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ROMANIA



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e-INSURANCE - ASPECTS REGARDING THE ROMANIA ON-LINE INSURANCE MARKET

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Abstract:

This paper proposes to analyze some aspects regarding the online Romanian insurance market. The most important step made towards the development of the insurance electronic commerce in Romania was due to ISC decision to oblige the Romanian insurers to issue compulsory insurance policies only in the electronic system. In the period 2007-2012 the Romanian insurance market had had increased and decreases this was due to the economic crisis. This market is dominated by motor insurance at a rate of over 60%. Despite the fact that over 50% of the insurance policies in Romania are issued online, electronic commerce with insurance represents only 5% of the total market.

Keywords: *e-insurance, rate comparator, electronic emission, insurance broker*

1. INTRODUCTION

The evolution of informatics society is being felt in all fields and in the farthest corners of the world. In the financial-banking and insurance sectors due to the high volume of information to be processed and sent to long distance sometimes, the use and development of software programs has become a necessity for many years.

Besides the large amount of information that is processed in a financial market is important to note the value of trades or businesses menus in this market. Different levels of development of member states are increasing internal competition between the companies.

This makes large multinational corporations, very active in financial and banking and insurance domain, to enter into

the national markets. Appearance of the financial crisis has led to the need to reduce production costs, trading and other administrative expenses. IT solutions have always been an important lever to reduce operational costs.

The evolution and development of online trade is a priority for all areas including insurance. In this paper we present several problems that lead to the creation and development of the online market in the insurance sector.

2. ON LINE & OF LINE IN THE ROMANIAN INSSURANCE MARKET

2.1. Electronic Commerce with Insurances. Electronic commerce has turned from a novelty of the past to a nowadays necessity. Now everyone is online and

presence in this area is essential for evolution and business development. Electronic commerce is defined as "a modern technology to do business, which addresses the needs of organizations, merchants and consumers to reduce transaction costs while improving the quality of goods and services and increasing the speed of delivery."(1, p.38) We would like to present below some aspects of online issuance trading and of online issue for insurance policies. Currently, in Romania there are 18 classes of insurance approved by the Insurance Supervisory Commission (8). To these 18 classes are relate two compulsory insurance policies: MTPL and PAD, and a variety of optional insurance policy. From the variety of insurance products offered by insurers not all are accessible to the online insurance trade. Legislation provides that two mandatory insurance policies (RCA and PAD) to be issued only in electronic system, online. Obligation of electronic issue of insurance policies was a necessary step in the development and modernization of the insurance market and electronic commerce with insurance. Each insurance companies authorized in Romania have advanced software that issue insurance policies in various forms depending on the type of insurance policy and the class in which they fit in. With the development and implementation of various accounting and management solutions for the insurance market was done one step forward in strengthening the e-insurance area.

The most important step was taken with the issuance of the Insurance Supervisory Commission Order No. 21/2009 (8). Thus all insurance companies licensed to practice MTPL insurance were obliged since January 1, 2010 to issue these insurance policies only electronically through online systems. By issuing MTPL policies online it could achieve a unified database to apply the bonus-malus system from MTPL insurance pricing.

The transition from the classic sales took place not very easy since every motor vehicle liability insurer uses its own software application to electronic issuance of insurance policies. In this sense we give examples for the preparation and operation of insurance

software. Insurance company Astra SA began issuing electronic motor third party liability policies from august 2009. This allowed him to experiment more and get a significant advance on start. Today on same interface software can deliver all mandatory and optional insurance policies of the company. This insurance company has the first rank in top 10 insurers in Romania.

By implementing online issue of MTPL policies, the insured and vehicle information are recorded in real time, for the first time in the history of insurance in Romania, into a common database. This is CEDAM database which is managed by the Insurance Supervisory Commission. In this database is included a centralized evidence MTPL insurance policies issued by all insurers authorized to conduct mandatory liability insurance in Romania. It is also a public database that provides nonstop data about online history for MTPL insurance policy for vehicles registered in Romania. The access to the database is done by entering the registration number or vehicle identification number and the date in which we're interested to check the data for the car insurance. CEDAM database will provide basic information "vehicle with registration / identification number is insured at the insurance company ... branch ..." (Fig.1) CEDAM database can be accessed also for information on registered and paid damages. (Fig.2) Information about damages is available for insurance policies issued by Romanian insurers from 1 July 2009. The information provided by CEDAM inform antic system refers to the distribution of the insured to a certain class of bonus malus. You can track this way to accurately track for MTPL policyholders since 2009.

2.2 The role of MTPL policies to the development of the online sales. To issue auto insurance policies, a large amount of information needs to be processed and stored. Correctness of the date data entered influence the bonus-malus classes and the price of the insurance policy.

The creation of the national CEDAM



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database was one of the first steps to develop online trade with auto liability insurance.

Now in its third year of electronic issuance, when for each of the vehicles registered in our country the identification data were introduced at least once through the insurers electronic platforms where corrected almost all data recording errors.

Electronic commerce with any products can take place between partners who are long distance one from the other. The electronic commerce with insurance in addition to advantages, for MTPL has some deficiencies. If at the purchase certain features had been entered incorrectly the car will get a lower price for the insurance. If the insurance period of 6 or 12 months had passed and no insured event happened, damaged in the collection of insurance premium is the insurer because he didn't charged properly the insurance price. Therefore we find that it was defrauded the insurer.

2.3 The role of PAD policies in the development of the online insurances sales.

Starting with 15 July 2010 a second class of policies has the obligation to be issued electronically directly from insurers portal. This policy is called PAD and it is a compulsory home insurance policy (8). If MTPL insurance policy has different rates from one insurer to another insurance policy PAD is standardized. The premium is the same for all insurers authorized to be subscribed. The price is 10 or 20 Euros depending on the type of construction. Broker's fee for this product is small. Sales volume increased in the first months because of the law enforcement. Later subscriptions declined considerably as a result of the substitution with voluntary policies. Subscriptions have dropped also because the local government did not apply the sanctions provided by law.

2.4 Motor Hull on line - opportunities and logistical difficulties for insurers and brokers.

Motor Hull insurance policy is issued online from the insurer's portals, or through the web-service of the insurance brokers. For the insurance contract to be valid, it must be signed by the insured person or his representative. Also is required an all risk inspection for the vehicle. This involves performing a minimum number of photographs of the vehicle. Are highlighted the cars identification number, registration number, mileage on board, and the date of the conclusion of the policy, other technical or existing damage on the vehicle. At some insurance companies the online issue of Motor Hull insurance policy has some restrictions in the computer applications. Online issue is conditioned by simultaneous loading pictures in risk inspection and registration certificate with valid technical inspection of the vehicle.

Electronic commerce with insurances encounters some difficulties in relations with insurance companies and brokers. Insurers support in a very small measure the brokers for electronic issuance of insurance policies and the development of online commerce with insurers. Some insurers (Allianz Tiriac, City Insurance) practice differentiated tariffs to electronic sell of policies. The tariffs for the policies are reduced by 5-10% in online sales through their own sites. Insurers are aware that through the electronic issuance of policies, insurance brokers have access in real, time through comparative sites, to all insurance rates in the market at a time. Brokers can influence the buyer for an insurer or another. The decision to choose the best insurer may be in competition with the intention of insurance brokers to sell / mediate insurance policy for one insurer or another. It

can be chosen the insurer that gives to the broker the highest percentage of the insurance premium fee. "The Web has become a new channel for public exploration where traditional brokers must be present as well. Has become unavoidable necessary to have a website dedicated to the public that can provide information about products, prices, and enable subscription rates" (5, pag.51)

On the insurance market in Romania in the period 2007-2012 the share of general insurance underwriting had a rate of about 90% (3). These are completed through brokers in increasing proportions from year to year. In 2012, the volume of intermediation through brokers reached 54% of total general insurance. (6).

Among the general insurance the motor insurance are sold in the highest percentage occupying more than 60% of the subscriptions. MTPL insurance occupies over 50% of subscriptions. This type of insurance is issued only electronically and is a favorite within the electronic commerce with insurance. Most of insurance brokers are selling insurance policies in the classical system. There are insurance brokers who have dedicated all their activity only to the e-commerce insurance. Both types of brokers are using the prices comparators. (Figure 3).

The 12 insurers authorized by ISC to sell insurance MTPL policies have a great diversity of rates. With MTPL insurance tariff liberalization they were segmented by several criteria. Besides the characteristics of the vehicle and apply the bonus malus MTPL rates are influenced by: urban or rural residence, driver's age, vehicle usage, geographic area. There are applied social protection measures by reducing tariffs for pensioners, people with disabilities, employees, etc... (Figure 4).

The online insurance sales websites of the brokers have insurance prices comparators. We can say that in this case not the brokers are selling the insurances but the prices from the comparators. The broker is consultant and client representative. Broker's promise of selecting the best insurance deals based on customer needs is more complex. It's hard to communicate it and to keep it,

than just click on a button to command for an insurance policy.

3. CONCLUSIONS

From the statistics of the Insurance Supervisory Commission and those from organizations who monitor the online insurance market in Romania are shown that electronic commerce with insurance does not exceed 5% of sales. (6) Most insurance sold online are MTPL policies and policies for travel abroad. Mandatory electronic issuance of insurance policies MTPL was the most important step that made Romanian insurers for insurance e-commerce development and implementation of financial market e-insurance concept.

If applying Bonus Malus system for MTPL had positive effects, the creation of a common database among insurers for damages recorded and hull insurance is recommended. Online commerce is gaining ground in Romania, but still suffers from a lack of trust among the clients. Currently CSA has not issued clear guidelines for this trade.

It requires more and more in the near future a clear need for regulation in the online insurance sales. Insurance premium discounts can only be granted by the insurer decision and not for the ones of the brokers. Currently in Romania online insurance selling is carried out also by other e-commerce companies that are selling computer equipment, auto parts or fuel, travel agencies and others. Not all of these companies have specialized personnel in insurance consultancy.

Online insurance market regulation should start with setting a minimum package of information required to be transmitted by the insurance broker. It cannot forbid the creation of online insurance selling websites and other financial products, the Supervisory Institution may determine in consultation with professional entities of insurers and brokers for a set of trade rules to be followed in the online commerce with insurance.



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cedam.csa-isc.ro/search.php?c=nr_inmatriculare&v=MM08ATZ&zi=15&luna=03&an=2013



CENTRUL DE
INFORMARE
CEDAM

CAUTARE / SEARCH INFORMATII SOCIETATI DE ASIGURARE SEMNALARE ERORI CONTACT

Polite RCA / MTPL Policies

Rezultatul interogării / Query result

La data de 15-03-2013, autovehiculul cu numarul de inmatriculare MM08ATZ este asigurat la:

On 15-03-2013, the vehicle having the registration number MM08ATZ is covered by an MTPL policy issued by:

EUROINS ROMANIA ASIGURARE REASIGURARE S.A.
Filiala / Branch: MM100 - AGENTIA BAJA MARE 1

OK

Considerati ca rezultatul acestei cautari este incorect?
Va rugam sa [formulati o sesizare](#).

Ajutor / Info

- In cazul unor accidente de circulatie completati campul **Data verificare existenta polita RCA** cu data producerii accidentului.
- Daca datele rezultate in urma unei cautari nu corespund cu cele reale va rugam sa consultati [aceasta pagina](#) si daca este cazul sa completati [formularul de sesizare](#).
- **Accident date** denotes the exact date at which the existance of an insurance policy is checked for a given vehicle.
- For further information about the MTPL system please visit the [Romanian Motor Insurers' Bureau](#) and the [Street Victims Protection Fund](#).

Fig. 1

cedam.csa-isc.ro/bm_sear x cedam.csa-isc.ro x

cedam.csa-isc.ro/bm_search.php

CSA
COMISIA DE SUPRAVECHERE A ASIGURARILOR
ROMANIA

CENTRUL DE INFORMARE CEDAM

CAUTARE / SEARCH INFORMATII SOCIETATI DE ASIGURARE SEMNALARE ERORI CONTACT

Istoric daune

CNP/CUI: 17956326
Nr. inmatriculare: MM08ATZ

Rezultatul interogarii		
Data eveniment	Societate de asigurare	Data primei plati
25-02-2011	OMNIASIG VIG S.A.	08-04-2011

Ajutor / Info

- Interogarea permite identificarea prejudiciilor asociate unei combinatii CNP/CUI - nr. inmatriculare/serie de caroserie.
- Seria de caroserie se completeaza doar alternativ cu numarul de inmatriculare. Pentru o mai mare acuratete a rezultatelor interogarii este indicata utilizarea ambelor variante de cautare.
- Sunt afisate prejudiciile asociate politelor intrate in valabilitate incepand cu anul 2008.

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Fig 2

Numar inmatriculare: MW91DOX
CNP/CUI: 2910405245048

Tip persoana: Fizica Juridica
 Leasing persoana fizica Leasing persoana juridica
 Persoana cu dizabilitati Pensionar

Judet: MARAMURES
Localitate: BAIJA MARE
Data obtinerii permisului: 02 2010
Vehiculul este: Inmatriculat
Tip: Autoturisme, inclusiv autoturisme de teren
Capacitatea cilindrica: Intre 1801 - 2000
Putere motor (kW): 66
Marca: Citroen
Serie sasiu: VF7NORHYB73808989
Tip combustibil: Motorina
Data intrarii in vigoare: 16.04.2013
Valabilitate: o luna 6 luni un an
Clasa BM anterioara: B0

Primele din comparator nu sunt finale.
In functie de specificul fiecarui asigurator si de datele care se completeaza in modulele lor primele pot sa creasca sau sa scada.

OBTINE OFERTA

	1562.44 (B1) Comanda		1611.55 (B1) Comanda
	1743.64 (B1) Comanda		1805.00 (B1) Comanda
	1885.32 (B1) Comanda		1966.50 (B1) Comanda
	2009.34 (B1) Comanda		2053.26 (B1) Comanda
	Eroare		Eroare

Fig 3



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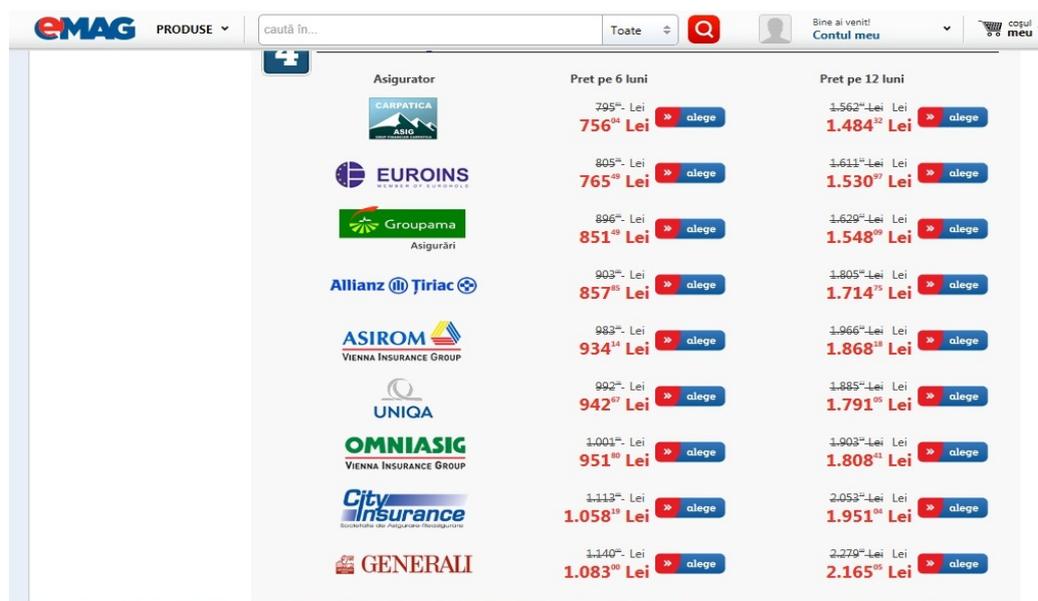


Fig 4

Evolution of general insurance in Romania in 2007-2012

Table 1

Year / Lei	2007	2008	2009	2010	2011	2012
Gross Written Premiums-General insurance	5.726.752	7.068.173	7.241.584	6.639.733	6.083.943	6.419.711
Gross Written Premiums-Auto insurance	4.120.191	5.400.859	5.583.054	4.947.736	3.961.491	3.949.406

Source: authors procession based on information from annual Reports of ISC in 2007-2011. For 2012, estimation based on information provided by insurers, unaudited data