

CAR LIABILITY INSURANCE IN THE CURRENT MARKET

Lecturer. Ph.D., Maria-Elena GHEORDUNESCU

"Constantin Brancoveanu" University of Pitesti, Romania

E-mail: psihologmg@yahoo.com

Abstract: Car liability insurance is the most well-known type of insurance in Romania. The role of liability insurance is to allow people injured in an accident to be compensated without having to wait for compensation from the liable party or, in the worst case, until the discovery of the liable party itself. The civil liability insurance mainly covers damages resulted from an accident caused by the insured liable party, for which, according to the legislation in force, the liable party owes due compensation to the injured parties. Considering this, all legal entities and private individuals who own a motor vehicle registered on the territory of Romania, have the obligation to take out a car liability insurance, for cases of damages caused by vehicle accidents. The paper aims to present the situation of car liability insurance in the context of the insurance market in post-pandemic Romania. Based on the quantitative method, but also the qualitative one, the present paper is an exploratory research, aiming to highlight some relevant information from the insurance field.

Keywords: insurance, compulsory car liability insurance, general insurance, insurers, gross written premiums.

JEL Classification: I15.

1. Introduction

The insurance market has gone through many changes recently, especially in the last 2 years. Years marked by the Coronavirus pandemic.

In the first quarter of 2022, the insurance companies, authorized and regulated by the Financial Supervisory Authority, reported gross premiums of approximately 8.76 billion lei, sums bigger by approximately 37% compared to what has been previously reported during a similar period in 2021. Still, the Romanian insurance market remains oriented towards a more general form of insurance activity, which has a share of 83% of the total gross premiums subscribed by authorized and regulated insurance companies.

When looking at insurance overall, a special case study is the civil liability insurance. Civil liability insurance can be defined as a contract between the owner of a vehicle and an authorized insurance company. Based on this contract, a document called an RCA policy is issued, by which the company offers compensation to third parties in the event of an accident caused by the insured. Like any insurance, an RCA policy has to be law-abiding. Based on the legislation, vehicle owners have the obligation to acquire such an insurance policy. Considering this, all business entities and normal citizens who own a vehicle registered on the territory of Romania have the obligation to buy car civil liability insurance, in case of any civil liability, which may occur as a result of vehicle accidents.

The specific laws pertaining to insurance (Law no. 132/2017 on compulsory auto liability insurance for damages caused by third parties in vehicle and tram accidents; Law no. 20/2017 on car insurance, Law no. 22/2017 On calculating the premiums for the compulsory auto liability insurance for damages caused by third parties in vehicle and tram accidents), highlight the scope, but also the importance and the degree of notoriety of road insurance.

2. Research methodology

Taking into account what has been presented above, the main objective of this work is an analysis into the civil liability insurance in the current market.

The purpose of this research is to present the state of the market in the years of the pandemic, but also to highlight the insurance market trends in a post-pandemic world, as well as highlight some measures taken by Romanian insurance providers regarding the harmonization of the specific rates of these insurances.

This work is based on various types of data provided by insurance companies through different sources of information, which gives it a qualitative and quantitative character.

3. Data analysis

The general insurance market remains dominated by car insurance. Car insurance, including class A3 (ground vehicle insurance, other than railway) and class A10 (car civil liability insurance, including carrier liability), approximate 78% of the total of gross premiums subscribed for the general insurance activity and 65% of the total gross premiums subscribed by insurance companies in the 1st quarter of 2022.

The most important segment of 2022 continues to remain the RCA segment, with an increase of 102.2% of the gross premiums, up by almost 2.4 billion lei.

On June 30 2022, according to the data on the insurance markets provided by ASF, the following insurers carried RCA insurance activities, namely: Allianz Insurance SA, Romanian Insurance - Asiom Vienna Insurance SA, Euroins Romania Insurance SA, Generali Romania Insurance SA, Grawe Romania Insurance SA, Groupama Insurance SA, and Omiasig Vienna Insurance SA. The number of ASF authorized insurance providers for the RCA insurance activity has decreased from 9 to 7, following the withdrawal of City Insurance, and subsequently the exit from the RCA market of Uniqa Insurance SA. In a positive twist, in the fourth quarter of 2021, AXERIA started its activity on the RCA market, based on the right to start trading on the territory of Romania (FoE-Freedom of Establishment).

Regarding the market share of RCA insurance providers, the first 3 insurers accumulated about 71% of the RCA insurance portfolio in Romania.

Table no.1. RCA insurance market share on June 30, 2022

NO.	INSURANCE SOCIETY	MARKET SHARE
1.	EURIONS	31,81%
2.	GROUPAMA	30,64%
3.	ALLIANZ-ȚIRIAC	18,49%
TOTAL (1-3)		70,94%
4.	ASIROM VIG	7,73%
5.	OMNIASIG	7,41%
6.	GRAWE	6,36%
7.	AXERIA IARD	5,64
8.	GENERALI	1,92%
TOTAL		100%

Source: <https://asfromania.ro/uploads/articole/attachments/6332ba70ba626329480232.pdf>

We observe that in the first six months of 2022, the company Axeria Iard recorded a volume of RCA gross premiums of 254 million lei, which is 5.6% of the total gross premiums subscribed for the RCA segment.

In the first six months of 2022 another market segment of the insurance market reached the value of approximately 4.25 billion lei, the rest up to class A10 represents the insurance for the transported goods as a carrier, and RCA insurances subscribed on the territory of other EU member states based on the right to a free market. Compared to the same period of 2021, the value of gross written premiums increased by around 89%.

Table no. 2. Gross premiums related to RCA insurance in the period Q12021-Q22022

	Q1 2021	Q12022
Gross premiums in lei	2.25	4.25

Source: created by the author based on: ASF Romania, 2022. *The Report on the evolution of the insurance market in Quarter I of 2022*. [online] Available at: <<https://asfromania.ro/ro/a/2345/2022---rapoarte-pia%C8%9Aa-asigur%C4%82rilor>> [Accessed 15 February 2023].

(Here are included only companies authorized and regulated by ASF).

We note that the RCA gross premiums had an upward evolution in the first semester of 2022, compared to the first semester of 2021.

Expressed in annual units (to account for different policy durations), the number of RCA contracts concluded by June 30, 2022 was 3.68 million contracts, up 5% from the same period in 2021.

Table no. 3. The number of RCA insurance contracts in the period Q1 2021-Q1 2022

	S12021	S12022
No. concluded contracts	6,703,688	4,212,194
No. Contracts in annual units	3,516,747	3,683,470

Source: created by the author based on: ASF Romania, 2022. *The Report on the evolution of the insurance market in Quarter I of 2022*. [online] Available at: <<https://asfromania.ro/ro/a/2345/2022---rapoarte-pia%C8%9Aa-asigur%C4%82rilor>> [Accessed 15 February 2023].

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Considering the validity of RCA policies, as of 30 June 2022, the largest number of insurance policies had a validity of 12 months. In the first quarter of 2022, there was a greater preference for contracts with a validity of 12 months compared to previous years.

Table no. 4. Share of the number of contracts concluded in the period, Q1 2021 – Q12022

Period	Q12021	Q12022
Over a 12 month period	27,88%	82,28%
Over a 11 month period	2,79%	0,06%
Over a 10 month period	0,04%	0,06%
Over a 9 month period	0,13%	0,10%
Over a 8 month period	0,10%	0,09%
Over a 7 month period	0,13%	0,10%
Over a 6 month period	36,17%	7,89%
Over a 5 month period	0,05%	0,02%
Over a 4 month period	0,10%	0,06%
Over a 3 month period	4,25%	0,54%
Over a 2 month period	2,25%	0,34%
Over a 1 month period	26,12%	8,46%
Total	100%	100%

Source: created by the author based on: ASF Romania, 2022. *The Report on the evolution of the insurance market in Quarter I of 2022*. [online] Available at:

<<https://asfromania.ro/ro/a/2345/2022---rapoarte-pia%C8%9Aa-asigur%C4%82rilor>>
[Accessed 15 February 2023].

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On average, an annual RCA insurance policy was around 1,154 lei, an increase of 81% compared to the same period of the previous year.

Table no. 5. RCA average insurance price between Q1 2021 – Q1 2022

	Q12021	Q12022
Market total	639	1.154
Private individuals	496	904
Legal entities	1.176	1.978

Source: created by the author based on: ASF Romania, 2022. *The Report on the evolution of the insurance market in Quarter I of 2022*. [online] Available at: <<https://asfromania.ro/ro/a/2345/2022---rapoarte-pia%C8%9Aa-asigur%C4%82rilor>> [Accessed 15 February 2023].

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*Note: The first average RCA was calculated using annual units for which all policy terms were considered.

Regarding the first RCA average price, depending on the duration of the concluded policies, the following is noted:

Table no. 6. RCA average premium as of 30 June 2022, counted by the duration of the concluded policies

	Total	Private Individuals	Legal Entities
RCA average premiums for 12-month contracts (calculated as the ratio between the volume of premiums subscribed for 1.112 12-month contracts and the number of RCA contracts with a 12-month validity) - lei	872	1.906	
RCA average annualized premiums for 6-month contracts (calculated as the ratio between the volume of premiums 1.353 subscribed for 6-month contracts and the number of RCA contracts with a 6-month validity, multiplied by 2) - lei	1.162	2.014	
RCA average annualized premiums for 1-month contracts (calculated as the ratio between the volume of premiums subscribed for 1-month contracts and the number of RCA contracts with a 1-month validity, multiplied by 12) - lei	4.841	3.612	6.836
Annual average RCA (PBS divided by annual exposure 1.154 units) - lei	904	1.978	

Source: created by the author based on: ASF Romania, 2022. *The Report on the evolution of the insurance market in Quarter I of 2022*. [online] Available at: <<https://asfromania.ro/ro/a/2345/2022---rapoarte-pia%C8%9Aa-asigur%C4%82rilor>> [Accessed 15 February 2023].

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Regarding the compensations paid for bodily injuries and the number of paid related claims, the situation is presented according to the table below:

Table no. 7. Claims paid in the period Q1 2021–Q1 2022 for personal injury, property damage and related claims

	Q12021	Q12022
Bodily injuries (thousand lei)	386,007	412,285
Number of claims	5,713	13,971
Material damage (thousand lei)	1,376,720	1,144,000
Number of claims	187,402	147,824

Source: created by the author based on: ASF Romania, 2022. *The Report on the evolution of the insurance market in Quarter I of 2022*. [online] Available at: <<https://asfromania.ro/ro/a/2345/2022---rapoarte-pia%C8%9Aa-asigur%C4%82rilor>> [Accessed 15 February 2023].

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It should be noted that at the end of the first quarter of 2022, compared to the same period in 2021, the number of average claims increased by 5%, while the purchase of an RCA policy by a first-time client increased by 81%.

Regarding the damages paid to private individuals, the situation is presented in table no. 8:

Table no. 8. Claims paid for RCA - personal injury in Q1 2021-Q1 2022

	Q12021	Q12022
Claims paid for private individuals (thousand lei)	229.653.749	236.060.032
Claims paid for legal entities (thousand lei)	156.352.883	176.225.182
Total claims paid	386.006.632	412.285.214

Source: created by the author based on: ASF Romania, 2022. *The Report on the evolution of the insurance market in Quarter I of 2022*. [online] Available at: <<https://asfromania.ro/ro/a/2345/2022---rapoarte-pia%C8%9Aa-asigur%C4%82rilor>> [Accessed 15 February 2023].

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Regarding the material damages paid through RCA, it is noted that for private individuals in the 1st quarter of 2022, 854,169,605 thousand lei were paid, compared to Q1 of 2021 where 862,253,615 thousand lei were paid. For legal entities the damages paid were 289,830,727 thousand lei in Q1 2022, compared to 514,466,021 thousand lei in Q1 2021.

Table no. 9. Claims paid for RCA – property damage in Q1 2021-Q1 2022

	Q12021	Q12022
Claims paid for private individuals (thousand lei)	862.253.615	854.169.605
Claims paid for legal entities (thousand lei)	514.466.021	289.830.727
Total claims paid (thousand lei)	1.376.719.636	1.144.000.332

Source: created by the author based on: ASF Romania, 2022. *The Report on the evolution of the insurance market in Quarter I of 2022*. [online] Available at: <<https://asfromania.ro/ro/a/2345/2022---rapoarte-pia%C8%9Aa-asigur%C4%82rilor>> [Accessed 15 February 2023].

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It is noted that in all analysed quarters, the damages paid for private individuals were higher compared to those paid for legal entities, both for bodily injuries and for material damages.

Regarding the average damages paid by RCA policy, they were calculated as the ratio between the compensations paid and the number of claims filed and paid. A major discrepancy can be observed between the average damages paid for bodily injuries (about 29,500 lei) and those paid for material damages (7,700 lei) for quarter 1 of 2022.

The average damages paid for bodily injuries, both for private individuals and legal entities, are presented in table no. 10.

Table no. 10. Average claims paid for RCA - personal injury in Q1 2021-Q1 2022

	Q12021	Q12022
Average private individual claims paid (thousand lei)	57,993	88,214
Average legal entities claims paid (thousand lei)	89,192	15,602
Total average claims paid (thousand lei)	67,566	29,510

Source: created by the author based on: ASF Romania, 2022. *The Report on the evolution of the insurance market in Quarter I of 2022*. [online] Available at: <<https://asfromania.ro/ro/a/2345/2022---rapoarte-pia%C8%9Aa-asigur%C4%82rilor>> [Accessed 15 February 2023].

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The average damages paid for RCA material damages, both for private individuals and legal entities, are presented according to table no. 11. We can see an increase in the first quarter of 2022 in compensations regarding average material damages.

Table no. 11. Average claims paid for RCA – property damage in Q1 2021-Q1 2022

	Q12021	Q12022
Average damages claims paid for private individuals (thousand lei)	6,819	7,613
Average damages claims paid for legal entities (thousand lei)	8,440	8,134
Total damage claims paid (thousand lei)	7,346	7,739

Source: created by the author based on: ASF Romania, 2022. *The Report on the evolution of the insurance market in Quarter I of 2022*. [online] Available at: <<https://asfromania.ro/ro/a/2345/2022---rapoarte-pia%C8%9Aa-asigur%C4%82rilor>> [Accessed 15 February 2023].

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4. Conclusions

In conclusion, covering everything that was presented:

- Over 83% RCA policies covered a maximum period of 12 months, while only 5.75% covered a period of 6 months (the most subscribed to period by far). About 10% of the policies covered a period of 1 month.

- The diversification process continued through the presence of a new insurer on the market with a notable share, AXERIA Iard, a company that entered the market under the Freedom of Establishment (FOE) system in December 2021;

- According to ASF, the majority of insurance companies, authorized to sell RCA, remain interested in the market. Euroins, Allianz-Țiriac and Groupama hold over 70% of the RCA market;

- In the first quarter of 2022, the largest market segment was held by policies with a validity of 12 months;

- In the first quarter of 2022, the share of RCA contracts concluded with private individuals reached approximately 75% of the total market. Contracts with legal entities reached over 24%;

- At the same time, it is noted that the average claim damages paid for bodily injuries and material damages, was higher for private individuals than for legal entities in the first half of 2022.

In conclusion, the RCA market continued to strengthen in the year 2022, with most authorized RCA insurers remaining interested in selling RCA policies. There is also a diversification of insurance products, but also a development in the e-commerce platform sector.

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