9%	0,8%	0,8%	0,9%	1,0%	1,1%	1,0%	0,9%
Hungary	1,0%	1,3%	1,1%	1,2%	1,2%	1,2%	1,4%	1,8%	2,0%	1,7%
Ireland	6,7%	7,3%	6,1%	5,6%	5,5%	5,3%	6,0%	7,0%	7,7%	5,6%
Italy	3,2%	3,3%	3,7%	4,3%	4,7%	4,7%	5,1%	4,7%	4,0%	3,5%
Latvia	0,2%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,2%	0,2%	0,1%
Lithuania	0,2%	0,2%	0,2%	0,3%	0,4%	0,4%	0,4%	0,5%	0,8%	0,5%
Luxembourg	0,6%	1,4%	1,2%	1,7%	1,3%	1,4%	1,6%	1,5%	1,5%	3,0%
Malta	1,5%	1,7%	1,7%	1,9%	2,4%	2,9%	3,0%	3,3%	4,2%	3,2%
Netherlands	5,3%	5,7%	5,8%	5,2%	5,3%	5,2%	4,9%	4,8%	4,6%	4,4%
Poland	1,0%	1,1%	1,2%	1,2%	1,3%	1,4%	1,6%	2,0%	2,2%	3,1%
Portugal	3,3%	3,1%	17,3%	3,4%	3,9%	4,3%	6,1%	5,6%	5,7%	6,6%
România	n.a.	n.a.	n.a.	0,2%	0,2%	0,2%	0,3%	0,3%	0,4%	0,4%
Slovakia	1,0%	1,2%	1,4%	1,4%	1,4%	1,4%	1,5%	1,5%	1,6%	1,6%
Slovenia	0,8%	0,8%	1,0%	1,1%	1,2%	1,6%	1,6%	1,7%	1,8%	1,7%
Spain	3,0%	3,8%	3,4%	3,6%	2,3%	2,3%	2,3%	2,4%	2,2%	2,5%
Sweden	4,5%	5,6%	5,2%	4,4%	4,5%	4,3%	5,1%	4,9%	5,3%	5,4%
United Kingdom	9,9%	12,3%	10,2%	10,9%	10,1%	10,0%	10,6%	11,5%	14,4%	10,2%
EU (27)	4,7%	5,5%	5,2%	5,2%	5,0%	5,1%	5,5%	5,7%	5,9%	4,9%

In figure 2, we can observe that in 2003 and 2009 England was in the first place, the life insurance sector's contribution to the GDP creation was over 10%.

We notice that in some countries the life insurance sector contribution to GDP creation remained the same, for example in Ireland with 5.6%, Austria 2.6%, Latvia 0.1%. The highest increase in this sector's contribution to the creation of GDP was registered in Denmark, respectively 1.4%.

Romania has also registered an increase in life insurance sector's contribution to the creation of gross domestic product, the growth was just 0.2%, and the same growth was also registered in countries such as Belgium, Slovakia and Lithuania.

From figure 2 it can also be seen that in other countries the contribution of this sector has decreased, the largest decrease was registered in the Spanish market, respectively 1.1%, from a 3.6% contribution to 2.5%. Decreases were registered also in England (0.7%), Netherlands and Italy with 0.8% and the Czech Republic with 0.3%.

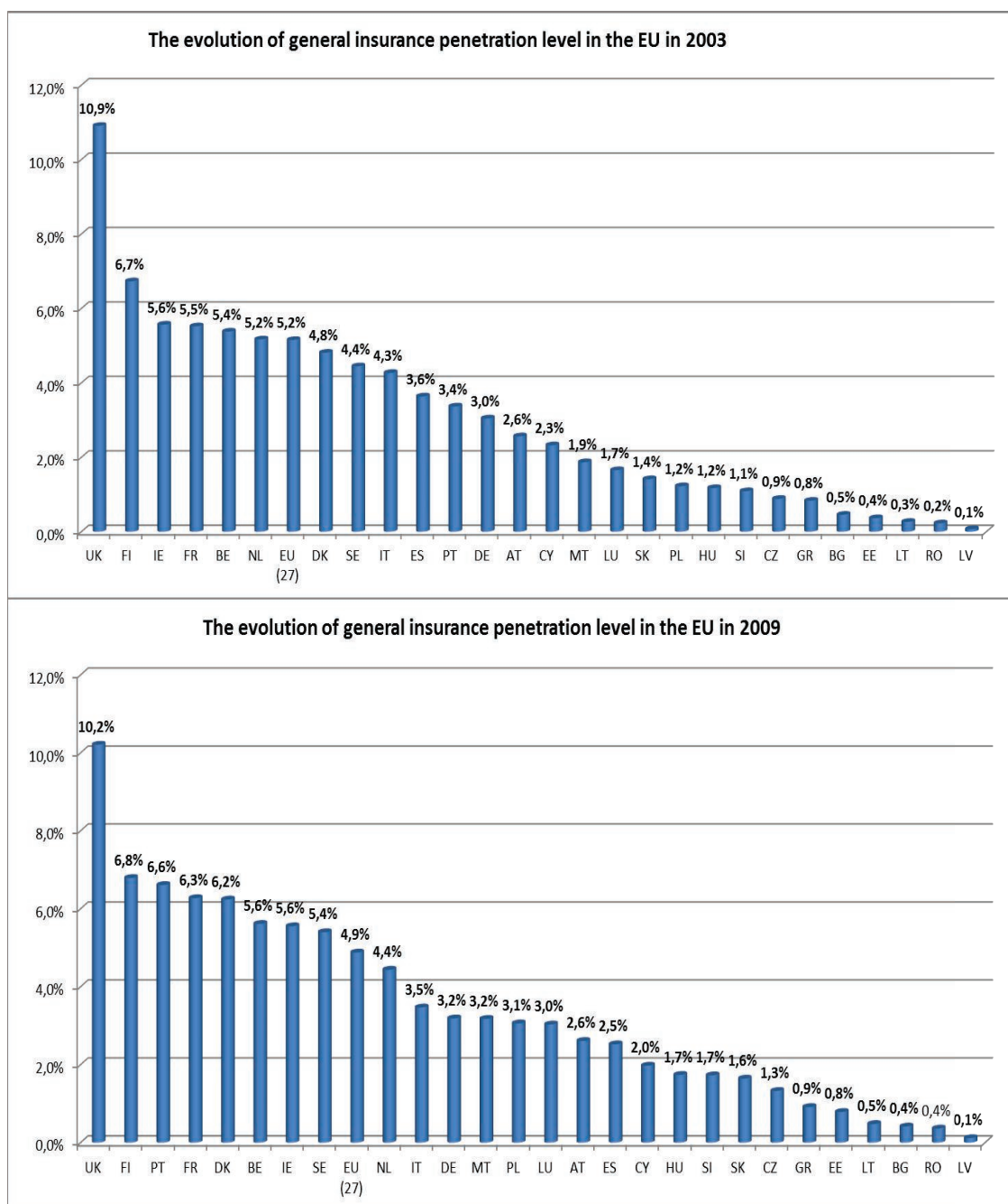


Figure no. 2 The evolution of general insurance penetration level in the EU in 2003 and 2009

In table 3, we can see that the share of the general insurance (non-life) sector at EU level (27) had the highest contribution in GDP in 2007, respectively 3.3%, with 45% lower than that of life insurance.

We can see that in the period 2000-2009 the general insurance sector is most developed in the Netherlands with a share that ranged from 4% (in 2000) and 8.7% (in 2007), so the increase was 4.7%.

If we analyze 2009, we can see that the highest value of the penetration degree of general insurance in GDP was also in the Netherlands, with a share of 8.4%, 170% higher than the average in the EU (27) which was 3.1%.

Netherlands was followed by Slovenia with a share of 3.7%, Germany and England being on third place with a general insurance sector contribution to the gross domestic product creation of 3.4%. Romania is in a tie with Lithuania with a share of 1.4%, being on the penultimate place from the EU countries (27), the last place being Greece with a share of 1.1%.

Table no. 3

Evolution of the penetration degree of non-life insurance at EU level

Countries	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	3,1%	3,0%	3,1%	3,2%	3,3%	3,4%	3,4%	3,3%	3,2%	3,1%
Belgium	2,9%	2,8%	2,9%	2,9%	3,0%	2,9%	2,9%	2,9%	2,8%	2,9%
Bulgaria	1,2%	1,3%	1,2%	1,5%	1,7%	1,9%	2,2%	2,2%	2,2%	2,3%
Cyprus	2,1%	2,2%	2,2%	2,3%	2,5%	2,4%	2,4%	2,3%	2,2%	2,2%
Czech Republic	1,8%	1,8%	1,9%	2,0%	2,2%	2,2%	2,3%	2,3%	2,3%	2,3%
Denmark	2,3%	2,3%	2,3%	2,5%	2,8%	2,9%	2,9%	2,8%	2,6%	2,7%
Estonia	1,3%	1,3%	1,3%	1,4%	1,5%	1,6%	1,5%	1,5%	1,6%	1,5%
Finland	1,8%	1,8%	1,8%	1,8%	1,8%	1,9%	1,9%	1,9%	1,7%	1,8%
France	2,9%	2,9%	2,9%	3,0%	3,1%	3,2%	3,2%	3,1%	3,1%	3,1%
Germany	3,4%	3,4%	3,4%	3,5%	3,7%	3,7%	3,7%	3,6%	3,5%	3,4%
Greece	0,8%	0,9%	0,9%	1,0%	1,0%	1,0%	1,0%	1,0%	1,1%	1,1%
Hungary	1,5%	1,5%	1,6%	1,7%	1,8%	1,7%	1,7%	1,7%	1,7%	1,6%
Ireland	2,8%	2,8%	2,9%	3,0%	3,0%	2,7%	2,4%	2,2%	1,9%	1,8%
Italy	2,3%	2,3%	2,4%	2,5%	2,6%	2,5%	2,5%	2,5%	2,4%	2,4%
Latvia	2,1%	1,9%	1,8%	1,7%	1,9%	1,7%	1,6%	1,7%	1,9%	1,9%
Lithuania	0,8%	0,8%	0,8%	1,2%	1,1%	1,1%	1,1%	1,2%	1,3%	1,4%
Luxembourg	n.a.	n.a.	2,2%	2,2%	2,1%	2,1%	2,0%	1,8%	1,8%	1,8%
Malta	2,1%	2,0%	2,0%	2,2%	2,4%	2,4%	2,4%	2,2%	2,3%	1,6%
Netherlands	4,0%	4,5%	3,7%	4,3%	4,5%	4,7%	4,5%	8,7%	8,5%	8,4%
Poland	1,8%	1,7%	1,7%	1,6%	1,6%	1,6%	1,6%	1,5%	1,6%	1,6%
Portugal	2,6%	2,9%	2,7%	2,8%	2,9%	2,9%	2,9%	2,8%	2,7%	2,6%
Romania	n.a.	n.a.	n.a.	0,7%	0,7%	0,8%	0,8%	1,0%	1,3%	1,4%
Slovakia	1,8%	1,7%	1,8%	1,9%	2,0%	2,1%	1,9%	1,7%	1,6%	1,5%
Slovenia	3,5%	3,5%	3,7%	3,7%	3,8%	3,8%	3,8%	3,8%	3,7%	3,7%
Spain	2,6%	2,7%	2,7%	3,0%	2,9%	3,1%	3,1%	3,0%	3,0%	3,0%
Sweden	1,8%	1,8%	1,8%	2,0%	2,5%	2,4%	2,5%	2,4%	2,2%	2,1%
United Kingdom	3,3%	3,5%	3,8%	4,0%	4,3%	3,9%	4,0%	3,7%	3,5%	3,4%
EU (27)	2,9%	3,0%	3,0%	3,1%	3,3%	3,2%	3,2%	3,3%	3,2%	3,1%

In graph 3, we can observe that in 2003 and in 2009 in the first place is Netherlands, the general insurance sector's contribution to the creation of gross domestic product was 4.3% in 2003 and 8.4% in 2009. In 2003, in second place was England with a share of 4%, but the contribution of this sector decreased by 0.6%, so that in 2009 this country was in the fourth place.

If we compare the year 2003 and 2009 we see that in some countries the general insurance sector's contribution to the creation of gross domestic product has increased, in some remained the same, while in others decreased.

For example, Netherlands registered the highest increase of the contribution of the sector to GDP creation, respectively an increase of 4.1%. After Netherlands, Romania and Bulgaria have recorded the highest growth of the general insurance industry's contribution to the creation of gross domestic product, the growth being 0.8% in the case of Bulgaria and 0.7% in the case of our country.

From figure 3 we also note that increases in the contribution of this sector to the GDP creation have been registered in Denmark and Latvia (0.2%), and France, Lithuania and Greece (0.1%). The largest decrease in the contribution of this sector was recorded in Ireland, where the share declined from 3% in 2003 to 1.8% in 2009. Other countries belonging to the EU (27) have registered declines, for example England and

Malta with 0.6%, Slovakia and Luxembourg with 0.4%, Germany, Poland, Austria, Belgium, Hungary, Cyprus, Italy with 0,1%.

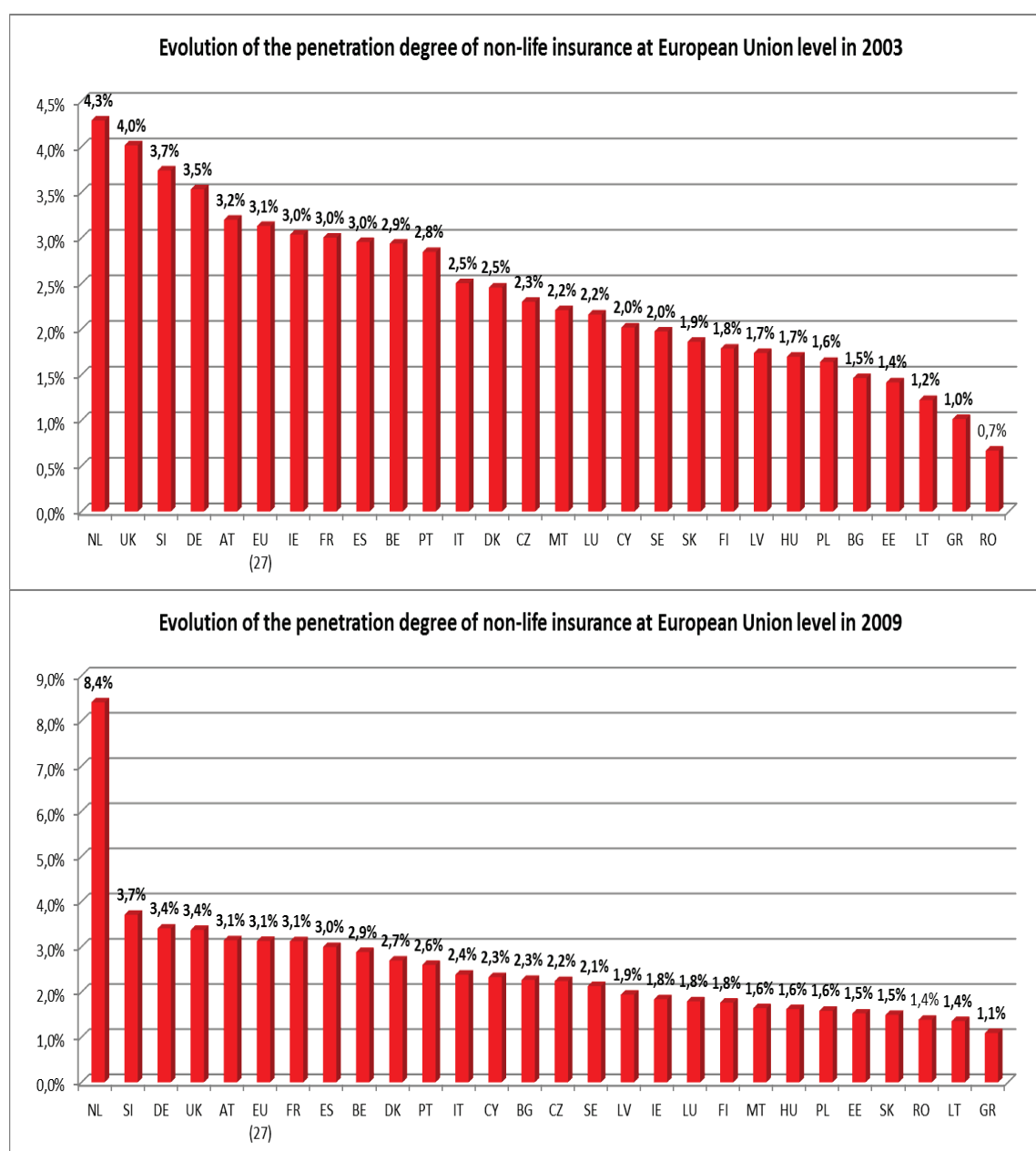


Figure no. 3 Evolution of the penetration degree of non-life insurance at European Union level in 2003 and 2009

Even though Romania has registered a large increase in comparison with other countries regarding the general insurance sector's contribution to the creation of gross domestic product, it climbed only two places respectively from the 27th place in 2003, to the 25th place in 2009, as the share of this sector at the beginning of the period was the lowest of the EU countries (27). For example Ireland which at the beginning of the period had a penetration degree of 3%, even though the decrease was higher (1.2%) than the increase recorded by our country (0.7%), at the end of the period was on the 17th place, which means a descent of 10 places, but was ahead of Romania. Instead, in the case of Bulgaria the 0.8% growth meant an ascent of 10 places, respectively from the 23rd place in 2003, to the 13th place in the year 2009, this being due to the fact that in 2003 Bulgaria had a share which was 115% higher than that of Romania.

If in the case of the life insurance sector's share we have seen (see figure 2) that there are very large differences (first positioned in 2009 a share of 10.2% and last

positioned with a share of 0.1%, meaning 102 times higher) in the case of general insurance sector's contribution to the creation of gross domestic product the differences are not so great (first positioned in 2009 a share of 8.4% and last positioned with a share of 15%, meaning 7.3 times higher).

CONCLUSIONS

The highest penetration in the insurance market has been also determined by the legislature to impose the mandatory housing, but, at the same time, they extended the period prescribed by the law in enforcing it, which has contributed to the start of making the population to ensure their housing, but not at the pace expected by the insurers.

The values of the solvency margins of insurance companies for both the general insurance business and for the life insurance business, are on the same ascending trend, for which they have signed on since the date of the full transposition into the national law of the European directives in what regards Solvency I, and the date of Romania's EU accession, which shows good capitalization of the insurance industry.

The economic crisis has affected the insurance industry, but in a smaller extent, compared with the rest of the economy, the insurance market has recorded an increase in the available solvency margin for the general insurance business and the life insurance business for the entire period under review, this showing that the insurers meet the solvency requirements.

In countries with an advanced economy the insurance degree of penetration in the GDP varies from 8 to 15 percentage points (England, Netherlands, Finland, Ireland, France), and in Romania this indicator varies between 1% and 1.7%.

The latest trends in the evolution of developed countries that are members of the EU (Germany, England, France, and Spain) have demonstrated that the strengthening of the insurance market can be done only by reforming the public health insurance and pensions systems. In Romania it began with reforming the pension system, the health system being delayed, trying to strengthen the public health insurance system. Due to these factors we may say that we have the lowest penetration degree of life insurance in the EU.

BIBLIOGRAPHY:

1. Dănulețiu Dan, Dănulețiu Adina – *Elemente de analiză a pieței asiguraților din România*, Annales Universitatis Apulensis Series Oeconomica, volumul 3, Nr. 8/2006
2. Luca Lia - *Ghid pentru asigurări și reasigurări în UE*, Editura Tribuna Economică București, 2010
3. Nagy Cristina Mihaela - Size insurance density at European Union level, 2nd International Conference on
4. Business Administration and Economics "People. Ideas. Experience", 2012, p. 313-318
5. *** Rapoartele Comisiei de Supraveghere a Asiguraților 2001-2010 (Insurance Supervisory Commission reports 2001-2010)
6. *** „European Insurance in Figures” of 2001-2010, Comité Européen des published Assurance (CEA), Paris - Brussels