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**THE IMPACT OF EUROPEAN INTEGRATION ON THE GENERAL
INSURANCES MARKET IN ROMANIA**

Abstract

The present article aims to proving that the business concentration is the main tendency witch is to become manifest in the insurance field, determined by the increasing interest of international strategic investors to penetrate or consolidate their position on the Romanian insurance market.

The pressure settled by the competitors, determined by free access to the auchthonous market and by the inroading of an increasing number of European companies as well, will generate significant reorganizations, mergers, alliances and acquisition between local operators.

Actually, in the near future, the specific industry is going to settle, meaning that only the efficient insurance companies are meant to last through the years, most of them being international companies. The coming of the these international companies will determine a stiff competition and the final result is to be favourable for the client, the one who buys the insurance, improving the quality of services provided.

The efforts to develop new insurance products, the interest in diversifying the insurers' portfolio towards non-auto categories and consolidating the territorial networks as well as some alternative distribution channels, constitute measures in Romanian insurance industry maturation.

Insurances represent one of the areas in our country that has undergone serious transformations in order to sustain our country's integration in the European Union. During the preparing stage, a series of profound legislative changes took place, most of them being mainly directed towards harmonizing with the community acquis.

The European Insurance and Reinsurance Federation (CEA - Comité Européen des Assurances) includes 33 National Unions that represent over 5,000 insurance and reinsurance companies in Europe. Romania is represented by the National Union of the Insurance and Reinsurance Companies.

Among other advantages, our adhesion to CEA offers Romania the access to the debates that are currently taking place regarding all the regulations that are to be adopted with respect to the insurance market and to the discussions between the insurance industry and the European organisms.

The segment with the highest representation (80%) on the entire insurance industry in our country is represented by the general insurances, non-life insurances. If at the European level, the car insurances, although the most important class of the general insurances, do not represent a higher rate than 13% of the whole portfolio or 33% of the general ones, in Romania in the last 5 years, the car insurances have never represented less than 50% of the entire market or 60% of the general insurances.

CICR - Compulsory for the European Romania

The standards of the European Union in the compulsory insurance of car owners' civil responsibility area refer to the existence of the necessary legislation and mechanisms that oblige any car owner to have a CICR functional on the entire European space, including Switzerland. Since Romania's adhesion to the EU, the compulsory insurance of car owners' civil responsibility is functional on the entire territory of the European Union, including Romania as a member-stat, as well as Iceland, Norway, Lichtenstein and Switzerland. Thus, since the adhesion in the European Union, car owners have paid for only one policy for the compulsory insurance of car owners civil responsibility functional on the entire territory mentioned above.

The fees for the compulsory insurance of car owners' civil responsibility policies are exclusively established by companies. They are the only ones to decide whether they increase or diminish them, depending on the fed-back they get for this form of insurance, the average damage, the frequency of the damage or purchase expenses. Yet, the insurance agents must notify the Insurance Survey Commission (ISC) upon their fees as well as publish them. The modification of the CICR fees cannot be put into practice earlier than three months since the last notification.

According to the stipulations in the CICR for damages resulting from car accidents, put into practice by the Order 113133/2006 of ISC (published in the

Official Monitory, Part I, no. 977 of the 6th December 2006), the insurance agents print the CICR policy and the vignette insurance on the same document with the Green Card.

Since the 1st of January 2007, it was necessary for the CICR to turn into a type of insurance available on the entire territory of the European Economic Space (EES), with a unique fee. Since until the 1st of January, Romania had not yet signed the Warrant Multilateral Agreement with all the member states of the Agreement, it was necessary that the CICR document, available since the date in point, to be made up of the CICR policy and the standard Green Card form. Presently, Romania must still sign the document in case with only one state of the 32 member states of the Agreement so that the CICR will shortly be available on the entire territory of EES, without including the Green Card form.

In order to sign the Warrant Multilateral Agreement, Romania had to reach a level of 90% cars that have CICR. The common transport vehicles do not pay the Green Card policy.

Since the 1st of August 2007, in the member states of the European Union, Switzerland, Norway, Iceland, Croatia and Andorra, the CICR documents are no longer checked for the cars registered in Romania that circulate on their territory (this decision was taken by the European Commission on the 9th of July 2007, which noticed that Romania's National Bureau signing the March 8th 2007 Addendum 3 to the Warrant Multilateral Agreement between the National Insurance Bureaux of the states mentioned above assured that all the conditions for the elimination of the CICR checking were observed according to the Directive 72/166/EEC).

The Warrant Multilateral Agreement only refers to the elimination, between the states that signed the Agreement of the border control, of the CICR for the cars registered or matriculated in Romania and Bulgaria. For all the other states of the Green Card system, but which have not signed the Multilateral Agreement (Moldavia, Ukraine, Serbia, Turkey, etc.), the control of the CICR document (Green Card) remains obligatory.

This decision of the European Commission does not eliminate the obligation of the car owners and users in Romania to conclude and maintain

functional the CICR that is functional on the territory of the states mentioned above.

According to Law 136/1995, with the subsequent revision and completions, and to the Order CSA 113133/2006 in the case of controls made by the Romanian authorities on the cars registered and matriculated in Romania, the proof for having the CICR is the CICR document and the vignette insurance.

Romania has made intense efforts in this direction, taking measures both in making the public aware of the importance of having the CICR and in facilitating the checks concerning the cars that do not have the CICR, and CICR dissemination.

The Official Monitor of Romania, Part I, no. 686 of the 9th of October 2007 published the Order 11 of CSA meant to put into practice the new regulations concerning the civil insurance of car owners' civil responsibility for damages coming from car accidents. Besides some technical revision, the limits of damage have been raised starting from the 1st of January 2008 both for the material damages and for physical damages, with no patrimony prejudices produced by the same car accident, to 150,000 euros and, respectively, 750,000 euros per event, in 2009 the sums being likely to double compared to 2008.

The Law 304/2007 for the revision and completion of the Law 136/1995 concerning the insurances and reinsurances in Romania (published by the Official Monitor of Romania, Part I, no. 784 of the 19th of November 2007) eliminated the agreement of the insured person who is responsible for the accident, the damage being established and paid on the basis of the insurance available at the date of the accident or by the judge decision.

CICR - online

The CICR agents must transmit in the CEDAM database, the complete recordings of their own database concerning the concluded CICR contracts, which helps in checking to what extent cars are insured in Romania.

The CEDAM online database offers an easily accessible evidence for the CICR policies concluded in Romania. According to the plate number or the series of the vehicle bodywork, it is easy to check whether the car is insured on the website <http://cedam.csa-isc.ro/index.php>. The purpose of the CEDAM

database is to better watch the legislation observation concerning the car insurances and to facilitate the access of all the persons interested to the information concerning the existence of a CIRC policy for a certain car. The database is permanently updated in order to reflect the present situation of the compulsory insurance of car owners civil responsibility in Romania.

Expired CICR - Suspended Registration

Since the 1st of April 2006, the non-insured cars registration is suspended 90 days after the expiration of the technical inspection or the CICR insurance.

30 days after the annulment of the status of juridical person, in case the latter owns cars in circulation, their registration is automatically suspended until they are registered again, or depending on each situation, until they are legally taken out of his/her ownership.

If cars are driven on public ways after their registration has been suspended, drivers are fined 3,000 to 5,000 RON.

These stipulations were approved by the Government in an Emergency Order 189/2005 (published in the Official Monitor, Part I, no.1179 of the 28th of December 2005). The order allows a strict monitoring on the car registration, while the CICR insurance companies and those that are entitled to perform periodical technical inspections (ITP) are obliged to provide data to the Insurance Survey Commission and the Romanian Car Register.

The Street Victims Protection Fund

All the insurance agents authorized to conclude CICR policies for damages caused in accidents must set up the Street Victims Protection Fund.

In the Order 113127/2006 of CSA (published in the Official Monitor, Part I, NO. 733 of the 28th of August 2006), the norms concerning the Street Victims Protection Fund were put into practice.

The Street Victims Protection Fund was created in 1996, but starting with 2004, it functions as in all the member states of the European Union.

The Fund was made up in order to provide information to the persons injured in car accidents, such as the information center (CEDAM), and in order to pay damage to the persons injured in car accidents under certain conditions.

Thus, the Fund pays damage to Romanian physical and juridical persons, as well as to the residents in Romania or in the states of the European Economic Space, the Swiss Confederation and Croatia, for the prejudices coming from car accidents taking place on the territory of Romania - accidents caused by trams registered in Romania that do not have CRIC for the accident damage or car accidents whose author is not identified. In the case of car accidents whose authors are not identified, the damage is paid only for injuries or deaths, and in the case of accidents produced by identified authors with unregistered trams and cars, money is paid for material damage, too.

The money paid as damage by the Fund is established according to the legislation concerning the CICR in Romania. In case of money paid for material damage caused by unregistered cars and trams, the person who is damaged must pay a franchise rising to 100 euros or its equivalent in RON according to the currency rate communicated by BNR at the date when the accident was produced. If, as a result of the car accident having an unidentified author, the victim has suffered physical damage which calls for hospitalization for more than 60 days, the Fund pays money also for the material damage caused in the accident in case. In these cases, the victim also has to pay a franchise of 500 euros or its equivalent in RON according to the currency rate communicated by BNR at the date when the accident was produced.

As for the foreign citizens non-resident in Romania, they can be paid damage under the Street Victim Protection Fund incidence only if the mutual principle is respected: if the country they come from provide Romanian citizens the same right.

The Street Victims Protection Fund does not pay damage to persons guilty for the accident or those who were willing to be in the car in case or if it was proved they knew the car was not insured. If the damaged persons can recuperate the damage by an optional insurance, the Street Victims Protection Fund does not offer financial damage. The Fund does not pay damage for the public ways or urban "furniture" destruction.

Before 2004, the Fund only paid damage created by unidentified authors. The administrator of the Fund is the Cars Insurance Bureau of Romania (CIBR) which is an independent non-professional company.

In the states that are members of EU, this regulation has functioned since 1988 and is harmonized at the community level.

Generally, in all the states in the EEC and Switzerland, the fund that pays damage caused by unauthorized cars is called the Warrant Fund. Only in Italy, it has a name similar to that of Romania - the Street Victims Protection Fund.

CIBR recuperates all the damage provided by the Fund, through the regress right, from the person responsible for producing the car accident or from the one who did not fulfill the duty to conclude the compulsory insurance of car owners civil responsibility. Besides the insurances, the CIBR has to right to ask for the sums spent for maneuvering and paying the damage.

Since the 1st of January 2007, CIBR has been reinsured by the Swiss Re. The reinsurance agent covers the damage that exceeds a certain level.

The CIBR reinsurance is one of the conditions that had to be accomplished by Romania in order to sign the Warrant Multilateral Agreement.

The Amiable Notification, Regulated by the Government

The necessity to harmonize with the European Union practices and to align to the European standards concerning cars circulation in Romania has determined the modification of the normative documents in the insurance area. In order to meet this necessity, at the specialized European missions recommendations, ICS initiated a legislative project that facilitates a faster and less bureaucratic solution for the traffic incidents that result into slight crashes, without breaking the present circulation legislation.

The status of member state of the European Union stimulates Romania in adopting a series of good practices, having as reference other European experiences. The number of vehicles in circulation has registered a spectacular rise in the last years, which led to an increasing number of accidents and the increase of the demands addressed to the insurance societies for damage recuperation.

The law 304/2007 for the revision and completion of the law 136/1995 concerning insurances and reinsurances in Romania (published in the Official Monitor, Part I, no. 784 of the 19th of November 2007) introduced the concept of

"amiable notification" in case of car accidents that resulted into material damage.

Introducing this concept led to shortening the periods of damage recuperation in case of car accidents that resulted into material damage, representing an alternative to their solution. Their turning into a protocol by the police remains valid in the present legislation.

Thus, in case of slight car accidents where there are no injuries, the notification of the insurance companies can be based only on a typical form made by the insurance agent called "amiable car accident notification" where car drivers put down the circumstances where the accident took place, the identification data of the persons and cars involved as well as the insurance agency ones. They are sent to the insurance agency together with the insurance CICR policy. The "accident amiable notification" form is simultaneously handed in with the CICR. The insured driver may ask, during the availability period of the CICR policy, one or more documents in case the one he/she initially got was used, given away or lost.

The norms for using the "accident amiable notification" have not been elaborated yet.

The Optional Car Insurance - CASCO

The general insurance area is mainly represented by car insurance since cars play an important part in every individual's life. Besides, cars are bought either using credits or in leasing, so they are compulsorily insured. The market will be dominated by the car insurances which is in fact specific to the Eastern European. In case of low incomes, people are tempted to make insurances for the highest risk.

Car insurances are and will be the most important ones. However, since insurance companies are confronted with a lower damage rate, it is imperative for them to find common solutions to reduce damage that refers to the ways of damage liquidation, specialized assessment software, a unitary politics for the relationships with services. Since the value of the damage registered by the CASCO policies has lately exceeded the CICR, some of the insurance companies have started to accept changing the offer system concerning the CASCO

insurances. Thus, it has been introduced a system that allows differentiated fees for drivers. It offers wise drivers the cheapest insurances on the market, and the most "daring" ones, who cause more accidents, more expensive insurances. Older drivers, the married ones especially, who do not cause accidents, will pay less for an insurance while those who cause more accidents will pay a higher insurance fee. Therefore, the company will act as a social justice maker (everyone will pay depending on the accidents he/she produces), but, in the same time, he/she will diminish the costs with the damage paid to the insured individuals.

Insurance companies have concluded conventions with car services, having also negotiated the cost of the devices, components and maneuver costs; they have also introduced the franchise costs to the CASCO policies and limited the commission costs, which did not lead to diminishing this market segment.

Until 2006, all the insurance agents members of the Car Insurance Bureau of Romania used to have the CASCO insurance available only for the damage caused on the Romanian territory and could extend their availability to other countries upon request. This was possible by paying a supplementary fee or for free in case a person bought the Green Card from the same insurance agent.

Since the 1st of January as a result of the unification of the two types of insurances, the Green Card and the CICR, the extension of the risks covered by the CASCO insurance is done only if the person having a CASCO insurance purchased the CICR insurance from the same insurance agent.

Building a common database capable to facilitate the assessment of the individual risks for the car insurances so that the Bonus-Malus system might be put into practice is an imperative necessity for the car insurances in Romania. It depends to a great extent on the introduction of the amiable notification introduction. If the Bonus-Malus system is not practiced on the entire market, insurance agents will not have means to discourage frauds that are possible under the condition of the amiable notification.

Home Insurances

As it is known, Romania is one of the European countries significantly exposed to natural disasters, especially earthquakes, floods and ground gliding.

The Government approved a law project (adopted by the Senate on the 5th of November 2007, according to the stipulations of the art. 76 paragraph (1) of the Constitution, which is republished) that refers to the compulsory insurance of homes against natural disasters. The maximum sum that home owners will annually pay on the new home insurances will be 20 euros for homes of A type and, respectively, 10 euros for homes of B type. Physical and juridical persons will be obliged to insure against natural disasters all the buildings destined to be dwelt, found in their ownership, registered in the evidence of the fiscal organs. In the case of physical persons who benefit from social aid, the compulsory insurance is paid from local budgets, from the sums allotted from the state budget.

According to the stipulations of this law project, the sum of money compulsorily insured is 20000 euros, equivalent in RON (at the currency rate communicated by BNR at the date of the home insurance contract conclusion) in case of homes of A type (buildings with resistance structure made of ferro-concrete, metal or wood or with stone exterior walls, burnt brick or any other type of material resulted after a thermic and/or chemical treatment). The insurance rises to 10000 euros for homes of B type (buildings with exterior walls made up of non-burnt bricks or any other material that does not ask for thermic and/or chemical treatment). In case a home makes the object of a financial leasing contract, the conclusion of the insurance contract is the lodger's task.

In case of dwelling buildings in co-ownership, there will be one compulsory home insurance contract concluded under legal conditions for each of the buildings, irrespective of the number of owners. There will be only one fee paid, and a percentage owed by each co-insured individual is established as a share that becomes the respective individual's duty.

The compulsory home insurance contract is annually concluded only by the insurance agents associated to the Insurance Pool against Natural Disasters (set up as an insurance - reinsurance commercial society) and who are authorized to conclude such contracts.

As for paying the fees partially or totally subsidised, it will be paid in the Pool's account from the local budgets, from the sums especially transferred from the state budget.

In case any of the risks stipulated in the contract is produced, the damage is paid upon a damage request that can only be drawn by the beneficiaries of the insurance policy against disasters.

Besides, the law creates some facilities with social character for the persons who dwell in social homes, respectively for those who benefit from social aid meaning that in their case, the insurance may be entirely or partially paid by the local authorities.

In case physical and juridical persons do not observe the obligation to insure homes is a misdemeanor and is sanctioned with a fine going from 500 to 1000 RON. The authorized insurance agent's refusal to conclude the home compulsory insurance is fined with 500 to 1000 RON.

Travel Medical Insurances - The Health Card

One year has elapsed since the principle of persons' free circulation has been successfully applied in the European Union territory and the travel medical insurance is no longer necessary when leaving the country. At the end of 2006 and the beginning of 2007, the majority of the specialists on the market estimated a high fall of the sales of this type, on the one hand due to its non-compulsory character, and on the other hand because of the introduction of the European health card. After a year of European integration, the sales of this type of insurance have not diminished at all.

Private medical insurances for travels abroad cannot be replaced by the European Health Card. Although both the Health European Card and the private health insurance for travels abroad are instruments meant to cover medical expenses, there are essential differences between the two, the benefits of the medical insurance being superior. Thus:

- the European Health Card is functional only in the European Economic Space plus Switzerland unlike the private medical insurances for travels abroad that are functional in any state of the world, depending on the needs of the person who wants an insurance;

- the European Health Card can be used only if the owner addresses a provider of medical services covered by the social security system corresponding to the legislation of the host state; a private insurance covers the medical expenses made in the private system;

- The European Health Card has a limited action, the types of medical care provided being necessary during the stay on the territory of the member

state, taking into consideration the type of actions and the length of the stay. This care is provided in order for the person needing it not to return to the home country and to continue the stay in secure medical conditions;

- unlike the card, a private medical insurance also covers the expenses associated to the sanitary repatriation, the expenses necessary for the repatriation in case in death, all the expenses for the hospitalization, all the accidents of any type happening during the stay on the territory of the country in case; the European Health Card offers its owner the rights offered by the public system that are similar to those of the residents of the state they visit;

-in certain member states there is a possibility for a card owner to be obliged to pay on the spot the value of the medical care provided, his/her request to be paid back is to be addressed to the Local Health Insurance House; in case a person has a private insurance, all the expenses are taken over and directly paid by the medical services providers from outside the country so that the insured person will not be obliged to pay himself/herself the expenses;

- last but not least, it must be mentioned that the European Health Card can be obtained only by persons that have paid their contributions to the health insurance public system, unlike the private medical system for travels abroad where there is not such a condition.

As a conclusion, because of the differences between the two instruments synthetically shown above, the European Health Card cannot substitute a medical insurance for travels abroad. Besides, the experiences of the states from the European Union where the insurance cards system has functioned for years show that all the owners of such a card also have insurance for the travels abroad concluded in a insurance private company.

Once the unique European market has grown since the end of the XXth century and given the tendency of globalization in economy, the insurance companies have engaged in a series of intense activities of merging and purchase in order to concentrate themselves under the form of big groups of insurance, whose capacity to provide financial systems and insurances at the international level may resist the global competition and in the same time to benefit from a more adequate diversification of the risks.

The fight for more and more territory in the central and eastern Europe is greater, revealing a higher interest of the international specialized groups in the high potential of countries such as the Czech Republic or Poland, but especially the new member states of the EU, Romania and Bulgaria.

The business concentration is the main tendency that will manifest in the future in the insurance area, determined by the high interest of the international strategic investors to inroad the Romanian insurance market or to consolidate their position here. The pressure of the competition determined by the free access to the national market and the penetration of a great number of European companies in Romania will generate significant force grouping, merging, alliances and purchases between the local operators.

Practically, a high number of specialized European companies will make it possible only for the efficient companies to remain on the market, most of them international ones. By their presence, the competition will become more exclusive which will lead to improving their services for the client. The interest in developing new services, the interest in diversifying the portfolio of insurance companies in the direction of non-car classes, the development of some strong territorial networks and of some alternative distribution channels represent measures whose implementation will surely contribute to maturing the insurance industry in Romania.

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