



INSURANCE MARKET

NEWSLETTER

February 26th – March 4th 2011

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In the news

Sunday, February 27th 2011

How to Win with a Life Insurance

On the local market there's a need for life insurance with guaranteed gain, which would reassure the Romanians in terms of yields obtained and would also diversify the investment offer that they have at hand, declared Istvan Kadar, CEO of CIG Romania, life insurance company launched on the local market in 2009. He stated, in an interview for EVZ, that the stop loss option allowed its customers to lose less money and even to achieve profits from the policy during the crisis. At the same time, in 2011, we will have marketing agents better prepared, because the insurers will be forced to train them, Kadar also said.

Evenimentul Zilei: Many Romanians have given up their life insurance policies, unhappy with their performance, during the crisis. Some profile companies have been criticized that they had maintained during the crisis their investments on markets that had become unprofitable, although there were other options, much more profitable. How do you explain?

Istvan Kadar: I don't think that in insurance the companies can afford to change their investments. Changing investments is offered as an option to customers. If they are educated customers, then they can consider that the decrease could be for the moment, and then the growth could come. Moreover, in a crisis period, when yields are down, I think it's the best moment for investments. Or, on the contrary, the customers can believe that when it's time to withdraw their policy, there will also be a crisis period and they wouldn't have gained anything...In general, insurances are concluded for a period ranging between 5 and 25 years, and few can foresee what could happen in such a long time. Anyway, the history shows that after a title decreases, it can resume the growth and recover the loss. Those who think about a short-time investment shouldn't buy shares. The insurance companies have a long-term vision in terms of gains. It's not the case of banks, which expect profits over a year or two. In our case, the later is the profit obtained the better.

Your have a stop loss option for a unit-linked policy launched in the local market. Were the company customers helped to obtain better performance for their policies?

Yes, the clients who opted for the stop loss option did not record such large losses and they even recorded gains. But the stop loss option is not mandatory – it's optional.

Do you think it would be a good thing to introduce in company's portfolio a policy with guaranteed gain?

Yes. I believe that the market is ready to launch this product. People seek more safety, and a product with guaranteed gain satisfies this need. We will launch such a fund in April, together with the Hungarian company. In Hungary there's also a demand for such products.

How do you find the local life insurance market and its regulations?

Romania is not an easy market precisely because it's not a mature market. The degree of penetration of life insurance is quite small, so we don't expect a market growth. I believe that 2011 will be very interesting in terms of regulations. I'm certain that many in the insurance field are not happy with certain laws, but I believe that the regulators' intention is very good, if we consider only the mandatory training for marketing agents.

Do you believe that there were problems at market level because there hasn't been a rigorous training of marketing agents?

I'm not saying that there were problems, but it's a normal process of market development. In Hungary also we have gone through this phase. Hungary either didn't have a few years ago criteria for training.

Plans for 2011

This year will be a restructuring one for the company. What will the restructuring involve?

Mainly, it's about the diversification of distribution channels, through brokers and networks.

What prevented you to reach the targets of written premiums set for the previous years (the company subscribed in 2010 gross premiums worth EUR 1mln, below the initial estimates – Ed.)?

In the past years we did not focus on the Romanian market, but on the Hungarian market. Launched in 2008, CIG Hungary obtained a share of over 20% on the unit-linked products market in 2010. Moreover, the beginning is not so easily to foreseen. In 2011 the company hoped to achieve a growth of 20% in subscribed premiums, up to a volume of circa EUR 1.2mln. (Evenimentul Zilei)

Monday, February 28th 2011

Why Don't Romanians Buy More Travel Insurances?

Romanians realize the usefulness of travel insurance only when the insured risk happens and the costs are fully covered by the insurance company. Although it has been more than three years since the European Health Card was introduced, travel insurance is not yet seen as a true utility. "We still face with some naive people who say "I don't need this", "that never happens to me". Only when the insured risk happens and the costs are 100% covered by the insurance company, do they realize the usefulness of such policies", Iuliana Hampu, the Head of the Travel Insurance Department within Generali Asigurari, said. Through travel insurances, companies in the field can cover risks that can get to tens of thousands of euros for the average amount of EUR 5-10 or a few hundred euros. Prices for travel insurance vary depending on the period insured, on the customer's age, and on the area targeted. Travel Insurances are valid and they can be settled both in the private and public sectors, which are available worldwide. The only difference is the amount covered. For example, at Generali for the European area, the sum covered is of EUR 50,000, while for other countries, the company covers losses within the limit value of EUR 30,000; EUR 15,000 respectively. Romanians opted last year mainly for integral travel insurance that covers not only the main risks but also an extensive range of additional risks, such as delay, baggage theft and damage, delay or loss of means of transport, the theft or the deterioration of documents. These are frequently occurring risks lately while traveling abroad. Along with eliminating the mandatory medical insurance for traveling abroad, the two classes of buyers of this type of policy have separated.

Thus, at present the clients of insurance companies are those who are aware of the risks that may arise while traveling abroad, experts consulted by Wall-Street.ro say.

Travel insurance vs. European Card

Since Romania has become a member of the EU, each Romanian citizen has the right to receive the European Health Insurance Card (EHIC). This card allows health care required during a temporary stay in any EU country. It should be noted that between a medical insurance for travel and a card there are major differences. Firstly, the latter is valid only in European Union countries, while the insurance is valid in any country in the world, including Switzerland. "A person insured by the European health card, can address, if a problem arises, only to provider of medical services covered by public health services under the laws of that state and only for the medical services provided by

this system, while a person who has a private policy for traveling abroad can access medical services performed in the private system", Iulius Alin Bucsa, the General Manager at Euroins, said. Another difference appears at the reimbursement of medical expenses. A European cardholder can find himself in the situation to pay on the spot the value of the medical services, and the reimbursement payments will be made at the return home in Romania by local health insurance. Voluntary medical insurance for traveling abroad offers the insured customers the benefit of taking over and paying directly the medical costs for the services provided abroad. The medical insurance covers medical expenses for sanitary repatriation or the repatriation of a lifeless body in case of death, medical expenses, hospitalization, while the European card has a limited action. Also, there are some states that use co-payment for resident citizens (e.g. Germany), as for travel insurance all care expenses are taken care of. "Also, some states require the payment of medical services on sight, the repayment of the cost will be made by local home health insurance company, but having a travel insurance the costs are taken over and paid directly for the medical services provided outside the country by the insurance company", Juliana Hampu says. As we know, the European health card is issued on condition that the applicant, to have paid to-date the contributions to the public health insurance system, unlike the optional travel insurance policy for which such a condition isn't required. Last but not least, for private health insurance policies, customers are guided by a call-center operator for solving the problems occurred, while a beneficiary of the European Card will have to fend for themselves in order to solve their problems. Although it is free as of January 1st, 2008, the procedure for obtaining this card can cost more than a medical insurance due to the complicated procedure to obtain it. In conclusion, from the experience of other EU member states, more than 80% of health cardholders sign travel insurance as well with a private company. (Wall-Street)

CSA Decided to Resume the Activity of an Insurance Broker, after Being Sanctioned

The Insurance Supervisory Commission (CSA) decided to sanction two insurance brokers. Thus, in the case of Novofinance Groupe, CSA decided to sanction it with the temporary prohibition of its activity. The decision was published in the Official Gazette of Romania. At the same time, CSA decided to sanction with the withdrawal of the operation permit of the company Asiuropean Broker the Asigurare. The decision was published in the Official Gazette. CSA stresses that the measures taken in the case of companies mentioned don't have implications on the already concluded insurance agreements, those continuing to produce effects in conditions set at the date of signing. At the same time, CSA decided to resume the activity of the insurance broker Eurolife. (Financiarul)

ATE Insurance Launched an Insurance Product for Money for Non-Banking Companies

ATE Insurance Romania has recently launched a specialized insurance product for money, addressed to companies not engaged in banking. Regarding the insurance, it includes cash (in various currencies in current circulation), checks, money orders, postal order, bills, bonds or treasury certificates, postage and fiscal stamps with monetary value currently outstanding and meal tickets. "Insuring money is part of a range of specialized products that ATE Insurance continuously develops in Romania, along with insuring the cash in transit and in safe (addressed to the banking institutions), providing armored car operators, insurance of the ATMs and insurance of credit cards", Dan Stoicescu, the CEO of the company said for XPRIMM Newsletters. The insurance covers both the money during transport (including during the storage overnight in bank vaults), and within the premises of the insured (during and outside working hours) and in any other location in which the

insured operates the activity on a contractual basis. Also, the money in private homes of the authorized employees of the insured are covered up to certain limits. The new product of ATE Insurance includes two optional coverage, namely to cover damages due to fraudulent acts committed by the employees of the insured, and the personal injury of employees who manage money or have insured money in custody, as a result of acts of aggression (theft, robbery). ATE Insurance Romania is affiliated to AGROTIKI Insurance Company from Greece. In 2003, the year the company was founded in Romania, the Romanian company's original name was ABG Insurance. ATE Insurance Romania launched the business in late November 2006, when it signed the first insurance policy. The insurer ended 2010 with a business growth of 57% compared to 2009, the volume of the underwritings totals RON 2.56mln (EUR 610,000). According to classes of insurances, 84% of total business of the insurer was property insurances (fire, natural disasters and damage to property, added), while CASCO car insurance have generated 8% of the revenues. A share of 5.3% of ATE Insurance portfolio was related to life insurance. (1asig.ro)

Tuesday, March 1st 2011

The First Quick Service, Inaugurated by Omniasig and Pilkington

Omniasig and Pilkington Automotive Romania inaugurated yesterday in the capital a bias point where the auto claim files of Omniasig and Asirom customers targeting only the damaged windshields will be resolved quickly, the companies' representatives announced. "The insured who have suffered a damage to any window of the car will now be able to open the claim file in the same day and repair their cars in Pilkington fast service on the spot", the general manager of Pilkington Automotive Romania, Robert Burkhardt, declared, quoted by Mediafax. Pilkington Automotive Romania is one of the largest domestic players in the import, distribution and montage of car windows, with a nationwide network of 25 workshops and a number of 16 partners. Omniasig Vienna Insurance Group, together with Pilkington Automotive Romania, officially inaugurated the car service located inside the center for the quick resolution of the auto claim files of the insurer in the Capital. The new car service provides the insurers a rapid resolution of the claim files targeting damaged windscreens, according to representatives of both companies. "It all started with the idea of a <<One Stop Shop>> to shorten the settlement of claims, because the law allows the insured to come directly to the insurer for the preparation of the documents required to take the cars into repairs", Liviu Stoicescu, a member of Omniasig's Board of Directors, said. Thus, those insured by Omniasig who suffered damage to any window of the car will be able to open the damage file and repair the damaged car in Pilkington fast service, located in the same premises. The damage center of Omniasig is located in the Capital, on Calea Grivitei, number 355-357, district 1. Pilkington Automotive Romania is one of the largest domestic players in the import, distribution and montage of car windows, with a nationwide network of 25 workshops and 16 local partners. The company is a member of the Japanese group NSG, one of the world's leading glass manufacturers and a supplier of windshield first montage for most car brands. Omniasig operates on the Romanian insurance market since 1995, and 10 years later it became a member of Vienna Insurance Group (VIG). Austria's VIG also owns in Romania the companies Asirom, BCR Asigurari and BCR Asigurari de Viata. The group runs most of its operations in Austria and Central Eastern European markets. (Wall-Street, Bursa)

Intermediation of EUR 15 Million for SAFETY Broker in 2010

SAFETY Broker ended 2010 with a total volume of intermediation of EUR 15 million, up by 70% compared to 2009. The main reason for growth was the development of the retail segment, which experienced a 60% increase. "2010 was the best year since the founding of our company. The target for this year is to develop our network nationwide, in all the cities with over 100,000 inhabitants, because we can benefit from lower rents and a labor market that offers opportunities as a result of the restructuring of insurance companies", Viorel VASILE, Managing Partner at SAFETY Broker, explained. Also, the main challenge of the brokerage market is to maintain the same level as in the previous years, in the context in which the insurance industry will likely drop by more than 10%, according to Viorel VASILE. Currently, the portfolio of SAFETY Broker consists of 42% business insurance and 58% insurance for the retail segment. "The tendency of an increasing retail portfolio is obvious, due to our development in the territory. Also, the perception of the insurance consultant has improved especially after the occurrence and worsening of the economic crisis. The customers' tendency to choose only one company has disappeared, and now they are heading towards those who, first of all, have fair prices, adapted to the moment", Viorel VASILE added. (1asig.ro)

Wednesday, March 2nd 2011

The Number of Auto Liability Contracts Rose Last Year by 7%

The number of auto liability contracts (RCA) rose last year by 7% to 6.52 million, and underwritings have climbed with 14%, to 2.46bn, Constantin Buzoianu, the Vice President of the Supervisory Commission (CSA), said yesterday. "Last year, claims paid by insurers on the RCA segment reached RON 1.59bn, with 4% higher than the level recorded in 2009. The average payment for a damage rose by 8%, to RON 4.844", Mr. Buzoianu said, according to Mediafax. The data about subscriptions and compensations on the RCA segment do not include the data about the Green Card policies. The green card insurance is an auto liability contract valid only abroad. Under this insurance, it is provided only the compensations for the amounts that the insured is obligated to pay for the destruction of property or personal injury as a result of traffic accidents occurring abroad. The reserve of approved claims established by companies that practice RCA reached RON 1.13bn, up with 22% compared to 2009, while the unreported loss reserves (IBNR) rose with 27% to RON 600.19mln, an evolution attributed to the change of the methodology for calculating this indicator in 2008. The number of cases rejected to pay damages amounted to 8,458, representing 2.4% of the approved claim files, which in 2010 reached 353,259. Out of this, 199,153 have been resolved by the settlement notice. "Last year, the RCA complaints totaled 5,303, up with 20%, out of which 2.220 were groundless. The situation is explained by the expansion of ways to lodge a RCA complaint, but it also reflects the disturbances in the working procedures of insurers exposing themselves to penalties provided by law. The share of RCA claims within the number of files with approved claims stood at 1.5% in 2010", Buzoianu said. He noted that the RCA insurances, together with the voluntary CASCO, have the largest share in the total of general insurances. According to CSA (Insurance Supervisory Commission) data, car insurance policies have had a 74.6% share of the total subscriptions in general insurances, from 77.1% in 2009, due to the reduction of income generated by CASCO policies with 25.1%, to RON 2.49bn. The CASCO compensations totaled RON 2.47bn, down by 14.4% compared to 2009. The data collected by CSA show that the amounts paid as

compensation for bodily injuries rose with 64% to RON 110mln in 2010; and the reserve of damages rose by 87%, to RON 463mln. Last year, general insurances fell by 7.5% to RON 6.69bn. Along with life insurance, which rose by 2.3%, the revenues of insurance companies stood at RON 8.36bn, from RON 8.87bn in 2009. (Bursa)

“Astra Asigurari” Bucharest (ATRA) Recorded Gross Written Premiums of RON 1.1bn

Astra Asigurari ended 2010 with a total volume of gross premiums written of RON 1.1bn, up 37% against 2009, according to the preliminary results. The net profit climbed by 246% compared with 2009, to RON 21,496,140. Radu Mustatea, President of Astra Asigurari’s Directorate, declared: “We managed to grow and strengthen the business in a difficult time for the entire economy. Unfortunately, the good times for the insurance market in Romania don’t loom yet. Even under these conditions, Astra Asigurari aims in 2011 to increase in the life and health insurance segments and in the property-type insurance line”. Claims paid by the company recorded in January – December 2010 an increase of 60% compared with 2009, to RON 525,000,344 in 2010. For the most part, the growth was recorded in the payment of claims for general insurance, in the summer of 2010, Astra being the first insurance in the market which paid those affected by harmful floods in Moldavia the files resulted from damages caused in their houses, according to company representatives. Astra was established in 1991 and has a share capital of RON 192.71mln, controlled indirectly by businessman Dan Adamescu, through Nova Trade, which owns 72.683% of company’s shares, and the Austrian financial group Uniqa – 27%. (Bursa)

The Hardest Year for Insurance Companies

The dominance of car insurances and, implicitly, the reduction of the premiums collected for related policies will draw down up to 15% the non-life segment this year. In 2011, the decline could be greater than in 2010, according to leaders of major insurance companies, gathered at XPRIMM Annual Forecast Meeting – General Insurance – 2011 to discuss trends and challenges of the year. They unanimously expect the market to fall by 5% in 2011 in the most optimistic scenario, or by 15% in the worst case scenario, amid a 20% reduction of tariffs on auto policies. Early last year, insurance company officials were expecting an average decrease of 5-10% of the general insurance segment in 2010, the prediction was confirmed.

Market under EUR 1.5bn

Translated into figures, the fact that the forecasts were confirmed means that the insurance market will fall into the range of EUR 1.4 to 1.5bn, slightly above the value registered in 2006. However, despite current difficulties, the insurers argue that, on the long term, the local market has a great potential for development. Estimates indicate a resumption of investment in the economy in the following six to ten months; the next step is the recovery of credits, which is not yet possible earlier than late 2011. In an attempt to keep the clients or win the market share, insurance companies have significantly reduced rates for RCA insurance policies (auto liability contracts), a segment which represents over one third of the general insurance market. The general insurance market is mostly dependent on auto policies, so insurance companies now expect a resumption of credit. By simply calculating, accumulating EUR 1.4bn (General Insurance) with about EUR 400mln (life insurance), a thing is certain: in 2011 we will go below EUR 2bn gross underwritten premiums, the question is how this decline will happen.

What Brokers Say

"I am pessimistic about the insurance market in Romania. The causes are multiple: Romania is perceived as a country with a high political risk, the law is confusing and contradictory, the economic environment is uncertain. Thus, the confidence in Romania is low and the insurance market is not able to have a new growth", Alexandru Apostol, Director General, Maxygo, said. In his opinion, a solution for the market to grow is the retail "in areas not covered yet. Those areas should be exploited. The networks of the brokerage companies can bring growth to the market. Another potential I can't see for 2011". Certainly, the insurance market will decline in 2011, Victor Sraer, managing partner, OTTO Broker said. In his opinion, the choice the insurers will make about the type of loss is important: If they choose to maintain the premiums, but with a decline of the number of clients or if they choose, on the contrary, to increase the number of clients by lowering premiums. The difference is in the quality of services that will be provided by insurers. In the first case, the decline of the market would be between -5 and -10%, but profitability would be maintained, and for the second choice, the decrease can reach -20%, the quality of service would be altered, and the solution would be dangerous on the medium and long term. We estimate a decrease of up to 5% of the overall insurance market, Liliana Lapadaton, business development manager, Marsh, said. Regarding the Marsh Company, it has shown since 2010 a tendency to increase the role and the importance of the insurance consultant for clients that will continue this year, Liliana Lapadaton added. The insurance market will fall in 2011 as well, Andrei Radulescu, Power Broker considers. There can be no development as long as we do not have economic growth, he added. According to the POWER Broker representative, the new trend of the insurance market is given only by compulsory insurances, the population giving up on the voluntary insurances. Paradoxically, the figures show that during the crisis, the savings of the population have increased, people have money, but the money is stuck. They will be spent when, nationwide, the negative perception of the market will disappear. A moderate optimism displayed Cristian Balan, the CEO of Piraeus Insurance Broker: Even if we witness a growth in the economy, judging by predictions, this will occur with a 6-month – 1 year delay on the insurance market. According to Insurance Broker Piraeus official, the harsh measures taken by the Government have greatly affected the results of the insurance market, and currently it is difficult to achieve a prediction even at the corporate level, these measures irreversibly affected the development strategies.

The Services Are Pessimistic

Despite the improvement of the economic environment by restarting exports, they were largely represented by Dacia cars, from this point of view this isn't helping at all insurers, George Axinte, CEO, Audatex Romania, believes. Also, he appreciates a decrease of at least 10 percentage points for the car insurance market. Sorin Iacob, general manager, EUROTAXGlass's Romania, also predicted a contraction of the auto insurance market (-5%, - 6%), arguing that the number of unused vehicles out of the area of insurance, maintenance and servicing is increasing from 840,000 to 930,000 (out of a rolling stock totaling 5.3 million cars). The RABLA 2010 program was semi-successful, many of the certificates, however, remained unused. Also the large number of cars from leasing or lending contracts completed before the deadline contributes to the decline on the market, now resting uninsured in rolling stock. The export of Dacia cars is added to this, which won't be insured in Romania, and second-hand cars repossessed many of which go for export, Sorin Iacob said. EUROTAXGlass's Romania official also pointed out the shift of importers and car dealers towards the second-hand car market because the customer gets a guarantee when buying such a car and there are great chances to insure it as well. "If the economy returns to growth in Q1 2011, the insurance market might come out of recession in H2 2010 ... This moment of crisis is a real opportunity for small-sized insurers, amid the decline on the market, they can more easily increase their market

share". DRAGOS CABAT, Financial View. "My optimistic scenario is a 5% reduction for insurance business ... I doubt we'll see too many companies to finish 2010 on profit", CRISTIAN CONSTANTINESCU, the President of UNSAR. "Last year brought sever changes to the auto insurance market. However, the RCA segment will remain a key market in 2011, and this dominance will continue to put pressure on the overall insurance market. Considering the fact that car sales will continue to fall, the CASCO class of insurances won't see an evolution. The main effect will be a decline of the prices, and the consolidated portfolio of the insurance market will undergo changes. Moreover, pricing policies will have a major influence on the stability of the industry. Realistically speaking, I expect for 2011 a decrease of 5% of the entire market, the optimistic scenario is maintaining the same level as in 2010. A double-digit reduction is unlikely, this would mean a lowering to the 2006 level and I do not expect the market to follow a downward trend so strong", RANGAM BIR, the President of Allianz-Tiriac, said. "2011 will be the most difficult year for the insurance market in Romania. Due to the crisis, I believe that in 2011 we will have a double digit decline for the insurance market in Romania, amid the steep decline of the car market. The massive reductions of the tariffs for RCA and CASCO are added to this, insurance companies want to keep customers this way, and the increased frequency of damages and the average claims. Mandatory home insurance, which could represent a recovery to the insurance market, had no effect. The announcement from the authorities to postpone the application of penalties, which should have begun on January 15th, 2011, had a negative impact on voluntary insurance market. In 2010, compulsory insurance were an opportunity, but the market was not developed as it should have been. If they don't intervene again and if they don't change the application of the fines again, the mandatory insurance for homes will be an opportunity for 2011", RADU MUSTATEA, the President of Astra Insurance, said. "The economic recession has affected the budget allocated for insurance by the clients, they are giving up on the insurance, or they are buying the cheapest insurance: the insurance market will drop by 5-10% and, in particular, the home insurance market will drop as well. I hope that in 2011 the legislature to remedy and all the negative components that have affected both the mandatory and optional insurances to be removed. Moreover, the mandatory home insurance market has been rocked by legislative strikes. Besides undermining the PAID, people were left with the impression that an optional insurance for their homes should cost EUR 20. The level of penetration of insurances in the Gross Domestic Product and the density of insurance are two specific indicators for the industry that define the maturity and the place where the market is found, reported worldwide. Unfortunately, once the economic crisis emerged, their values are still declining, with the lowest level in Central and Eastern Europe. In these circumstances, insurers must work together to popularize insurance among Romanians and exploit non-auto segments, primarily home and health insurances", RADU MANOLIU, Deputy General Manager, CREDIT EUROPE Insurance, says. (Romania Libera)

Insurers, the Nightmare of the Owners of Cars Registered in Bulgaria

In recent years, increasingly more Romanians have easily registered their cars to our Bulgarian neighbors, attracted by a number of benefits, but things are not that simple if such a vehicle is involved in an accident. According to the data of the Romanian Motor Insurers Bureau (BAAR), in 2010 over 10,200 car damages have been made by drivers whose cars were not registered in Romania, and more than 3,100 of them were caused by vehicles registered in Bulgaria. "Today, we face a phenomenon which represents 30% of what the "Green Card" claims mean, respectively events that occurred in Romania by foreign registered vehicles. Last year, in Romania over 10,200 cases of auto damages caused by foreigners (editor's note - motor vehicles registered abroad) were recorded,

of which over 3,100 vehicles registered in Bulgaria. In order to create an overview, it is important to note that in 2005 there were over 4,000 such cases, of which only 156 from Bulgaria", Ionel Dima, the general manager of Avus International – Insurance- Reinsurance Broker LLC, said during the seminar "Auto Insurances in times of crisis". According to Dima, problems occur when the Bulgarian insurers refuse to pay if a vehicle is involved in an accident. "The problems arise when an event occurs. Most Bulgarian insurers do not respond to the emails sent by the Romanian insurers and sometimes even after three months they do not pay the compensation they should in such cases. The injured are not compensated for a long time", Dima explained, pointing out that measures need to be taken, because such practices have a significant impact on the Romanian insurance market. Dima also said that, after the registration of motor vehicles, on the name of a Bulgarian citizen or a company registered in Bulgaria, the Romanian citizen signs a power of attorney allowing him to travel by car to any country, and a sale and purchase contract of the vehicle. "Basically, the Romanian citizen takes all the measures to become the owner of the car and also be independent of the Bulgarian citizen. In the case of an accident, Bulgarian insurers argue that the payment of the damages is delayed due to the fact that the vehicle no longer belongs to a Bulgarian citizen, but to a Romanian, in which case he ought to have an RCA policy issued by a Romanian insurer", he mentioned. Another reason invoked by the Bulgarian insurers is that the RCA policy signed in Bulgaria is issued in the name of a Bulgarian citizen, but it is not signed by him, but by the Romanian citizen, and in this case, the insurance contract is not valid. "There are also situations when the vehicle involved in an accident in Romania has license plates from Bulgaria, but it is removed from the police records of the neighboring country, and then the payment of the damages is made from the Street Victims Protection Fund (FPVS), which is constituted by applying a percentage to the total underwritings of the 13 Romanian insurers that sell RCA policies. Normally, the payment should be made by the Motor Insurers Bureau of Bulgaria", Avus International representative added. On the other hand, the representative of the insurance-reinsurance broker said that six years ago, the first position among the foreign car accidents in Romania was held by the cars registered in Italy and Bulgaria was on the 9th position, while in 2010 Bulgaria was ranked first. "In 2005, Italian cars came on the first position, with over 1,000 events, while those in Bulgaria were on 9th place. In 2010, Bulgaria was ranked first, with over 3,100 damages", the head of Avus International, who pointed out that the insurance industry in Romania needs a stable market, added. In terms of the auto insurance market evolution in 2010, Constantin Buzoianu, vice president of the Insurance Supervision Commission (CSA), said that the number of contracts for auto liability (RCA) has slightly increased by 7% last year, to 6.52 million, and the subscriptions rose by 14%, to RON 2.46 billion. "In 2010, the claims paid by insurers on the RCA segment reached RON 1.59 billion, 4% higher than the level recorded in 2009. The average damage payment increased by 8%, to RON 4.844", Buzoianu, who attended the same event, declared. The data on the subscriptions and compensations on the RCA segment do not include the figures related to the Green Card policies. The reserve of approved claims made by the companies that sell RCA policies has reached RON 1.13 billion, 22% higher than in 2009, while the unapproved claims reserve (IBNR) rose by 27%, to RON 600.19 million, an evolution attributed to the changing methodology for calculating this indicator in 2008. Meanwhile, the number of claim files rejected for payment amounted to 8,458, representing 2.4% of the approved claim files, which in 2010 reached 353,259, and from this figure 199,153 were resolved by amicable car accident settlement. The damages caused by a vehicle registered outside Romania are covered by the Green Card insurance, the Green Card system been created since 1949. In Romania, which joined the Green Card in 1964, the system is in the responsibility of BAAR, that brings together the local insurance companies authorized to practice the mandatory auto liability insurance (RCA) and, if necessary, empowered to

issue documents of Green Card auto liability insurance. Since 2007, in Romania, the Green Card insurance is an integral part of the RCA policy. (Curierul National)

CASCO Insurance, Down 25%

CASCO insurances dropped in 2010 by 25% against the previous year, and the gross premiums written recorded a decrease in leasing, declared yesterday, during a seminar, Angela Toncescu, President of the Insurance Supervision Commission (CSA). "The auto market, which represents 70% of total premiums written, is a subject that deserves to be discussed separately. CASCO insurances fell last year by 25%. What I want to notice is, however, that the gross premiums written decreased in leasing, but we must notice that for the other forms of insurance the market managed to record growth. The civil liability insurance for car owners increased up to 36% in 2010", Toncescu stated. She gave assurance that the profile companies have established reserves at a level meant not to create them problems in the future. (Cronica Romana)

Insurers Have Paid EUR 26mln for Physical Injuries

Claims paid by insurers for bodily injuries following traffic accidents rose with 64% last year and it reached RON 110mln (about EUR 26mln), due to the increasing demands of the injured, according to the Insurance Supervisory Commission (CSA). "This year we will finalize the guidelines for solving cases involving the payment of damages for bodily injuries and moral damages. The claims of the insured and the compensations paid for personal injury have increased significantly and we must intervene to provide a reference for the judges that determine the amounts to be received by the customers", Angela Toncescu, the President of CSA, said. The compensations for bodily injuries and moral damages represented 7% of the total claims paid for auto liability policies (RCA) in 2010, compared to only 4% in the previous year, given that insurers have approved more than 5,100 cases of damage. Also, the claim reserves established by the insurance companies for potential damages recorded an advance of 86% to RON 463mln (about EUR 110mln) last December. Insurers are required to set reserves for damages equal to the amount of the value of the claims made by clients, even though in most cases they prove to be exaggerated, the actual payments being 3-5 times lower. Such compensations shall be paid following a mutual agreement between the victim and the insurance company or following a court ruling if the two sides fail to reach a consensus. Most cases go to Court because the customers are unhappy with the amount offered by the insurance companies. In Romania, the limit of compensation for physical injuries is of EUR 3.5mln this year, following that in 2012 this will grow to EUR 5mln. For property damage, the maximum compensation is of EUR 750,000. According to information from the market, the highest compensation paid last year by a local insurer based on a RCA insurance was of almost half a million euro. (Ziarul Financiar)

"Astra Asigurari" Won in 2010 Gross Premiums of Over RON 1bn

Astra insurance company becomes the largest company on the insurance market, after it recorded last year a volume of gross underwriting premiums of RON 1.11bn, up with 37% compared to 2009. At the end of 2009, Allianz-Tiriac ranked first among insurers. The revenues of Allianz-Tiriac from general and life insurances have dropped by 20% last year, to RON 1.03bn, which places Astra, controlled by the businessman Dan Adamescu, on the first place among insurance companies.

"We've managed to grow and strengthen our business in a difficult period for the entire economy. Unfortunately, good times for the insurance market in Romania are not looming on the horizon yet. Astra Insurance plans for 2011 growth on the life and health insured segment and on property insurance segment", the Executive President of Astra Asigurari, Radu Mustatea, said. The volume of gross written premiums net of direct cancellations and received for reinsurance (life and non-life) recorded by the company during January and December 2010 amount to RON 1.11bn, up with 37% compared to 2009, out of which RON 1.09 represents the volume of gross written premiums for general insurances. The net profit recorded by the company during the mentioned period was of RON 21.5mln, compared to the profit reported at the end of last year, of RON 6.2mln. For types of insurances, in 2010, Astra Insurance obtained RON 863mln for gross premiums signed for auto insurance, up with 49% compared to last year, out of which RON 600mln for RCA, up with 110%. Life insurances grew by 49% compared to 2009 and it received premiums in the amount of RON 14.8mln. For buildings and property insurance segment, the value of the gross written premiums was of RON 145.532mln, up with 7%, while for Casco Aviation; business grew with 2% to RON 13.8mln. Also, on civil liability for aircraft segment, the value of gross premiums written was of RON 13.417mln, while CASCO naval ship + naval liability, the business increased by 25% to RON 14.6mln, up from RON 11.7mln made in 2009. The damages paid by the company have registered during January-December 2010 a growth of 60% compared to 2009, from RON 327mln in 2009 to RON 525mln in 2010. For the most part, the growth was registered for the payment of damages for general insurances. The company entered the market in Hungary in the autumn of 2010, inaugurating the Astra Biztosito branch in Budapest, where it will begin to sign RCA policies, property insurance and Casco insurances. Astra was founded in 1991 and it has a registered capital of RON 192.71mln, indirectly controlled by businessman Dan Adamescu through Nova Trade Company, which owns 72.683% of the company, and the Austrian financial group Uniqa - 27%. Astra Insurance had last year gross underwritten premiums of RON 1.11bn, up with 37% compared to 2009, a result that puts the company on first rank among companies in the field, and a net profit of RON 21.49mln, from RON 6.2mln a year ago. "We have managed to grow and to strengthen our business in a difficult period for the entire economy. Unfortunately, good times for the insurance market in Romania are not yet looming on the horizon. Even in these conditions Astra Insurance plans for 2011 growth on life and health insurance segment and property insurance", Radu Mustatea, the President of the Company, said in a statement. On general insurance segment gross premiums written totaled RON 1.095bn. Car Insurances have brought the company premiums of RON 863.9mln, up by 49% compared to 2009, out of which RON 600.2mln were RCA policies (a 110% growth). Buildings and property insurance segment covers 13% of the portfolio, reaching RON 145.5mln, after an advance of 7% compared to 2009. Life insurances climbed with 49% to RON 14.87mln. Casco Aviation have brought premiums of RON 13.8mln, the civil liability for aircraft segment brought RON 13.4mln and Casco + naval liabilities- RON 14.6mln. (Curierul National, Wall-Street)

Negative Trend for Car Insurances Recorded in 2010. Casco Has Fallen by 25%

The gross premiums in car insurances, civil liability and Casco, have represented a 60% share in the volume of the total underwritings established last year on the market and 75% of the general insurance segment, according to the Insurance Supervisory Committee (CSA). The general insurance market in Romania was reduced last year by 7,5% compared to 2009, to RON 6.69bn, representing the second consecutive year that records losses, while the life insurance market has climbed with 2.32% to RON 1.66bn, according to preliminary data of CSA. On the general insurance segment,

compulsory auto liability insurance policies (RCA) have seen an increase of 14% in 2010 to RON 2.46bn of gross written premiums, while the number of RCA contracts increased last year by 7%, to RON 6.52mln. The segment of auto liability insurances has increased by 11.3% of premiums, so the share in general insurance has increased by more than 6 percentage points to 37%. For this segment, compulsory RCA insurances represent the majority, of 98% (the rest is CMR). Auto insurance of Casco Type fell with 25% in 2010, mainly due to the reduction in car sales and of the activity on the leasing market. "The Romanian market is dependent on auto insurance in a very high percentage, unlike other markets. The Casco segment will recover only with the return of car sales market and especially of the leasing market for purchasing new cars", Angela Toncescu, the President of CSA, said at a seminar on car insurance.

Special Criteria for the RCA Segment

Regarding the RCA compulsory insurances, most insurers are seeking solutions to mitigate the effects of the crisis, Angela Toncescu said. "Companies have decreased rates by introducing own criteria to reduce the premiums that weren't practiced before the crisis, so they are affordable to the population. This, together with the start of the implementation of the bonus-malus system, will be reflected in the volume of underwritings for Q1 2011 or even for entire 2011". Thus, a large part of the companies began to apply rates of individual user for individuals using vehicles financed by leasing. Before, they were charged as legal persons, the vehicle owner is the leasing company. They also increased the reserves for approved and unapproved damages, particularly for personal injury, and the insurers are more careful to the attempts to collect undue claims, the CSA President said.

Verification System of the RCA Policies in Traffic

CSA has succeeded to introduce the obligation of numbering the Vignette, to counteract any attempts of forgery of RCA policies. This way, one can know what vignette is attached to every policy, because in the RCA polity the number vignette is also mentioned. CSA also wants to establish automatic mechanisms to identify uninsured vehicles through optical recording of the license plate numbers in traffic through the computerized auto insurance system. The absence of RCA insurance policy is fined up to RON 2,000.

Over Half of Approved Claims, Resolved by Mutual Consent

In 2010, the number of cases of damages approved dropped to 353,000, with 5%, from 371,000, while the number of cases of actual damages paid last year was of 328,000. The number of cases refused to be paid amounted to 8,458, representing 2.4% of the total. Out of the 353,000 files of approved claims, a total of 199,000 cases had been resolved by mutual consent, which is 56% in total. Under these conditions, the remaining of 44% of cases were opened based on a document drawn up by the Police or because the accident resulted in injuries to people, either because more than two vehicles were involved in an accident or the parties involved have not agreed to use the amicable form. Meanwhile, the reserve of approved claims established by companies that practice the RCA has reached the value of RON 1.13bn in 2010, up with 22% compared to the previous year, while unapproved claims reserves rose by 27%, at RON 600mln. "We notice a considerable increase of the reserve for unapproved claims due to the introduction by CSA in 2008, of a uniform methodology of calculation. Thus, this reserve has increased by 264% in 2010 compared to the level before the introduction of the uniform methodology, namely at the level of 2007", Angela Toncescu said. The amount of compensations paid last year on the RCA segment increased by 4% to about RON 1.6bn, while the average expense paid reached RON 4.844, up with 8% compared to 2009. The compensations for the Casco segment totaled RON 2.47bn, down by 14.4%. The number of complaints on RCA registered with the CSA in 2010 was of approximately 5,300 cases, but

according to CSA representatives, not all complaints submitted also proved to be grounded. RCA complaints that have been resolved favorably by CSA were of 3.083, i.e. 0.9% of cases approved.

The Amount of Compensations Paid for Injuries Increased by 64%

As for cases approved for personal injury cases, their number was of 5148 cases in 2010, a level similar to the previous year. The amount of compensation paid for injuries grew with 64% from RON 67mln in 2009 to RON 110mln in 2010, and a significant increase of the established reserves for damages, with 86%, respectively, from RON 249mln in 2009 to RON 463mln in 2010. "Performing an analysis of the proportion damages for personal injury represent in the total of insurance claims recorded based on RCA, it is clear that the compensations paid for personal injury claims represents 7% of the total claims paid; and the reserves established for personal injury damages represents 41% of the total approved expense reserves", Mona Cucu, Director General of the General Directorate for Insurance Regulations and Compulsory Insurance Permits within the CSA, said. Thus, it is noted that the claims brought by injured persons has increased significantly, with respect to personal injury. The Insurance Supervisory Commission (CSA) is the only authority empowered by law with powers of authorization, prudential supervision and control of insurance activity in Romania, and with powers to issue enforcement regulations. CSA is a full member of EIOPA - The European Insurance and Occupational Pensions, EIOPC – The Committee of European Insurance and Occupational Pensions IAIS – The International Association of Insurance Supervisors. (Wall-Street)

Ploiesti: Insurance Companies Don't Indemnify Customers. Hundreds of Claims Ended Up in Court

Carpatica Asig and Groupama Insurance have most ongoing trials because they shirk from paying claims. Before the Ploiesti Law of Court are over 100 ongoing trials for claims brought by residents of Prahova who consider themselves wronged by insurance companies. Taking advantage of the fact that many people are reluctant to go to Court because of lack of money, some insurance companies do not compensate those involved in accidents. "There are dozens of cases in which insurance companies, especially Carpatica Asig si Groupama Insurance, do not indemnify persons involved in an accident caused by a person insured at the company. They have a very well set policy, with specially trained people to reject the compensation cases, in most cases calling the expert opinion in their favor", lawyer Daniel Gaspar said. In a similar situation is Laurentiu Matei, who was hit while driving, in September 2010, and still hasn't received the money to repair it. "I was driving my godmother's car, a Hyundai car. When I've arrived home, I wanted to park the car in the yard and I went to open the gates. Meanwhile, the driver of a van crashed the car, being distracted by a billboard. I went to the police, minutes was made with the exclusive fault of the driver who was driving the van, the man gave the compulsory auto liability policy signed with SC Carpatica Asig, but when I went there I was told that our statements are not real and they won'tt compensate me", Laurentiu Matei said. The car owner, Magdalena Petre, has filled a complaint before Ploiesti Court of Law and asks the insurance company a sum of RON 8,523.18 for car repair. "We took the car to an auto service for making an estimate for repairing the car and that's how we came up with the amount of RON 8523 and we ask it in Court. Now, both we and the driver of the van are left with the damaged cars to prove in Court how it happened", Laurentiu Matei said.

No comment from Carpatica

Carpatica Asig representatives, Prahova branch, have declined to comment on the complaints made by the resident of Prahova County. "These things are discussed only with the people involved, with car owners", an inspector at the Claims Department, said, who refused to tell his name. (Adevarul)

Thursday, March 3rd 2011

Kazakhstan: Asia and Europe Leaders Will Meet at the International Conference “Insurance in Central Asia”

As of today, March 3rd, Alma-Ata is the host of the fifth edition of the International Conference “Insurance in Central Asia”, event became a tradition for insurance and reinsurance leaders in Central Asia, CIS countries and Central and Eastern Europe. “PRIMM Asigurari & Pensii” revue supports the event as Media Partner, being represented by Oleg Doronceanu, Russia & CIS Markets Coordinator. The conference will be attended by over 100 representatives of local and international insurance companies, reinsurers, brokerage and IT companies, officials of the supervisory authorities. Among the topics to be approached on this occasion are: a new vision regarding the development and regulation of the insurance market in unfavorable economic conditions, the coordination strategy of the efficiency of financial risks and the improvement of the procedure of risk coverage produced in insurance and reinsurance. (1asig.ro)

PLATINUM Business Rose by 47%, up to EUR 4mln

In 2010 the insurance company PLATINUM recorded a total volume of gross premiums written of RON 16.4mln, the equivalent of about EUR 3.9mln, representing, reported to 2009, an upward trend in EUR of 46.7%. At the same time, in the analyzed period the value of claims paid doubled, reaching RON 18.1mln – EUR 4.3mln, exceeding the volume of subscriptions. On insurance classes, the CASCO insurance generated the biggest part of company’s business – 31.2%, followed by the guarantee insurances – 22.5%, natural disasters and fire insurances – 19.7%, damage to property – 11.7%, general liability insurance – 7.6%, accidents and illness – 4%. In terms of claims paid, more than 70% of the total volume was related to the class IX of the general insurance sphere – damage to properties. An important share in the structure of claims paid by Platinum Asigurari was the CASCO segment, which generated more than 23% of the total amount. In 2010 Platinum Asigurari sold over 34,500 insurance policies, most related to insurances for damages to properties (over 16,000) and fire and natural disasters insurances (16,000). (1asig.ro)

Viorel VASILE: The Other Insurance Classes Can Not Replace the Volume of Subscriptions Generated by the Auto Segment in the Past

The decrease of subscriptions by 25% last year for CASCO segment brought at the end of 2010 numerous promotional offers and aggressive tariff policies from market players, even in conditions in which the auto insurance is liable for the growing losses in the past years at level of insurance industry. “Certainly, the auto sales were the engine of insurance market growth. At this point the insurance market tries to recover, focusing as much as possible on other insurance forms. The other insurance classes, including professional civil liability insurance or housing insurances are growing, but they can not replace the volumes generated in the past by auto sales”, declared Viorel Vasile, Managing Partner, Safety Broker. A problems faced by insurers are the quite low quotations of CASCO premiums at this point. According to insurance brokers, the return to tariffs of 2-3 years ago

will be a tough and long process, that being the level at which profit could be recorded on the CASCO segment. “The recovery of voluntary insurance market will occur with the resumption of economic growth in Romania, maybe with a slight delay of 6-12 months. In conditions in which is estimated that the first quarter will end with economic growth, I believe that 2012 could be the year of relaunch of voluntary insurance market”, believes Viorel Vasile. (1asig.ro)

Women Will Pay More Expensive Car Insurance

Women could pay more expensive car insurances in the EU, following a decision by the European Court of Justice, which considers that the current legislation is discriminatory, RFI informs. The car insurance is currently calculated depending on the sex of the driver and because women are considered more prudent drivers, they pay less. For insurance companies, it is not necessarily good news, because they must recalculate insurance policies. Whether the tariff harmonization is made either by the fact that women will pay more and men less, or the tariff charged to women climbs substantially, the insurance companies must align their policies before December 2012. As of that date, the real estate remains the single important field in insurance in the EU for which the bill will continue to be calculated depending on the sex of the insured. In this entire calculation women don't lose everything, they now paying more than men for life and health insurance. Maybe in these fields the prices will fall for them. (Stiri.Botosani.ro)

Friday, March 4th 2011

Aviva Plc Profit Rose 26% Last Year

The profit of Aviva Plc, the second insurer in the UK, rose last year by 26%, above the analysts' estimates, due to the cost cuts and higher sales in life insurance division. Last year the British company posted an operating profit of GDP 2.55bn, compared with a profit of GDP 2.02bn in 2009. Analysts expected a profit of GDP 2.44bn. “Focusing on what we do best in markets where we have a strong presence, we will continue to thrive in 2011”, declared Andrew Moss, general manager of the British company. Aviva reduced its costs, paid the debts and focused on generating cash, to improve the shareholders' profits, although some investors had criticized the company for registering weaker performances than its rivals in the UK. Aviva's gains improved last year thanks to the life insurance division, where the operating profits grew by 23%, to GDP 2.32bn. Also, the company benefited from cost cuts of GDP 149mln. Yesterday morning the share of the company registered on London exchange a decline of 0.2%, to 448.8 pence, valuing the company at GDP 12.7bn. Aviva is the oldest insurance group in the world, with a history dating back in 1696. Currently, Aviva Group has 57,000 employees and 45 million customers in 27 countries worldwide. The group is leader in life insurance and pensions in Europe, occupying leading position in most markets where it operates. Aviva Group Romania includes three companies: Aviva Asigurari de Viata, Aviva Societate de Administrare a unui Fond de Pensii Privat, Aviva Investors Romania (acquired in September 13th 2007). Aviva started its life insurance activity in Romania in 2000, currently having a portfolio of over 1,100,000 customers. On July 26th 2007 Aviva received the approval of the Supervisory Commission of Private Pension System to establish a company for the management of private pensions (Aviva Societate de

Administrare a unui Fond de Pensii Privat SA) and on August 25th 2007 the authorization to manage its mandatory pension fund – Pensia Viva. (Bursa)