

Influence of Life Insurance on the Romanian Insurance Market

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Abstract

Day by day we are confronted with economic reality that each of us face and calling attention to growing our future financial planning and the need for long-term savings. However, awareness of this need is only a necessary first step, continuous communication is essential benefits and role of life insurance in financial planning for the future.

The insurance sector usually and of the life insurance, in particular, is particularly important areas in any economic system, development of life insurance can have a particularly strong impact especially in economies in transition. More than this, it was shown that the economic impact of the life insurance act is accompanied by significant social effects.

Key words: life insurance, insurance market, influence

J.E.L. classification: A, A1, A10

1. Introduction

Insurance hold a special place in the specific functions they perform. A feature of the insured contracts is that they, especially some types of life insurance can be equally defenses against risks, but also effective tools for saving. This feature involves different approaches and requirements in terms of formulating and administering contracts covering life insurance. (Dumitraşcu, Moscu, 2013 ,p.106-113, Ch 5)

The Romanian life insurance, although far from being considered a market experienced and mature ranged in recent years in a recipe classical, less creative and adapted Romanian mentality, insurers have had to adapt to these financial conditions unfavorable last years. Thus, constrained by unstable financial environment, life insurers in Romania have relied successfully on reducing the complexity of products on one hand and on offering flexible and adapted to the demands products and customer needs, on the other hand.

The purpose of this article is to show as much as possible the life insurance sector in Romania is at a low level of development, low level of penetration of these complex financial products is evident in our country when international comparisons are made. Even though the gap with the situation in Western Europe and the Nordic countries is understandable historical reasons rather, obvious differences appear to countries in the region. In addition, intensity and persistence of the economic crisis led to contraction of the life insurance sector in Romania. Since the sector continued decline in recent years in this moment,, outlook on life insurance in Romania is rather bleak.

Life insurance market in Romania drag up or down?

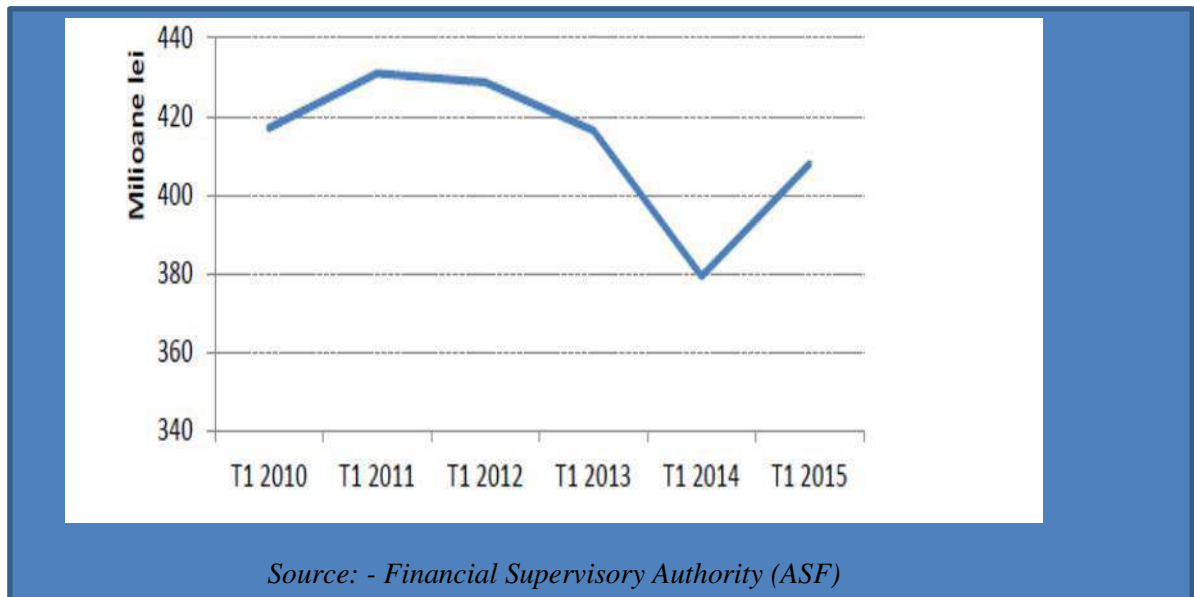
In 2015 the insurance market operates 36 insurance companies authorized in Romania so:

- 20 active general insurance companies,
- 8 companies with life insurance activity,
- 8 companies with composite activity

Also, a number of 10 insurance companies in the European Union operates its insurance subsidiaries in Romania, under the right of establishment. Competing insurance companies in Romania comes from insurance companies in the Member States that subscribe under the right of freedom to provide services. According to the last analyzes made 4.8% of gross written premiums in Romania were subscribed by companies in the Member States, under the right of establishment or freedom to provide services.

According to the data examined is noted that after a period of decline that has occurred since 2011 and continuing until 2014 including, in 2015 the volume of gross written premiums for life insurance have increased by 7.59%.[3] (ASF, 2015)

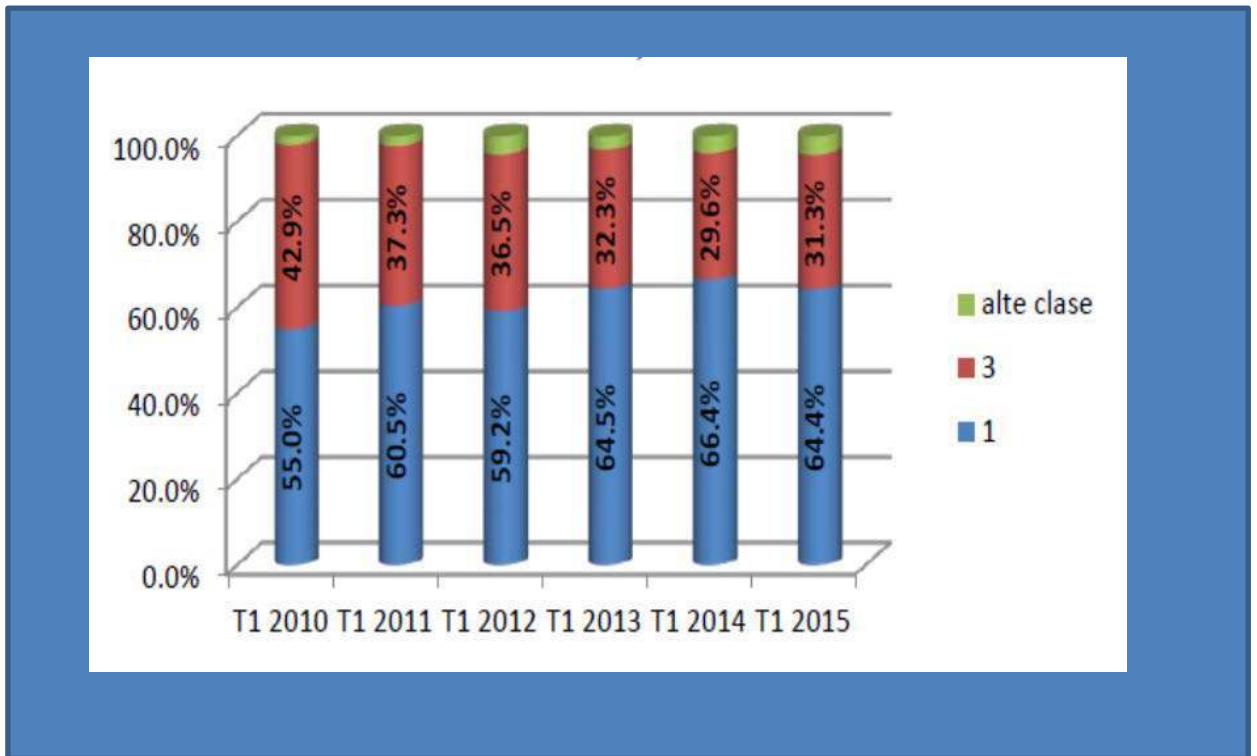
Chart no. 1 The evolution of the volume of gross written premiums for life insurance



After a period of decline which stood since 2011 (T1) and continuing to remarkable decrease until 2014 (Q1), 2015 (T1) as seen in the graph above the volume of gross written premiums for insurance life recorded an increase of 7.59%. According to data of this increase occurred amid a slight increase in the number of contracts outstanding at the end of the period (1.26% before 2014), and the number of new contracts signed (3.35%). (Competition Council, 2014)

In case of life insurance, all-round analysis, it is noted that the preferences of all users of insurance products were mainly by class 1 which includes life insurance, annuities and supplemental life assurance and class 3 which consists of insurance life and annuities related to investment funds.

Chart No. 2 Evolution of class structure life insurance



Source: - Financial Supervisory Authority (ASF)

The fact that results after the first half were basically "saved" life assurance demonstrates that although macroeconomic conditions have not followed trends expected early this year, Romanians have started to realize the importance of these products for protection and saving-investment term long. (ASF, 2015)

Also, another trend was noticeable since the second half of last year has increased in the first half of the year, paving the way to recovery by the life segment gap outlined in previous years, namely the decrease Termination policyholders and redemption value.

Thus, life insurance market managed to rise above expectations spectacular specialists also managed to influence positively the insurance market in Romania.

Although the insurance market in Romania is dominated by insurance, however, the share of life insurance and revolves around the 20% threshold, percentage care only about 0.3% of PIB. As might be concerned about the lack of maturity of the market but certainly the lack of deductibility for life insurance. More developed insurance industries have relatively equal weights between segments life and general insurance. Like the Czech share of life insurance in the total market is 46% in Poland to 54% in Hungary to 55%. In Bulgaria the share of life insurance is 18% while in Romania revolves around the threshold of 20%. (Competition Council, 2014)

But still, while Europeans spend 1,000 euros annually for life insurance, a novel allocated only 20 per year for these products and it is clear that this big difference can only be explained by the difference in living standards. It is therefore primarily by low education in the field and a low awareness of the importance of these products, which are points that players in the sector should focus in the future.

I think that informing customers about the need for financial protection to open more life insurance to the public, is a matter of national interest, not a step that should be done exclusively by specialized companies.

As another key reason is that the world has no money. People are afraid of losing their jobs is instability, many firms have restructured their limited staff numbers, people do not think about the long term, already have financial obligations through loans, increased energy costs, petrol and the economies declined. Another reason is that if they make early redemptions are some fees charged by insurers and then ignoring the protection many customers prefer to put money in the bank.

Assurance methods were developed with existing protection needs at a time for people and their businesses. Thus businessmen have agreed to use insurance to minimize the risks involved in trading transactions and those related to heritage protection. (Ionescu 2012, p.10)

Life insurances are part of our lives, but their visibility is not appropriate. From this point of view, it is believed that we are only starting to Romania. Life insurance is not only necessary, but also really useful.

Conclusion

Since life insurance involves long-term contracts and touching sensitive topics purely personal (death, survival, savings, retirement), reputation is essential in this area, which is why we believe that consumer perception of the reputation insurers of life constitute a barrier to market entry.

Although initially seemed to be strongly affected by the economic crisis, life insurance managed to save the market dynamics and are seen increasingly more as a line of business with great opportunities for development.

The most immediate problem encountered by companies at the moment and also the most important challenge remains winning customer trust and finding new creative solutions geared strictly to the customer by the common man. So, to reach the best solutions are as simple information and reducing complexity and offering flexible products, permanently connected with the reality of customer needs.

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