



Penetration and Insurance Density Market in Romania Compared to other Countries in the European Union

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ABSTRACT

Romania has one of the lowest values in the European Union insurance density. As in the case of insurance penetration, there has been downward for the period 2008-2014, not only for Romania, but for most member countries. In 2014 this indicator fell to 91.2 for Romania EUR / Living. Decreasing trend of the penetration of insurance in the Romanian economy continued in 2014, reaching a value of 1.21% of GDP. This unfavorable trend was common to many European countries, being equally the result of domestic economic environment and international situațieifinanciare.

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1. Introduction

We can say that the market is a coherent, system or network of relationships of sale between different economic agents that are, on the one hand, united by ties of interdependence and, on the other hand, is in a state of opposition each pursuing their own interest. Market means the existence of clashes between carriers through which supply and demand determine the price of economic goods to be exchanged.

The insurance market involves meeting the demand for insurance, whose carriers are natural and legal persons who wish to enter into various types of insurance with the insurance proposal, whose representatives are specialized organizations licensed to operate in this area and capable of performing, financially, such activity.

Appreciation of the situation insurance market can be achieved by presenting quantitative indicators, reflecting the insurance sector in the national economy, as well as qualitative indicators.

In assess the level of development of the insurance market most commonly used analysis indicators in countries with tradition in the insurance penetration rate of insurance in the economy and density to ensure (indicators downloading and reports on activity in the insurance sector by the Commission for the Supervision of Insurance).

The penetration rate of insurance in the economy is a synthetic indicator showing the insurance sector's contribution to GDP creation and is calculated as the ratio between the volume of gross direct insurance premiums to gross domestic product.

Insurance density is expressed as a ratio of total gross direct insurance premiums received and the total population of that country, thus expressing the average premium per inhabitant.

In Romania at the end of 2015 active insurance market 35 insurance companies including:

- 20 activity practiced only insurance ("AG)
- 8 activity practiced only life insurance (" AV ") and
- 7 composite activity practiced.

Difficult insurance market stabilizes, although slightly down payment of underwriting non-life and life insurance stagnation are not the only positive signals. Thus, the Romans spent a little more insurances in 2012 from a year earlier, the insurance density climbing slightly from 97 euros to 98 euros. In addition, the penetration in GDP was 1.4% last year, as in 2011, which indicates that insurance works in close interdependence with the main economic sectors.

2. The penetration and density of insurance

The evolution of insurance penetration (ratio of gross domestic product (GDP) and gross written premiums (PBS) in 2011-2015 is described in the following table:

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Table 1. The evolution of insurance penetration

Period analyzed	Gross written premiums (PBS)(mil.lei)	G.D.P. (mil.lei)	Degree of insurance penetration in GDP (%)
2011	7.822,3	565.097,2	1,38
2012	8.256,9	595.367,3	1,41
2013	8.122,5	637.456,0	1,27
2014	8.085,7	667.577,4	1,21
2015*	8.750,9	708.100,0	1,24

Source: FSA - Financial Supervisory Authority (ASF)

- * Estimate of GDP as forecast winter 2016 National Forecast Commission.

The evolution of insurance density (the ratio of gross written premiums and total population) in the period from 2011 to 2015 was as follows:

Period analyzed	Gross written premiums (PBS)(mil.lei)	Population* (mil.resident)	insurance density (lei/resident)
2011	7.822,3	20,15	388,25
2012	8.256,9	20,06	411,61
2013	8.122,5	19,99	406,41
2014	8.085,7	19,91	406,05
2015**	8.750,9	19,87	440,41

Source: FSA - Financial Supervisory Authority (ASF)

* Resident population on 1 July of each year, estimated in terms of comparability with the final results of the Population and Housing Census - 2011.

** 1 January 2015 resident population - Eurostat data.

On the years 2014, insurance penetration in GDP, calculated as a ratio of gross premiums for general insurance and life and GDP was located at 1.21%, down 0.06 percentage points compared to the 2013. This is due to the faster growth rate of gross domestic product to the rate of change of the total volume of gross written premiums. Component, low penetration in general insurance under one percentage point of GDP (0.96%), while the life insurance was kept stable compared to the previous year (0.25%).

The insurance density, another indicator specific to the insurance sector, is determined as the ratio between the volume of gross written premiums and number of inhabitants. According to calculations made by ASF in 2014, this indicator registered a value of 405.35 lei / capita level down 1.06 lei / capita compared to 2013 (406.41 lei / capita). For comparison was used the resident population (stable) from 1 July 2013 to 2014 National Statistics Institute determined based on final results of RPL 2011. Under the new records, the population was adjusted annual decrease by approx. 1.2 mil. Inhabitants.

In the insurance sector, the insurance density was located at 323.28 lei / inhabitant level down 1.36 lei / inhabitant compared to 2013. For the category of life insurance, this index was increased by 0, 30 lei / capita compared to the 2013 level of 82.07 lei / inhabitant

The estimated for the year 2014 was noteworthy turn, prevents the decline of the insurance sector in Romania has improved due to the positive contribution of the life insurance segment. After a severe reduction of 9.33% in 2013, the gross written premiums on the life insurance market has returned to growth (+ 0.17%), partially offsetting the effect of reduction in non-life insurance (-0.61%). As a consequence of the dynamics of GDP growth over insurance, insurance penetration continued declining 1.21% in 2014 versus 1.27% in the previous period. This downward trend was common to other European countries in 2013, being equally the result of a shortage of domestic consumer demand and a lower level of interest rates.

Compared with the euro area improved macroeconomic framework in 2014 gave a boost to the insurance sector. The most important countries in terms of gross premiums written are the UK (21.2%), France (16.9%), Germany (16.8%) and Italy (10.6%) who owned 2013 approx. 65.4% of the European

market. They also have a high level of insurance penetration, first standing UK and the Netherlands (11.7), followed by Finland (10.8), Denmark and Switzerland (9.3), France (8.9), Italy (7.4) and Germany (6.7), data will be available in the year 2013.

Table 3: The insurance penetration in GDP (%) compared with other Member

The degree of insurance penetration in GDP (%)	2009	2010	2011	2012	2013
Austria	5,74	5,69	5,33	5,14	5,15
Belgia	8,13	8,10	7,73	8,35	7,03
Bulgaria	2,36	2,23	2,03	1,97	2,15
Elveția	9,30	10,03	9,16	9,12	9,29
Cipru	4,42	4,43	4,41	4,31	4,24
Republica Cehă	3,45	3,76	3,47	3,52	3,36
Germania	6,98	6,94	6,60	6,60	6,67
Danemarca	8,86	8,65	9,14	8,36	9,33
Estonia	2,17	2,01	1,73	1,68	1,69
Spania	5,67	5,21	5,54	5,37	5,26
Finlanda	8,94	9,96	9,22	9,94	10,78
Franța	10,30	10,37	9,20	8,67	8,90
Grecia	2,26	2,32	2,35	2,22	2,07
Croația	2,86	2,78	2,71	2,72	2,73
Ungaria	3,29	3,10	2,60	2,66	2,71
Irlanda	7,42	7,71	6,65	6,31	6,47
Islanda	2,47	2,77	2,65	2,49	2,59
Italia	7,49	7,83	6,75	6,51	7,38
Luxemburg	4,53	5,28	3,83	4,25	4,60
Letonia	1,67	1,48	0,95	1,27	1,35
Malta	4,70	4,92	4,45	3,75	3,91
Olanda	12,58	12,33	12,25	11,73	11,74
Norvegia	4,47	4,37	4,27	4,51	4,07
Polonia	3,97	3,79	3,37	3,94	3,47
Portugalia	8,27	9,08	6,62	6,48	7,74
România	1,74	1,56	1,38	1,38	1,27
Suedia	7,86	8,20	7,43	6,23	6,54
Slovenia	5,72	5,78	5,49	5,61	5,36
Slovacia	3,18	2,97	2,87	2,81	2,95
Turcia	1,29	1,24	1,22	1,33	1,33
Marea Britanie	12,38	11,35	11,90	12,20	11,73

Source: InsuranceEurope, Eurostat, calculations ASF, ASF Annual Report 2014

The insurance density (the ratio of the euro value of gross written premiums and total population size) also followed a downward path, falling below 100 euro / capita (gross premiums written was 405.8 lei per capita, at an average EUR / RON 4.4446 calculated by BNR for 2014) since 2010. similar values were recorded in Bulgaria (121 euros), Latvia (156 euros), Estonia (EUR 240), Hungary (276 euros) and Croatia (280 euros).

The factors that discourages allocation of resources from the household budget to cover the risks in addition to those required by law, are the low income compared to the European average (gross earnings represent approximately 20% of the EU average), the high percentage of utilities and consumption necessities in the consumer basket, but also damage public perception of the insurance system due to the financial difficulties faced by some companies.

Table 4: The insurance density (euro / resident) compared to other countries

Insurance density in GDP (%)	2009	2010	2011	2012	2013
Austria	1967,9	2002,5	1961,2	1933,3	1960,1
Belgia	2635,7	2720,9	2674,0	2931,7	2502,4
Bulgaria	112,0	109,0	110,6	110,6	121,2
Elveția	4632,5	5590,7	5806,8	5906,8	5927,1
Cipru	1008,1	1017,9	1009,5	967,6	890,4
Republica Cehă	488,3	558,8	541,2	539,7	502,5
Germania	2093,6	2187,5	2177,6	2216,7	2281,4
Danemarca	3693,3	3767,7	4036,9	3750,7	4205,6
Estonia	230,0	222,1	213,1	224,1	240,1
Spania	1319,8	1209,3	1274,6	1210,5	1185,3
Finlanda	3030,8	3473,7	3367,5	3667,2	4005,0
Franța	3087,8	3189,8	2902,7	2764,6	2855,9
Grecia	480,4	469,5	439,2	389,5	342,9
Croația	299,3	291,5	283,4	280,2	279,5
Ungaria	306,4	303,6	261,7	264,8	275,7
Irlanda	2747,2	2790,5	2485,8	2373,1	2458,4
Islanda	710,1	870,8	875,0	859,7	925,6
Italia	1977,3	2101,3	1835,3	1742,3	1958,7
Luxemburg	3283,8	4098,5	3124,0	3499,3	3818,1
Letonia	147,0	127,1	92,7	138,2	156,0
Malta	699,4	783,1	738,3	645,1	700,5
Olanda	4700,7	4688,1	4717,6	4485,8	4491,4
Norvegia	2580,7	2893,3	3088,5	3563,4	3153,2
Polonia	327,8	353,7	329,7	394,9	357,4
Portugalia	1373,5	1545,5	1105,2	1037,6	1253,2
România	102,8	97,4	91,6	92,4	92,0
Suedia	2616,5	3225,5	3183,2	2768,7	2972,2
Slovenia	1013,9	1022,1	986,0	981,6	940,5
Slovacia	374,1	367,2	373,3	375,3	401,1
Turcia	79,1	93,3	91,9	-	-
Marea Britanie	3308,0	3285,7	3504,4	3909,9	3690,7

Source: InsuranceEurope, Eurostat, calculations ASF, ASF Annual Report 2014

It observes that Romania has one of the lowest values in the European Union insurance density. As in the case of insurance penetration, there has been downward for the period 2008-2014, not only for Romania, but for most member countries. In 2014 this indicator fell to 91.2 for Romania euro / inhabitant.

For the future it is anticipated a return of the insurance market in Romania and in Member States due to better regulation of the market (the European directive on insurance mediation and Solvency II) and the action of macroeconomic factors impacting positively like increased foreign direct investment, the absorption of European funds, the building sector, agricultural development and increased interest in agricultural insurance.

Decreasing trend of the penetration of insurance in the Romanian economy continued in 2014, reaching a value of 1.21% of GDP. This unfavorable trend was common to many European countries, being equally the result of domestic economic environment and the international financial situation.

3. Conclusion

The insurance sector in general is a particularly important area in any economic system, development of insurance sector may have a particularly strong impact especially in economies in transition. Moreover, it was shown that the economic impact of the life insurance act is accompanied by significant social effects.

Regarding of insurance penetration, Romania is on the last position among European Union countries, reducing permanent in recent years, according to data published by the FSA - FSA, in the quarterly report.

This indicator was found on a downward trend in the period 2011-2014, a trend common to many European countries as a result of internal macroeconomic context and the international financial situation

It is forecasted that the future The penetration rate will grow along with the need for financial education and insurance, along with the living standards of the population, and here we are very dependent on the economic situation, which fortunately for Romania is very promising trend. And besides financial education of the population, raising living standards, the insurance market needs, too, and a higher tax deductibility.

The low level of development of life insurance sector in Romania is often blamed on poor financial education Romanian customers, raising awareness of their need for financial protection and life insurance benefits is very low.

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