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International Cooperative and Mutual Insurance Federation

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# Facts and figures

Mutual and cooperative insurance in Europe  
Vol 2

## Excerpt: Romania

*Facts and figures: Mutual and cooperative insurance in Europe Vol 2*

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# Methodology

## Business scope

The study focuses on the direct insurance sector and does not in principle include reinsurance. Therefore, the report is based on direct (gross) premiums written by insurance companies (in both the total market and mutual/cooperative market) and reinsurance premiums have, where possible, been eliminated.

## Types of insurers included

The main purpose of the study is to describe the mutual and cooperative insurance sector by highlighting the size, relevance and socio-economic importance of mutual and cooperative insurers in the region.

The definition of the “total mutual/cooperative insurance sector” in this report<sup>1</sup> includes insurance undertakings whose legal status is classified as “mutual” or “cooperative” in their national law, as well as insurers whose structure and values reflect the mutual/cooperative form (see definition 3 below).

Extending the definition in this way has enabled the study to include all organisations which operate on mutual/cooperative principles, in line with the report’s research objectives, without being restricted by legal definitions, of which there is a wide variety across Europe.

Insurance companies included in this study have been categorised by three definitions relating to their legal structure and ownership.

### 1. Mutual/cooperative insurers in the legal form (definition 1)

Mutual and cooperative insurers in a legal form of a (insurance) mutual or cooperative.

In addition, insurance undertakings whose legal structure corresponds to or is in some way aligned with the mutual/cooperative model and whose legal structure is different to a joint-stock (limited) company. These include friendly societies, community benefit societies<sup>2</sup> and protection and indemnity (P&I) clubs.<sup>3,4</sup>

### 2. Subsidiaries of mutual/cooperative insurers in the legal form (definition 2)

Subsidiaries of a (definition 1) mutual or cooperative insurer in the legal form.<sup>5</sup> These are commonly operated in the legal form of a joint stock or limited company. In any given market, insurance companies within this definition include subsidiaries of both domestic and foreign-based (including non-European markets) mutual/cooperative insurers in the legal form.

### 3. Mutual/cooperative-type insurers (definition 3)

This encompasses the remaining mutual/cooperative insurance companies not classified by definition 1 or definition 2. It includes companies that:

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<sup>1</sup> Note that while this definition is the same as the definition used by ICMIF in its *Global Mutual Market Share* reports, there are a number of instances where various companies’ data included in the ICMIF research have been excluded (or classified differently) in this study. These differences will be noted.

<sup>2</sup> See chapter on the UK.

<sup>3</sup> A P&I club is a mutual insurance association that provides risk pooling, information and representation for its members. Unlike a marine insurance company, which reports to its shareholders, a P&I club reports only to its members. Originally, P&I Club members were typically ship owners, ship operators or demise charterers, but more recently freight forwarders and warehouse operators have been able to join.

<sup>4</sup> Due to the international nature of P&I Clubs, premium data on domestic risks only (if known) are included in each chapter’s figures. For this reason, P&I Clubs in Europe (either registered in or operating within) have been excluded from the ranking of the largest mutual/cooperative insurers (see Top 100 chapter).

<sup>5</sup> The main condition for inclusion in this category is that the ultimate parent company is itself actively engaged in insurance activities, even if only to a limited extent.

- are owned by, governed by and operated in the interests of their members or policyholders;
- are inspired by mutualist and/or cooperative ideas; and/or
- are structured in such a way that they are not (majority) controlled by outside capital interests.

It features a range of different company structures, often in the legal form of a limited insurance company,<sup>6</sup> which is majority-owned by a non-insurance mutual or cooperative organisation or group (including banks). It also includes insurance undertakings that are owned by or governed by a membership or community organisation, charitable trust, foundation, union or other non-profit organisation.

*Note that when reference is made throughout the report to the “total mutual/cooperative insurance sector (or market)” or the “total number of mutual/cooperative insurance companies”, this refers to all definitions (1-3) of insurers categorised above.*

## Legal research

Desk research was carried out to produce the legal sections of the report. When information was not readily available, national supervisors, national insurance associations and trade bodies have been consulted where possible.

The ECB annual average exchange rates have been used in the legal part of the report where necessary.

## Total insurance market figures

In each chapter, the total number of licensed insurance undertakings has been taken from the national insurance regulator or supervisory body where available. In certain instances, the totals have been adjusted to include insurance undertakings that are licenced and operating within the market, but were not included in the figures produced by the supervisor. Where data was not available from the national supervisor, national insurance associations and trade bodies have been consulted where possible.

To ensure consistency across all markets in this study, figures on the total insurance market in each country have been taken from Swiss Re’s *sigma* data.<sup>7</sup> These have also been compared against additional data obtained from national supervisors/regulators, although some differences between Swiss Re’s data and supervisory data may be noted. In certain instances, figures produced by Swiss Re have also been adjusted to ensure reporting year consistencies and to include insurance business that is not covered in their data.

Life and non-life business in this study are categorised according to standard EU conventions, which is the same categorisation as in Swiss Re’s data. In relation to health insurance, this is classified as non-life insurance throughout the study, even where it is classified differently in individual markets.<sup>8</sup>

For the statistical part of the report, variable currency exchange rates have been used for the different years, with all figures converted into euros (EUR). To allow for more accurate market share calculations, exchange rates used for the mutual/cooperative insurance sector are the same as those used by Swiss Re in order to be consistent with the euro conversion of the total market figures.

Growth figures of individual markets have been calculated in local currency terms throughout the report unless otherwise stated in order to eliminate misleading effects of exchange rate fluctuations and thus ensure accurate year-on-year comparisons.

## Number of members/policyholders

The definition of “members/policyholders” in this instance may refer to the number of customers, clients or people insured by mutual/cooperative insurers, as there is no consistency between markets or companies regarding which figure (if any) is reported.

<sup>6</sup> In certain markets where insurance companies cannot take the legal form of a mutual or cooperative (or have restrictions on the line of business which they can offer), figures may nevertheless be indicated for the mutual/cooperative insurance market due to the presence of definition 2 and definition 3 insurers.

<sup>7</sup> Data has been taken from updated statistics, originally published in Swiss Re Institute’s *sigma World Insurance* reports. The most recent report was Swiss Re Institute, *Q3/2016 World insurance in 2015: steady growth amid regional disparities*.

<sup>8</sup> The major example of this is in Germany, where health insurance is classed as a life insurance product.

However, it should be noted that each policy issued by a mutual/cooperative insurer equates to a single member/policyholder. If an individual person or entity purchases more than one insurance product from mutual/cooperative insurers, that multiplicity of policies will be recognised in the overall member/policyholder figures for each country.



## Mutual/cooperative insurance companies

### Landscape

The Financial Supervisory Authority – ASF (*Autoritatea de Supraveghere Financiară*) is an independent, autonomous and self-financed legal body which is responsible for the supervision and regulation of the insurance industry in Romania.<sup>1</sup> Undertakings that wish to conduct insurance business in Romania need to obtain an authorisation from the ASF.<sup>2</sup>

The primary legislation governing the insurance market in Romania is Law no. 237/2015 on the authorisation and supervision of the business of insurance and reinsurance – Insurance Law (*Lege nr. 237/2015 privind autorizarea și supravegherea activității de asigurare și reasigurare*). The Insurance Law of 2015 transposes the Solvency II Directive into domestic law, and, as a result, it adopts the same exclusion regime in relation to small insurance undertakings (annual gross written premiums less than EUR 5 million, total of technical provisions less than EUR 25 million, etc.).<sup>3</sup> These small insurance undertakings are subject to the national supervisory regime set out in Part II of the Insurance Law, which foresees special regulations regarding authorisation, governance and supervision. The provisions of Part II also apply to undertakings seeking authorisation which do not wish to be supervised in accordance with the provisions of Part I (Solvency II supervisory regime).<sup>4</sup> The ASF sets out the national supervisory regime in RULE No. 28/2015 on the operation of supervised insurers in accordance with the national regime (*Norma nr. 28/2015 privind funcționarea asigurătorilor supravegheați conform regimului național*).

The Insurance Law does not apply to the following types of operations:<sup>5</sup>

- operations of provident and mutual benefit institutions whose benefits vary according to the resources available and in which the contributions of the members are determined on a flat rate basis.
- operations carried out by organisations not having a legal personality with the purpose of providing mutual cover for their members without there being any payment of premiums or constitution of technical reserves.
- mutual undertakings which pursue direct non-life insurance activities and which have concluded with other mutual undertakings an agreement which provides for the full reinsurance of the insurance policies or meeting the liabilities arising under such policies.
- export credit insurance operations for the account of or guaranteed by the State, or taken by the State.

Insurance undertakings cannot simultaneously pursue life and non-life insurance activities, unless they were already doing so on 1 January 2007.<sup>6</sup> In any case, life and non-life business must be managed separately.<sup>7</sup>

Insurance undertakings in Romania can have one of the following legal forms:<sup>8</sup>

- a joint-stock company (*societăți pe acțiuni*)
- a mutual undertaking (*societăți mutuale*)<sup>9</sup>

<sup>1</sup> ASF's [website](#).

<sup>2</sup> Article 20(1) of Law no. 237/2015 on the authorisation and supervision of the business of insurance and reinsurance – Insurance Law.

<sup>3</sup> Article 2(2) of the Insurance Law.

<sup>4</sup> Article 172(a) of the Insurance Law.

<sup>5</sup> Articles 3-5 of the Insurance Law.

<sup>6</sup> Article 121 of the Insurance Law.

<sup>7</sup> Article 49 of the Insurance Law.

<sup>8</sup> Article 1(56) of the Insurance Law.

<sup>9</sup> Although the Insurance Law foresees the possibility for mutual undertakings to carry out insurance activities in Romania, no level 2 legislation concerning the establishment and functioning of such undertakings has been adopted to date. As a result, mutual undertakings cannot exist in practice.

- a European Company (*societăți europene*)
- a European Cooperative Society (*societăți cooperative europene*)

Mutual insurance undertakings can operate in both life and non-life classes. The Insurance Law does not include rules on management and corporate governance specifically for mutual companies.

## Number of licensed insurance undertakings

At year-end 2015, there were 35 licensed insurance undertakings conducting insurance business in Romania.<sup>10</sup> This comprised eight life insurance companies and 20 non-life insurance companies. The remaining seven insurance companies active in 2015 were composite insurers.

There were seven fewer insurance undertakings in the Romanian market in 2015 compared to 42 insurance companies present in 2007. Of these, nine were life insurers, 21 were non-life insurers and 12 were composite insurers.

## Number of mutual/cooperative insurers

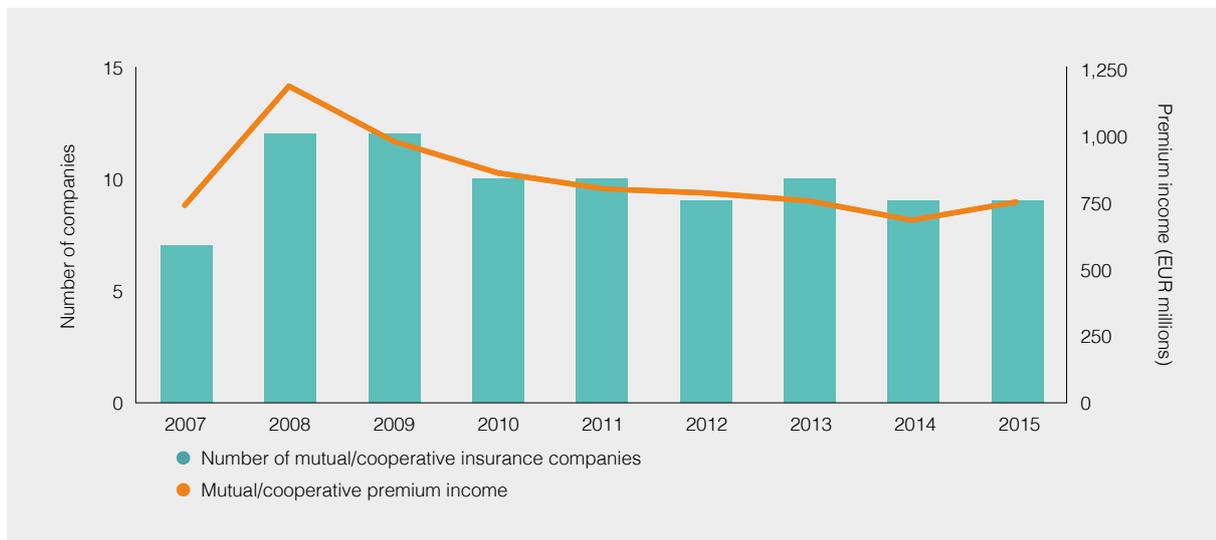
There was a total of nine mutual/cooperative insurance companies active in the Romanian market at year-end 2015. This represented an overall increase of two insurance undertakings compared to 2007 (see Figure 1). The number of mutual/cooperative insurers (and collective premium income) peaked in 2008, following the acquisition of four local companies by two foreign-based mutual/cooperative insurers.<sup>11 12</sup>

Of the nine mutual/cooperative insurance companies in 2015, there were three each of life insurers, non-life insurers and composite insurers. In comparison, there was one life, two non-life and four composite mutual/cooperative insurers in 2007.

Despite insurance legislation for mutual companies (in the legal form), there were none present in the Romanian market in 2015 (nor 2007). However, in 2015 there were three subsidiaries of (foreign) mutual/cooperative insurers in the legal form present.

Figure 1

### Number of mutual/cooperative insurance companies and total mutual/cooperative premium income (2007-2015)



<sup>10</sup> ASF (2016) *2015 Annual Report*.

<sup>11</sup> Groupama (a French mutual insurer in the legal) acquired composite insurers OTP Garancia Asigurări S.A. and Asiban S.A. in 2008. It previously entered the Romanian market in 2007, with the acquisition of BT Asigurări S.A. (which was later renamed Groupama Asigurări S.A.). Both Asiban S.A. and OTP Garancia Asigurări S.A. were subsequently merged into Groupama Asigurări (in 2009 and 2010 respectively); also, in a separate transaction, Vienna Insurance Group (an Austria mutual/cooperative-type insurer) acquired life insurer SC BCR Asigurari S.A. and non-life insurer SC BCR Asigurari de Viata S.A. in 2008. SC BCR Asigurari was subsequently merged with VIG's existing subsidiary OmniaSIG VIG in 2012. VIG previously acquired composite insurer SC Asigurarea Romaneasca ASIROM S.A. (ASIROM) in 2007.

<sup>12</sup> Signal Iduna (a German mutual insurer in the legal form) also entered the Romanian market in 2008 through the formation of a new (life insurer) subsidiary company, Signal Iduna Asigurari de Viata S.A..

## Size and growth of the mutual/cooperative insurance sector

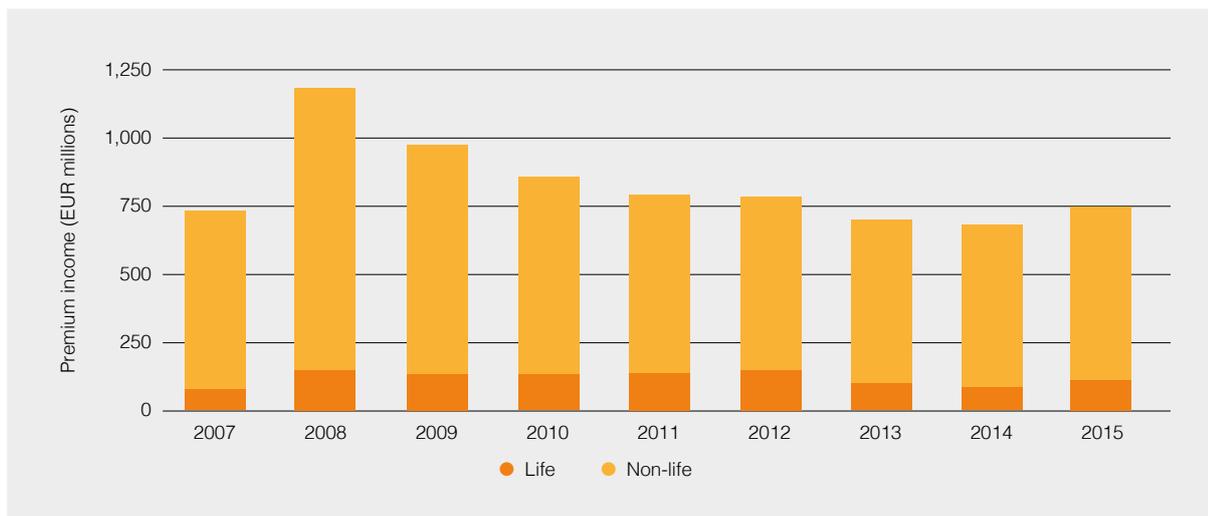
### Total

The Romanian insurance market totalled EUR 1.9 billion in written premiums in 2015, representing a 19.3%<sup>13</sup> increase compared to 2007 premium levels (EUR 2.1 billion<sup>14</sup>). Non-life insurance was the most dominant class of business in the Romanian market, contributing 80% (EUR 1.5 billion) of total premium volumes in 2015.

The collective premium income of mutual/cooperative insurers in Romania amounted to EUR 746 million in 2015, of which more than 85% was also derived from non-life lines of business (see Figure 2). The sector has recorded a premium growth of 35.3% since 2007 (EUR 733 million), equivalent to a CAGR of 3.9% over this period (and outperforming the total market CAGR of 2.2%).

Figure 2

#### Premium income of mutual/cooperative insurance companies (2007-2015)



### Life

In life business, total premium levels in the Romanian market were at EUR 384 million in 2015. This represented an increase (in local terms) of 20.5% compared to 2007 (EUR 424 million), despite the fall in euro values.

The mutual/cooperative sector recorded EUR 111 million in life premiums in 2015, and had grown at a CAGR of 8.6% since 2007 (EUR 76 million). In comparison, the total market CAGR was 2.4%.

### Non-life

In life business, total premium levels in the Romanian market were at EUR 384 million in 2015. This represented an increase (in local terms) of 20.5% compared to 2007 (EUR 424 million), despite the fall in euro values.

The mutual/cooperative sector recorded EUR 111 million in life premiums in 2015, and had grown at a CAGR of 8.6% since 2007 (EUR 76 million). In comparison, the total market CAGR was 2.4%.

<sup>13</sup> All growth figures are in local currency (Romanian leu) terms to avoid any misleading effects of exchange rate fluctuations.

<sup>14</sup> Due to the depreciation of the leu, premiums volumes in euro terms were 10.3% lower in 2015 compared to 2007.

## Market share of mutual/cooperative insurance sector

Mutual/cooperative insurers accounted for 38.7% of the total Romanian insurance market in 2015 (see Figure 3). In terms of type of business, market share was 28.9% in the life sector and 41.2% in the non-life sector.

Subsidiaries of mutual/cooperative insurers in the legal form held a 10.7% share of the overall Romanian market in 2015. In life business, market share was just 4.3%, however in non-life business, it was higher at 12.3%.

Total mutual/cooperative market share in 2015 was moderately greater in comparison to the 34.1% share held in 2007 (see Figure 4).

The most significant gain in mutual/cooperative share was reported in 2008, rising to a peak share of 48.8%. Since 2008, mutual/cooperative insurers have gradually seen a reduction in their total share of the market. In contrast, the share held by subsidiaries of mutual/cooperative insurers in the legal form continued to remain significantly greater in 2015 compared to 2007 (3.8% share).

The mutual/cooperative life sector experienced the greatest gain in market share since 2007, growing from a 17.9% share. In non-life business, market share had risen from 38.1% in 2007.

Figure 3  
Market share of mutual/cooperative insurance companies (2015)

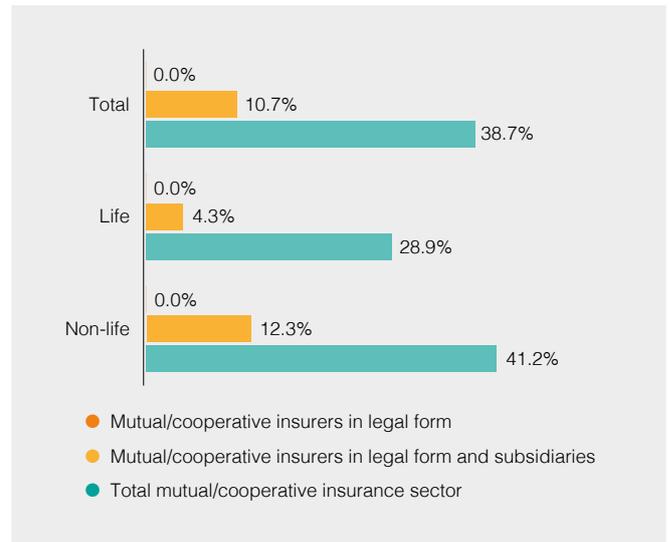
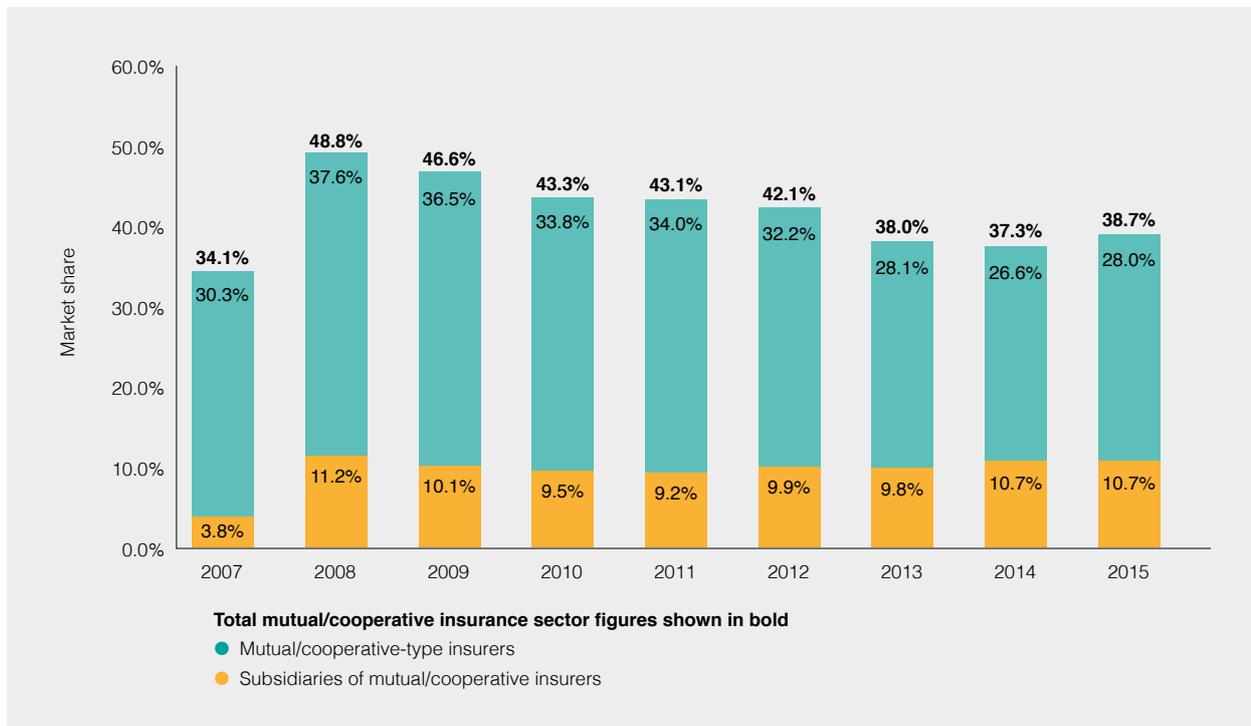


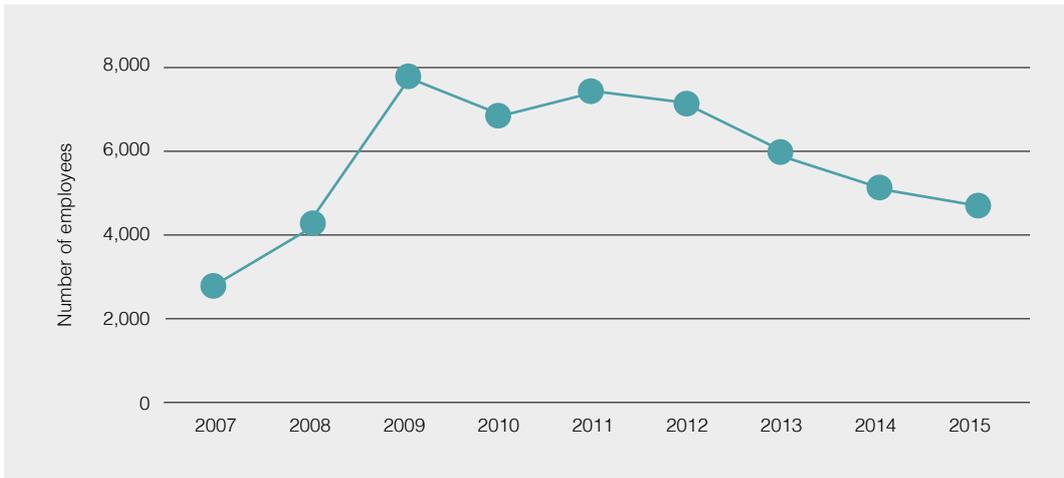
Figure 4  
Market share of the mutual/cooperative insurance sector (2007-2015)



## Number of employees

The number of people employed by the Romanian mutual/cooperative insurance sector saw a dramatic increase between 2007 and 2009, growing to a peak of more than 7,800 employees (see Figure 5). However, since 2009, employment levels have dropped and were down to 4,700 in 2015; although this was still 70% greater compared to 2007 (2,767 employees).

Figure 5  
Number of employees of the mutual/cooperative insurance sector (2007-2015)

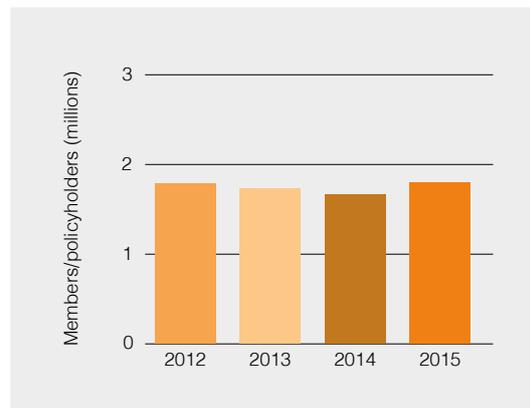


## Number of members/policyholders

The number of members/policyholders of mutual/cooperative insurers in Romania has remained relatively consistent since 2012 (see Figure 6).

In 2015, there were 1.8 million members/policyholders, representing a marginal gain (0.4%) compared to 2012.

Figure 6  
Number of members/policyholders of the mutual/cooperative insurance sector (2012-2015)



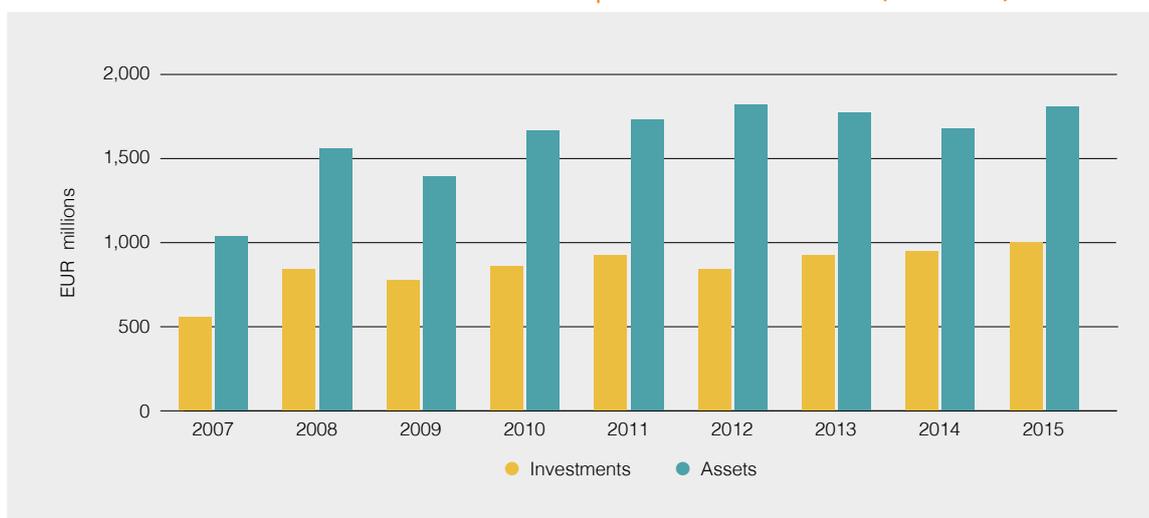
## Assets and investments

The mutual/cooperative insurance sector held total assets valued at EUR 1.8 billion in 2015 (see Figure 7). This figure was more than double the total amount of assets held in 2007 of just over EUR 1 billion.

In terms of total invested assets, the sector reported more than EUR 1 billion in investments for the first time in 2015, which was also more than doubled compared to 2007 values (EUR 555 million).

Figure 7

Total assets and investment assets of the mutual/cooperative insurance sector (2007-2015)



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