

THE CURRENT ASPECTS OF THE INSURANCE MARKET

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***Abstract:** Nowadays, in a modern way of thinking based on a natural part of the sense of prevention, on education, on the natural way of thinking ahead and even on instinct, the evolution of the insurance market is undeniable. For this reason, insurance arose out of modern man's concern for the present, but above all for the future, its purpose being to guarantee protection against unforeseen events or events that are certain but uncertain as to their date of occurrence.*

***Key words:** insurance, insurance market, evolution, general insurance.*

***JEL Classification:** L80, L89.*

1. Introduction

From a theoretical point of view, insurance is a complex concept with multiple meanings, subject to a complicated and varied system of risks. Insurance has become not only a component of the financial market but also of the economic market, as a result of the shift from a strictly specialized domestic insurance business to a mixed business in which insurance companies, commercial banks and other entities with various profiles operate. For this reason, the insurance sector is characterized by a reversal of the classic business cycle: insurance companies collect premiums, representing remuneration for services rendered, before paying claims or providing the service for which they are paid. In this way, the insurer invests the sums collected and subject to various risks for which the insurer may or may not be liable, depending on the type of insurance product. Regardless of the market in which they operate, insurance companies are subject to risks specific to their field of activity, namely: undercutting of insurance premiums, miscalculation of technical reserves, unpredictable changes in the frequency of claims, catastrophic claims, inadequate reinsurance, and major contingencies.

Developments in the global insurance market have demonstrated not only the desirability of protection against certain risks in an organized manner, but also the urgent need to transfer risk from the carriers to specialized companies capable of taking on these risks.

Events in the global insurance and reinsurance market in recent years have led to the conclusion that the volatility of financial markets and the increasingly dynamic business environment have had a strong impact on the financial security of insurance companies. For this reason, in economically developed countries, the insurance sector is seen as a key sector influencing the level of economic development, which in turn is influenced by it, a fact that highlights the complex interdependence between the concepts of 'welfare' and 'insurance'. This is why, in some countries, insurance resources reach significant levels in relation to gross domestic product, as there is a belief that investment in insurance returns to the economy at some point.

2. The insurance market globally and in Romania

At both global and European level, macroeconomic and financial developments have been strongly influenced by the high level of uncertainty created by the health crisis generated by the COVID-19 pandemic and by the ability of the measures implemented by governments and central banks to mitigate the negative impact on the economy by supporting the most affected economic sectors and providing liquidity in financial markets. Thus, at the 2020 level, persistently low annual inflation rates, a reversal of the downward trend in the unemployment rate and a change in consumer behavior towards a contraction in aggregate demand, because of a reduction in household disposable income and an increase in savings, have been observed. The unstable macroeconomic environment, the persistence of the global impact of the COVID-19 crisis on economic activities and uncertainties about future developments in global economies keep macroeconomic risks at a high level with a significant impact on the global and European insurance market. All these issues have had a significant impact on the global insurance market.

As far as Romania is concerned, in recent years there have been significant changes in the insurance market, revealed by:

- an increase in the number of insurance and reinsurance companies on the market;
- the exit from the insurance market of two large companies in the last 2 years;
- the increasing demand for insurance protection, especially following the disasters caused by the earthquakes in Turkey and in our country;
- increased turnover in insurance and reinsurance companies by diversifying the range of insurance services available to customers;
- increased competition between insurance companies, which have to adapt their insurance offer to the demands and possibilities of their customers;
- the reduced level of financial insurance capacity of the population and even of other state and private entities influenced by an unstable economic environment.

Over the last three years, the Romanian insurance market has been characterized by a medium to high degree of concentration. Thus, in 2021, according to ASF, 10 insurance companies out of the 27 companies carrying out insurance/reinsurance business carried out approximately 89% of the total volume of gross written premiums.

According to the data published in the ASF, reports, as of 2021, authorized and regulated insurance companies in Romania had written gross premiums of about 14.2 billion lei, up by about 24% compared to the previous year.

Currently, the Romanian insurance market is oriented towards general insurance business, which holds a share of 82% of the total gross premiums written by insurance companies authorized and regulated by ASF. However, according to data published by the Financial Supervisory Authority, there is a sustained increase in the volume of gross written premiums (PBS) for life insurance activity, which stood at a value of 2.6 billion lei in 2021, 18% higher than in 2020. Within general insurance, an important place is occupied by motor insurance, so that these, including class A3 (Insurance of means of land transport, other than railways) and class A10 (Motor third party liability insurance, including carrier's liability). These represent about 76% of total gross premiums written for general insurance business and 62% of total gross premiums written by insurance companies in 2021.

As for life insurance, another main component of the insurance market, the volume of gross premiums written in 2012 was 2.6 billion lei, according to the ASF report. This was supported both by an increase of around 15% in underwriting for class C1 (Life insurance, annuities and supplementary life insurance) and by a 25% increase in underwriting for class C3 (Life insurance and annuities, linked to investment funds).

Another main component of the insurance market, health insurance, continued to show positive dynamics in the wake of the COVID 19 pandemic. Thus, based on data analyzed from ASF reports, in 2021, health insurance recorded an underwriting volume of about 497 million lei, up by more than 10% compared to the previous year, holding a 3.5% share of total gross premiums underwritten by companies authorized and regulated by ASF.

In 2022, new challenges have emerged in the insurance market, mainly related to economic, social and political uncertainties and challenges, due to the emergence of the new variant of the coronavirus, Omicron, but also to the escalation of geopolitical tensions and the military conflict between Russia and Ukraine. In this context, the restrictions imposed by states in January-February and, subsequently, the launch of the military operation by the Russian Federation in Ukraine posed real risks to the prospects for recovery and consolidation of the states' economies in 2022.

The year 2023 brought further challenges to the Romanian insurance market, as the Council of the Financial Supervisory Authority (ASF) decided to withdraw the operating license of Euroins Romania, noting indications of the company's insolvency. In this respect, the Council also decided to promote a request by the ASF to open bankruptcy proceedings and to appoint the Insurance Guarantee Fund (FGA) as interim administrator of the company, with the task of ensuring the administration and management of the insurer's activity and the adoption of the necessary measures to preserve its assets.

In addition, according to insurance analysts, in 2023 the Romanian insurance market could reach an all-time record of over 16 billion lei this year, due to the increase in the value of policies but also because of the growing interest of Romanians in insurance, in the context of the recent earthquakes.

3. Conclusions

The Romanian insurance market is a dynamic and constantly changing market, characterized by a vulnerability resulting from a high degree of concentration both in terms of exposure to the main insurance classes and in terms of the significant size of the market shares held by a relatively small number of insurance companies.

ASF statistics indicate an increasing concern of Romanians for the purchase of insurance policies, especially those for property insurance, apart from car insurance (mainly RCA). The motor insurance market currently accounts for more than half of the insurance market in Romania, but prospects for the coming years indicate a shift in the balance towards property, life and health insurance.

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