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2009 - THE INSURANCE CHALLENGES YEAR

Abstract

The insurance market in Romania has followed a tremendous evolution in the last decade, increasing annually by about 30 percent. Romanian insurance market is dominated by auto insurance, with over 60% of all subscriptions made in the first nine months of 2008. Moreover, the auto sector was and still is looking for the next period, as a true "engine of growth of the Romanian insurance market"

Financial crisis facing the entire world economy has shaken many auto manufacturers of international stature, in view of the considerable reduction in the volume of sales, compared to the same period a year earlier. In Romania, too, the demand for vehicles has undergone a significant decline, if we relate to sales recorded in the previous year, especially against the backdrop of restricting credit.

This reduction in sales recorded in Europe, could have a strong indirect influence on the sale of RCA and CASCO policies in Romania.

Besides the auto insurance, other segments of insurance, such as life insurance (especially policies of unit-linked) could be affected by the crisis. All these issues have required legislative changes for the year 2009.

The insurances market in Romania has known a "beautiful" evolution during the last decade, industry rising yearly with about 30 per cent. At the level of the Romanian specialized industry, the auto insurances dominate the market with over 60 percent of the total sum of subscriptions realized in the first 9 months of the year 2008. More than that, the auto segment was and is considered, in the following period, as a real "engine rising the Romanian insurance market".

The financial crisis economy faces all over the world has affected many international car producers, from the point of view of the considerable decrease of sales compared to the same period last year. In Romania, the car demand has also suffered an important decrease, if we take into account the sales recorded during the previous year, especially because of the credit limitation.

This sales decrease, recorded all over Europe, could have a powerful indirect influence on selling optional car insurance policy (CASCO) and compulsory car insurance policy (RCA) in Romania. Besides

the car insurance, other insurance segments such as life insurance (particularly the unit-linked policies) could be affected by the crisis.

All these aspects have imposed legislative changes during the year 2009.

1. The amicable Constant of accident has been introduced:

- **CASCO insurances** - beginning with January 1st 2009, the holders of CASCO auto policies, involved in a traffic incident having as a result only the damage of their own car or if the damage happened in other circumstances than a traffic accident (fallen trees, cars found hit in the parking places), need not go to the Police to draw up the form of introduction in car repair, they can also go to the insurance companies. The procedure is stipulated in the Order no 12/2008 concerning the application of norms regarding the procedure of drawing up and release of the document of introduction in vehicle repair, issued by CSA.

According to the norm, the companies specialized and authorized in services of establishing and liquidating damages may designate personnel with attributions in establishing, solving the damage dossiers and issuing documents of introduction in vehicle repair, when the insured have a viable optional CASCO insurance, issued by the respective insurer and come to announce the material damages for the insured vehicle in the conditions stipulated by the Government urgent decree no 195/2002 regarding the circulation on public roads.

The repairing firms have the obligation to accept the documents of introduction in repair of vehicles issued by insurers and presented by the CASCO insured persons, these being equivalent to those issued by the traffic Police under the name of "repair authorization".

The norms underline the fact that the issuing of the document of introduction in vehicle repair represents neither the final technical mark of establishing damages nor the insured's obligation to pay, that being already mentioned in the document.

The document of introduction in repair, that will be issued by the insurer in two copies (the original being given to the applicant), will have a unique series and the following form:

- for the authorized insurers in Romania: RA-xxx/JJ/...where RA-xxx represents the unique number of registration of the insurer in the Insurers and Brokers' Register; JJ represents the abbreviation of the county where the document of introduction in vehicle repair is issued and the

damages dossier is administrated; all these are followed by a number of order given by the insurer to administrate the damages dossier.

- for the authorized insurers in a EU member state that are involved in insurance activities in Romania on the basis of free circulation of services or of the right of establishment: RX-yyy/JJ/...where RX-yyy stands for the registering code given by CSA; JJ has a zero value "00"; all these are followed by a number of order given by the insurer.

The information included in this document will be maintained and introduced compulsorily in a data basis of every insurer who practices optional insurances of vehicles or compulsory civil responsibility and is kept for ten years.

The entry into force from July 1st2009 of the Amicable Constant of accident makes waves on the insurance market in Romania. On one hand, there are some insurers that are worried about the increase of frauds in the system and also about the costs generated by the organizing changes they have to operate in their own structures, whereas, on the other hand, there are the Traffic Police representatives and the clients dissatisfied with the long queues they have to attend in case of a minor accident.

The fears regarding the amicable constant of accident are somehow groundless since in most of the European countries, this has already worked successfully for many years.

Giving up the contravention report issued by the Traffic Police has a great practical advantage:

- First, in the actual system, the insurers cannot attack in the law court the provisions of this report, that being possible only at the initiative of one of the party involved in the accident. Once with the amicable constant this will disappear.

- Second, the introduction of the procedure will make the services of finding damages develop in a faster rhythm. Such an external neutral entity does not allow to make mistakes because it risks losing its clients and image.

- **RCA insurances** - The necessity of harmonizing with the European Union practices, of aligning the Romanian Traffic legislation with the European standards, led to modifying the normative acts in the insurances field. Coming to meet this necessity, the Committee of Insurances Surveillance (CSA), at the recommendations of the European specialized missions, adopted the Order no 21/18.12.2008 to enforce the

norms regarding the use of the form of amicable finding, a normative act meant to facilitate the faster and less bureaucratic solution of traffic incidents ended with slight collisions, without disobeying the present traffic law. The normative act applies for the insurance policies of compulsory auto civil responsibility whose validity starts from the date of its publication.

Thus, in case of minor traffic accidents that happened in Romania, without any person injury, informing the insurance company may be done by means of a standard form issued by the insurer, named "amicable finding of accident" on which the respective drivers note the circumstances of the accident, the identification data of the persons and vehicles involved, as well as those of the insurers.

The form of "amicable finding of accident" will be printed and handed out by every insurance company to its RCA clients once with the compulsory RCA insurance policy. The insured may demand, during the validity of the insurance policy, one or more documents, in case that the initially acquired document was used, given away or lost.

The amicable finding of traffic accidents in which two vehicles were involved and which resulted only in material damages, will be valid from July 1st 2009. Minor accidents will be solved through parties' agreement, both drivers signing the amicable finding.

The form of amicable finding of accident contains information regarding the date and the place of the accident, identification data of the drivers, their vehicles and the RCA companies, as well as information about the circumstances of the accident.

The amicable finding of accident of any of the parties involved represents a damage notice and makes the insurer open a damage dossier and find damages, thus shortening the procedure of recovering damages.

According to the norm, the insurer is forbidden to guide the parties in the accident protocol done by the Traffic Police.

The RCA insurers, noticed about the accident because of the amicable finding form, are obliged to issue the document of introduction in repair to the solicitants.

The insurance companies, authorized to sell RCA policies, have the obligation, in a period of 60 days from the norm date of appearance, of concluding a protocol regarding the way the right to damage is established for the owners/drivers involved in accident.

Thus, minor accidents will be solved through parties' agreement, both drivers signing the amicable finding. This change will definitely shorten the period of solving the auto damages.

The insurers authorized to conclude the RCA insurance have the obligation to take any necessary measures to apply the norm provisions and they are responsible for the correct training of their personnel and of the intermediaries regarding the solving of damages in adequate conditions, obeying the legal provisions.

Thus, starting with the second part of the year, the traffic accidents on Romanian territory, having as a result only material damages and in which two vehicles were involved, will be solved without the documents of amicable finding issued by the police, provided that the form is filled in and signed by both drivers involved in the accident. Once it has the information on the accident, the drivers' names and it is signed by them, the form must be handed in to the insurance company which will issue the necessary documents for the repairing of the vehicles.

The issuing of insurance policies in an electronic format

Since the beginning of the year 2009, the RCA policies may be issued in an electronic format and also starting with January 1st 2010, they will be issued only in an electronic format, according to the article....in the CSA Order no 20/2008. Therefore, they totally give up the manual RCA subscription, often in a hurry and in unsuitable places, the information systems taking the information and transmitting it to the insurance companies and to the centralized data basis (CEDAM) in real time.

For clients, the implementation of this system will lead to the increase of services quality and to the decrease of errors that inevitably appear while filling in the insurance policies.

Meanwhile, the insurers of auto civil responsibility are obliged to transmit, in the CEDAM data basis, using electronic communication, the complete registration of their own data basis regarding the compulsory auto insurance contracts and the final date of their validity or the date of annulment of the insurance documents, as well as information on damages registered in the basis of concluded RCA policies, as a result of some events produced during the contract; an instrument that allows the checking of the degree of inclusion in policy of the vehicles in Romania.

The online data basis CEDAM offers an accessible evidence of RCA policies concluded on Romanian territory. After the registering number or the body series, one can check if a car is insured or not on the website

<http://cedam.csa-isc.ro/index.php>. The purpose of CEDAM data basis is both to watch the way the law on vehicles insurance is obeyed and to facilitate the access of all persons interested in information connected to a RCA policy for a certain vehicle. The data basis is permanently actualized to reflect the actual status of the compulsory insurance market in Romania.

The introduction of the bonus-malus system in rating the RCA insurances has represented the decisive step in making the drivers responsible and has also contributed to changing the public perception towards the role of a responsibility insurance policy towards third parties.

From the client's point of view, the introduction of the bonus-malus in RCA is translated through the payment of bigger insurance bonus for drivers who have an unfavourable history concerning traffic accidents. Drivers who have a favourable history will benefit by bonus reductions.

The system of collecting the main insurance bonus for the RCA policies will allow the insurers to offer their clients successive reductions up to a level of maximum 25% of the fundamental fares, except the reductions granted to pensioners and persons with locomotor deficiencies, according to the order no 20/2008 issued by CSA.

4. The payment of damages produced as a result of the lack of use of the damaged vehicle

The RCA insurance may also pay the damaged vehicle, according to the CSA Order no 20/2008. In fact, as he did not use the car while it was in repair, the victim may ask for damage from the insurance company. The damages for the lack of usage of the damaged vehicle may be obtained only in the law court.

Nowadays, the insurance companies grant damages for lack of usage of the damaged vehicle only for judicial persons that are involved in merchandise or persons transport. For physical persons, damage cannot be accounted for, therefore only the law court may appreciate its value.

For the authorized physical persons or the judicial ones who practice taximetry or persons and merchandise transport, damages are determined taking into consideration the damaged person's taxes at that time. For example, in case of an accident resulted in the damage of a taxi, the driver may demand money from the insurance company starting with the daily income multiplied with the number of days in which the vehicle was not used.

In case of a physical person, the sum could be smaller, more precisely it should be equal to the value of renting a car for the period in which the vehicle is being repaired.

Practically, at present, the Romanians may receive compensations for not using the damaged vehicle only in the law court. In time, based on the decisions of the court, compensations could be given on the basis of judicial practice, without going to the law court.

The compulsory insurance of dwellings

The policies for insuring the dwelling will become compulsory for all owners of buildings in Romania.

Consequently, the year 2009 is the "Year of Challenges", a year when all the companies in our country will be forced to operate more efficiently to maintain both the increase and the profit at acceptable levels.

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