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General Consideration Regarding the Insurance Field in the Financial Perspective

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Abstract

This article provides a qualitative analysis of the data on the insurance fund studied at the economic level.

This approach allows us to take into account the functions of insurance with elements of a social order, such as the distribution function, which is defined in culture as something beyond financial.

In the early stages of the insurance industry, the idea of monetary evaluation of human life was rejected by many, since it saw the profanity that transformed a holy event of insurance into ordinary goods. By the end of the 19TH century the economic definition, the values became more acceptable, which ensured legitimacy in the insurance sector.

Key words: insurance, economic, financiar, functions
J.E.L. classification: M10, M20, M21, M31

1. Introduction

Insurance Notes a branch of activity, a field of financial services developed by insurance that have a complex economic meaning (natural, legal persons insured and for the generation of both objective and subjective factors, The insurance sector is a necessary and objective economic-social process, as it has measures as a means of protection, indemnishes financial losses covered by impediments secured, instructs the continuity of economic activity that are Temporarily flashing. (Văcărel, 1968)

2. Theoretical background

According to Iulian Vacarel and Florian Bercea teachers, insurance is closely linked to the existence of common risks whose production can cause significant damage to the national economy and the population. (Bistriceanu,2002)

Professor Gheorghe Bistriceanu considers that: "Insurance is a system of economic and social relations, a necessary objective process of economic and social development arising from objective economic laws, which consists in the joint creation by the population and economic operators at risk of certain risks of a fund to compensate for damage and other likely economic and financial requirements, unforeseeable. (Le Petit Larrousse Dictionary, 1996)

The 1996 Dictionary Le Petit Larrousse States that: 'The insurance is a guarantee given by an insurer to his insurer to compensate for any damage, against a premium or levy. (Law no. 32/10.04.2000)

According to Law no. 32/10.04.2000: "Insurance is the operation whereby an insurer, on the principle of mutuality, constitutes an insurance fund, through the contribution of a number of insured persons exposed to certain risks, and gives compensation to those who suffer damage on account of the fund made up of premiums earned, as well as the other revenues resulting from the activities carried out. (Văcărel, 1998)

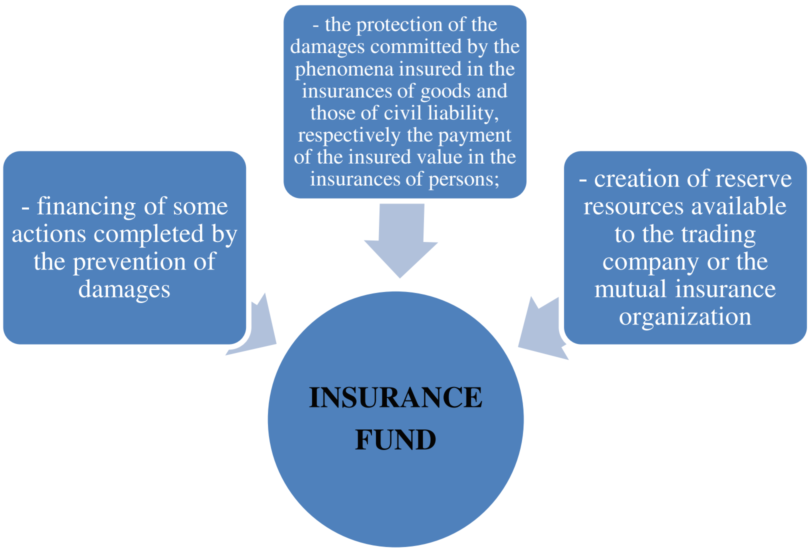
From an economic point of view, insurance requires the setting up, under separate conditions, of an insurance fund in connection with which a number of aspects can be distinguished:

- insurance is monetary;
- the assurance is drawn up in a decentralized manner, at the level of each insurance undertaking, in the light of the insurance premiums received from the natural or legal persons concerned to remove the damage they would incur as a result of events;
- the creation and use of the insurance fund require economic relations between the sections through the cash flows involved in receiving premiums, and then the payment of the damages awarded. (Bistriceanu, 1991)

3. Findings

The insurance fund is constituted with a view to cover the damage caused by forward-looking and uncertain phenomena (Popescu, Constantin 2003). In principle, the losses defined by the normal use of goods, their use in the production process or in households are not permitted, to reduce their value from various perspectives.

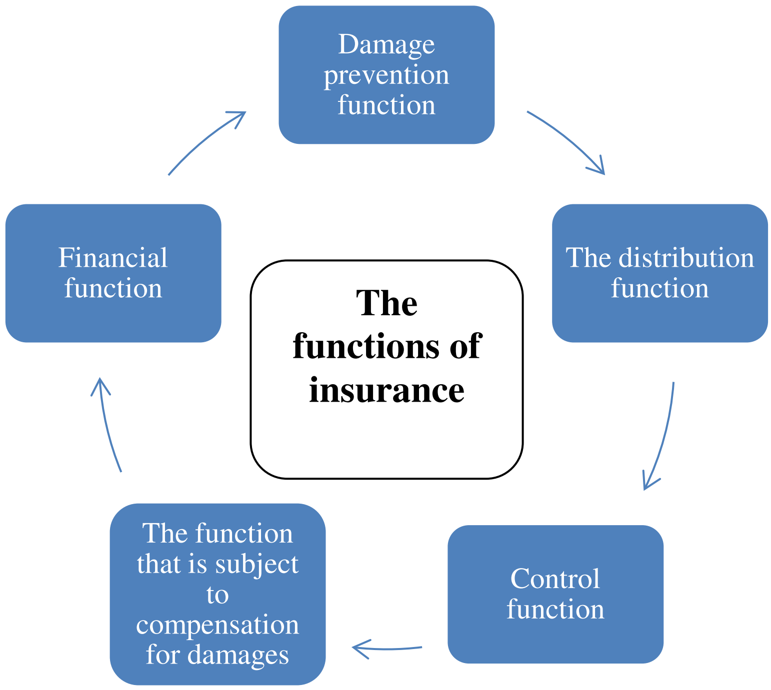
Figure no.1. The insurance Fund



Source: own processing

Therefore, "the assurance expresses the split and redistribution of the gross added values, relationships that would spread in the process of carrying out and using the insurance fund for the uninterrupted pursuit of economic activity, the complete leaving of insured goods, the protection of natural persons, against certain experiences that could affect their lives or incorruptibility, and the honoring of civil redemption obligations that are natural and legal persons toward third parties" (Bistriceanu, 1991).

Figure no. 2. Insurance functions



Source: own processing

The notion of insurance is used in relation to the activity of insurance companies and mutual and social insurance organizations.

From a financial point of view, it can be observed that insurance is in financial 'transitional' instead of the insured natural persons who pay successively the insurance premiums and natural or legal persons who need additional financial resources.

This approach does not show that insurance is evidenced by insurance companies, operating in a competitive market (Văcărel, 1998). This is why some experts highlight certain values of insurance, which is a characteristic of service providers, financial midfielder, financial transaction.

Insurance as a form of financial mediation notes that, more specifically in life insurance, the insurance undertaking pores not only insurance protection but also the solution of saving and recovering cash. The function of a financial intermediary shall be more specifically performed by life insurance communities, although all insurance of goods and civil liability decrees certain financial funds it pores for placing on the market.

Behind the insurance undertaking, as a financial intermediary, are natural persons who have drawn up dual-purpose life insurance: to protect themselves against certain future events, to make use of the savings entrusted to the insurance company.

For individuals who are components of life insurance contracts, insurance is valuable financial assets with a longer or shorter recovery term. According to the provisions of Article 5 of the 2006 Regulation "by insurance contract, the insured person is obliged to pay a bonus to the state Insurance Administration, and this assumes that the risk of an event occurring, requiring that, when the event occurs, he or she claim to the insurer or a third person, called the beneficiary, an indemnity — reward or insured amount — in agreed ends' (Popescu, 2003).

The arrangement entered into between an insured and an insurer may be called 'insurance contract' or 'insurance policy'. In the legal aspect, it presents the characteristics of an understanding.

It is a consensual arrangement that is only closed by the agreement of the parties, that contract is convenient when the insurer and the insured have given their consent to the quantity, the written structure is of the legislator's own desire to take account of the interests of insured persons and of third parties.

The synalagmatic contract by the idea that each party assumes certain bonds. Due to this, the insured requires accurate risk statements to be made, in the insurer's records, both at the end of the contract and at the end of the disaster, as the insurer must pay the insurance premiums due the duty to cover the risk of the insured, in the event of his being committed, with due consideration.

The random contract, i.e. when the insurer is entrusted, is not known for its effects, advantages or losses. This event, called those, involves, for each side, a chance of winning or a risk of loss.

A successive contract due to its validity for a long period of time, the premium may be paid in several installments, the protection being always on the part of the insurer. The fact that the term of validity of the insurance contract is over a certain period of time makes it possible to sort out the payment of the insurance premium and highlights the sequential nature of the commitment of the contract.

The contract of good faith which admits that its execution is knowingly executed by the parties. The insurer therefore accepts taking over a risk, on the basis of information provided by the claimant to an insurance or establishes the amount of the indemnity to be granted to the policyholder on the basis of information from the insured without having access to check it each time, where it is found that the information available to the insurer has not been true, a negative belief of the insurer is highly penalized.

Contract of adherence: The wording and establishment of contract terms are held by insurance companies, with the option of accepting or not in full. In the case of property insurance, the insurance undertaking shall call into question a draft contract, the completion of which shall take place with the agreement of both parties (Decree of the State Council no. 471-2006). It should be noted that the relevant regulations differ from country to country, but within the national framework, the supervisory bodies of insurance undertakings require that the insurance contract be classified in terms of content and structure, in some legal background and form.

Unique in relation to the entire insurance period, even if the payment of the insurance premium takes place by way of a division. In fact, the uniqueness of the contract generates the legal consequence, among which the fact that the insurance contract is governed by the initial conditions laid down, throughout the period of performance. The establishment of the annual premium shall take into account the entire duration of the insurance contract.

The ex-law insurance is based on the principle of compulsory insurance, refers to natural and legal persons, holders of goods subject to insurance being compulsory (e.g. households and other housekeeping, private property) (Văcărel, 1998), they are obliged to insure them against the risks required by law and insurers who have been legally authorized to practice such insurance are obliged to give effect to it under the conditions laid down by the public authority, but also to issue a documentary evidence of insurance.

4. Conclusions

A lot of specialists in the field embrace the traditional way of dealing with insurance, according to which insurance is a means of selecting, on a large number of natural and legal persons, the damage caused by a small number of them (Sorocovschi, 2002). This damage, unbearably, in the absence of insurance by the natural person or undertaking who has suffered it, becomes, under the conditions of insurance, bearable by the mass of those who make up the risk community, because the insurance technique is based on the law of large figures. If the insurance premium has been calculated with consideration of the loss likely to be incurred by the spread risk, it is expected that the obligations of the insured and those of the insurer will necessarily be in balance.

From the above, we can conclude on the place of insurance in the general knowledge system, consisting of four levels of functions: The financial function (that is, that insurance is considered to be one of the levers of the financial system); control function (as an additional function of insurance, is intended as a means of collecting); the function of specific distribution (is demonstrated by the process of allocating part of the gross domestic product); the function which underperforms the compensation of the damage (the commission is the main function of the insurance and is of interest to both the insured) and the last function is to prevent damage (it is the second important function and is performed in two ways).

That is, all these five functions, in particular the control function and the financial function, are reflected at the scientific level, i.e. in the insurance methodology.

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