

10 YEARS OF INSURANCE BROKERAGE IN ROMANIA. EVOLUTION. PERSPECTIVES

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Abstract: *The paper presents the evolution of insurance brokerage activity in Romania during the period 2007-2016. We chose this period as from 1st January 2007 Romania became a member of the European Union. Since then, the principles of the Single Market on the free movement of services apply in the Romanian insurance market. The insurance brokerage market in Romania has grown year after year. Even in times of crisis when the volume of insurers' business fell, the insurance brokerage market grew. At the end of 2016, 66,14 % of insurance premiums written by insurers in Romania were intermediate by insurance brokers.*

Keywords: *Insurance broker, intermediary premiums, brokerage commissions, brokerage warrant, damage regularization.*

1. INTRODUCTION

On the insurance market in Romania, at the end of 2016, for the first time, the brokerage activity for general insurance, exceeded the percentage of 50% of the insurance premiums subscribed by the insurance companies. Even though in 2009-2014 insurers' subscriptions fell due to the effects of the economic crisis, the value of brokerage insurance premiums increased each year. The increase is due to the reorganization of the insurers in the last years and the increase of the role of the insurance brokers in Romania. The effects of the financial crisis are also felt in insurance spending. Both individual and corporate clients have lowered their insurance costs in the budget. Insurers are increasingly turning to insurance brokers. Brokers analyze and compare all insurance offers in the market. Then, for each client, he / she calculates cost-effective, economical and low-cost insurance offers. In Romania, policyholders do not pay intermediation fees to insurance brokers. Brokers do not apply a commission to the insurance premium set by the insurer. They are commissioned by insurers with a percentage of insurance premiums for them. The commission fee is different depending on the intermediate insurance classes.

2. EVOLUTION OF THE INSURANCE BROKERAGE MARKET IN ROMANIA

In the first years after the introduction of the 32/2000 Law and the establishment of the Insurance Supervisory Commission we witnessed the formation and consolidation of the insurance brokerage market in Romania. Over 2001-2005, more than 300 brokerage insurance companies were established in Romania. After 2007, after Romania's accession to the EU, we witnessed the professionalisation of the brokerage market.

This was done primarily through regulation. Secondary legislation for the authorization of insurance brokerage companies appeared. The Insurance Supervisory Authority in Romania was the Insurance Supervisory Commission (CSA) between 2001-2012 and from 2013 until now the Financial Supervisory Authority (ASF). CSA and ASF issued rules and regulations for continuing professional training of insurance staff. During this period the range of services provided by insurance brokers to their clients has expanded. In addition to brokering, there has been developed and instrumentation and settlement of claims. Currently there are insurance companies that have outsourced to the brokers the damage services, some partially and the others altogether. Some insurance brokers carry out only damage settlement and damage commission (eg Avus, eClaims Interfides International, Pavalascu Risk Consultants). Their number is very low in number. Of the total of insurers paid dunes, the insured brokers' insurance claims over the past 10 years did not exceed the percentage of 2 %.

Table. 1 Insurance brokers in Romania during 2007-2016

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Authorized brokers	383	448	510	527	584	610	611	447	455	317

Source: Author processing of data form ISC and FSA annual reports, Xprimm Profile Magazine

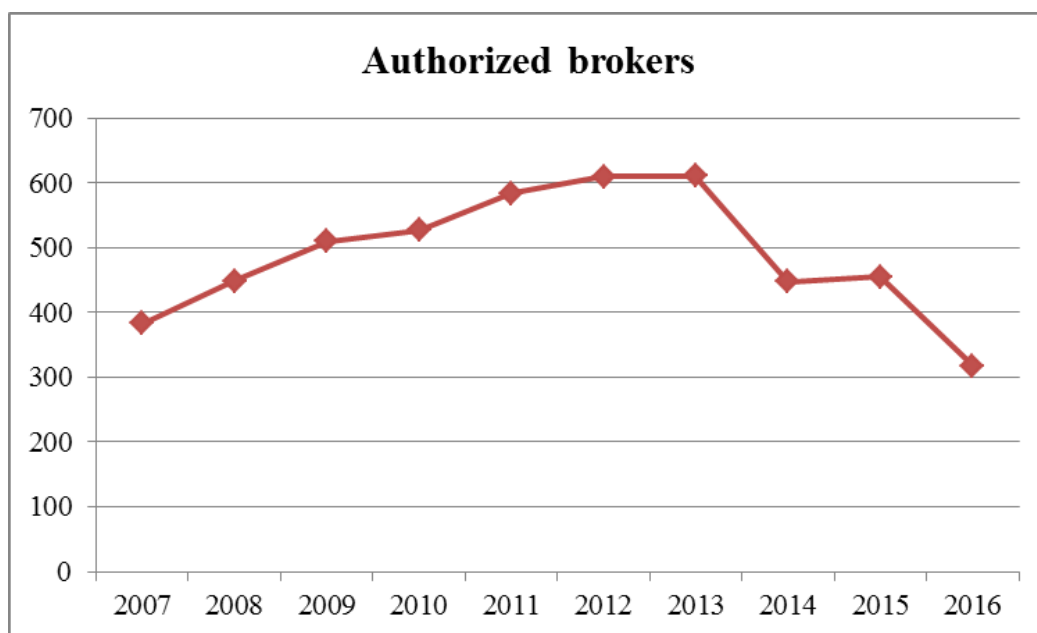


FIG. 1 "Authorized brokers"

It is interesting to analyze the territorial distribution of insurance brokers. As with insurers and insurance brokers, they are concentrated with headquarters and administrative activity in the capital of the country, Bucharest. More than 50% of the insurance brokers have their administrative headquarters in the capital and are represented in several counties. There are also 15% local brokers that mediate insurance in one or more counties. There are counties where we have no local broker. We only have representatives of the brokers in the capital. At the end of 2016 the distribution by administrative counties and by development areas of the country was as shown below.

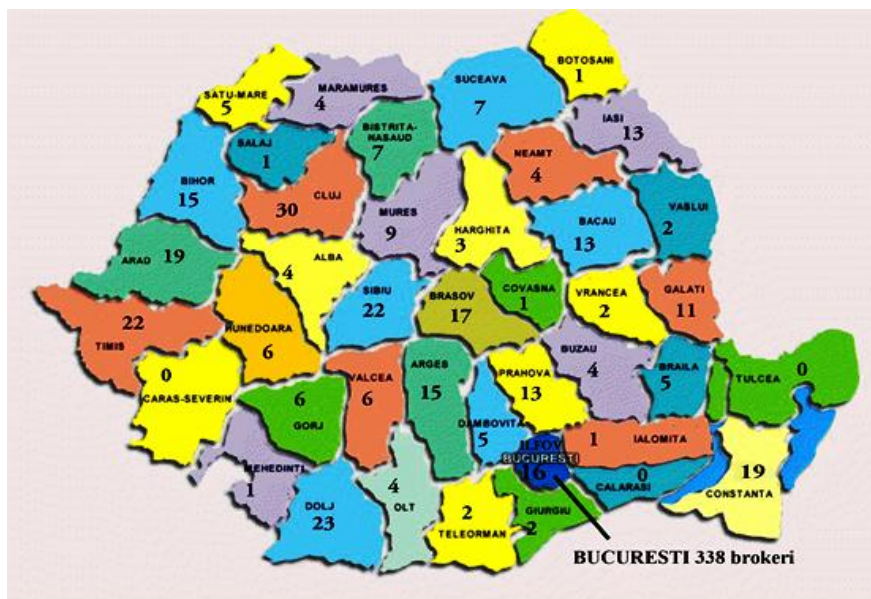


FIG. 2 “New brokers created 2009-2011”

Table 2.1. Evolution of the volume of mediated premiums by insurance brokers in Romania

Year / mil lei	2007	2008	2009	2010	2011
Total mediated premiums	1568	2704	3211	3199	3115
General insurance	1535	2636	3114	3111	3034
Life insurance	330	480	970	878	808

Source: Author processing of data form ISC and FSA annual reports, Xprimm Profile Magazine

Table 2.2. Evolution of the volume of mediated premiums by insurance brokers in Romania

Year / mil lei	2012	2013	2014	2015	2016
Total mediated premiums	3603	3928	4553	5217	6208
General insurance	3506	3830	4440	5088	6038
Life insurance	976	982	1132	1289	1699

Source: Author processing of data form ISC and FSA annual reports, Xprimm Profile Magazine

Although the number of insurance brokers in Romania has grown every year, the insurance brokerage market remains concentrated. In 2007, the first 50 of brokers mediated over 77,16 % of the total of insurance premiums written in Romania, by the end of 2016, the first 10 brokers mediated over 40 % of the market.

Intermediation of life insurance policies is not attractive for Romanian insurance brokers. There are life insurance companies do not sell life insurance policies through brokers, selling only through their own network of agents.

Table 3. Dynamics of the insurance brokerage market in Romania

Indicator/ Year		2007	2010	2013	2016
Brokers - Volume of Activity	Income from brokerage	351	536	795	1101
	Fee premiums	338	507	772	987
	Income from risk inspections	0,56	4,73	4,99	1,09
	Income from damage regularization	5,27	11,69	12,56	15,4
	Income from damage commissioner	0,38	3,14	3,12	2,43
	Other incomes	6,36	8,89	5,82	6,70

Source: Author processing of data form ISC and FSA annual reports, Xprimm Profile Magazine

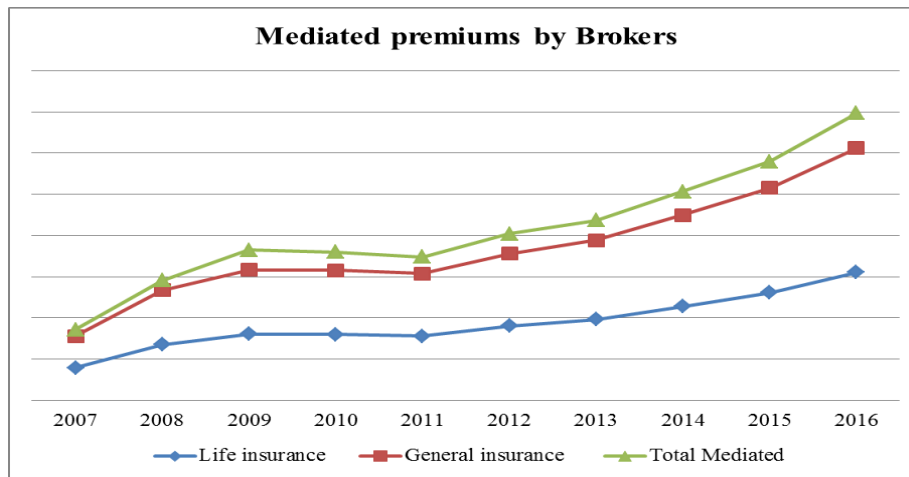


FIG. 3 “Mediated premiums by brokers”

3. CONCLUSIONS

The insurance brokerage market in Romania is now consolidated. It plays an important role in the development of the entire Romanian insurance market. From 2007 to 2013, the number of authorized insurance brokers increased annually. With the application of the capital increase regulations, part of the local brokerage insurance companies ceased their activity. They have transferred their portfolios to their native brokers and act as brokerage assistants. Under these conditions, the market continues to be concentrated. From the data recorded, at the end of 2016, out of 317 brokers carrying out activity, less than 5 % of them, respectively 10 brokers carried out 44,78 % of the total value of mediated insurance premiums.

Life insurance intermediation is kept at a very low level compared to general insurance. In 2016 only 10,18 % of the total life insurance subscribed where by brokers.

One of the opportunities for the future development of the market is also the online commerce with insurance. This modern form of sale is in favor of brokers. From an insurer, the customer can buy online a certain type of insurance policy with a certain price. From insurance brokers, the buyer customer can choose the same type of insurance policy at very different rates and costs. When selling on-line insurance, the client does not receive consultancy from the broker. The customer compares and chooses the price. Lack of direct contact with the insurer and handshake for business consolidation.[3]

Currently in Romania the online insurance commerce does not exceed 10 % of total insurance sales. The bestselling insurance policies are RCA, PAID and travel insurance for travel abroad.

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