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A Case Study about the Reputation of Insurance Companies in Craiova (Romania)

Cristina Otovescu-Frăsie^{1*}

Abstract:

For the present work we consulted the representative specialty works in our country and abroad, which allowed us to establish the current degree of knowledge and debate in the insurance field. We also carried out a survey focused on the population's interest and opinion regarding the insurance domain in Romania. The gathered data helped us compose a coherent and unitary image of the insurance field and to establish all the conditions and juridical implications of the insurance contract.

Keywords:

insurance activities, policy, facultative insurances, obligatory

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1. Introduction to the Study of Insurances

Although the need for insurances and for all the practices associated to it have appeared a long time ago, commonly due to human concerns for preventing damages and due to their persuasion to bear the costs of damages occurred during unexpected happenings and events, the institutions and all the other necessary organisational structures, as well as the different concepts related to the role of insurances in the social life, emerged especially during the XXth century.

The necessity of *being insured* is indispensable for the present day individuals, because they must protect themselves and their goods against unexpected events. Certain consequences of these ill-fated circumstances might be avoided through vigilance (for ex., fire, stealing), others cannot be avoided despite any effort (for ex., earthquakes, hailstorms, thunders), while others cannot be avoided due to the limited human existence (for ex, death). Natural disasters, revolutions, wars and the growing number of terrorist attacks at the beginning of this century throughout the globe (Israel, New York – 2001, Iraq – 2003-2004, Madrid – 2004 a.o.) have amplified both the human state of uncertainty and the need for a more secure environment, where to feel protected and safe. The more this feeling of insecurity grows, the more the conscience or intent of being insured is stronger and more deliberate.

In France, the Civil Code mentioned, in the article 1964, only the insurance contract, among the aleatory contracts. The freedom of conventions allowed to the insurers to impose very difficult clauses, which influenced in a bad way their reputation¹ (Yvonne Lambert-Faivre, 2001).

The insurance is defined like being "an operation by which it is allowed to the insured, in exchange for and a remuneration a service made by other part - the insurer - in the case of a damage, or a commitment by which one of the parts - called insurer, promiss to pay to other part - called insured or te owner of the police - a certain amount of money if there is happening an event that determinates the insured to suffer a financial loose (Jean Dominique, Charles Rocher, 1991).²

Different research papers have showed that the origin of the insurance pact might be traced back in antiquity. Certain documentary research also proved that, in our country, there were incipient insurance forms long before the XIXth century. Accordingly, a rudimentary form of animal insurance was revealed, known as „hopșă”.

The development of the economic activity in Romania at the end of the XIXth century and the beginning of the XXth has determined the organisation of insurance services as well, these being considered a progress factor for our society.

The optimal functioning of the insurance market in Romania depends on a series of factors: economic, social, educational, political, moral-traditional, psycho-social and legislative. The present legislative environment generally regulates all insurance activities, but, taking into consideration the future Romanian integration into the E.U., our insurance legislation needs completion and improvement, so that it can be in total agreement with the existing legislations in other European societies.

In order to create a balance in the insurance field, we must take into account all economic, social, political and climatic evolutions and trends throughout the globe, where we can encounter different negative phenomena, such as: an excessive rate of unemployment, the depreciation of the dollar, stock-market fluctuations, an unexpected increase of the petrol price, conflicts in the Middle East. The world we live in is not only a world of protection and order, but also of uncertainty and disorder, of unexpected natural outbreaks. In order to protect themselves against risks, people must conclude insurance contracts for their life and goods, with the help of insurance consultants.

In a world where order and disorder coexist, the full coverage for all risks only by the insurance company is practically impossible. Knowing the evolution of all social, economic, political, financial, cultural and climatic phenomena at a planetary scale implies not only a statistical analysis, but also decoding the general, particular, regional and national trends; all these factors force insurance companies to establish special departments of professionals, capable of undergoing scientific research and making credible previsions. The risk it is considered a major event, not sure

and possible, which has nothing to do with the will of the involved parts (D. Popescu, I. Macovei, 1982)³. In France, the uncertainty refers not only to the consequences of a certain event realized during the cession of the contract (Jean Bonnard, 2001)⁴.

The risk may be covered by insurance with the condition to be determined and recognized as an insurable risk only by a branch of insurance authorized by the competitive authorities (C.J. Behr, H. Groutel, 2001)⁵

The development of the economic activity in Romania at the end of the XIXth century and the beginning of the XXth has determined the organization of insurance services as well, these being considered a progress factor for our society. Accordingly, a series of insurance companies emerged in different domains and compartments of the Romanian economy, such as: *Transilvania* (1866), *Dacia* (1871), *România* (1873), *Naționala* (1882), *Generala* (1887), *Agricola* (1906), *Urania, Patria, Banca Generală de Asigurare* (1911) a.o. In 1881, the *Dacia-România* company was established after the merger of the *Dacia și România* companies and in 1909 it took over *Patria*, as well.

Statistical and historic data show that, in 1930, there were 44 national or foreign insurance companies in Romania. The competition among them and the economic crisis led to a reduction of their number to a half. For example, in 1936, there were only 23 insurance companies left, with a total banking capital of 400 million lei and 2.2 billion in reserves. Starting with 1940, due to the political and geo-political factors and in the context of the beginning of WWII, Romania faced a massive penetration of German capital through the following companies: *Victoria, Vatra Dornei, Allemania, Dacia-România, Naționala, Steaua României, Transilvania* etc.

After WWII, as a result of the Soviet communist influence, the entire portfolio of the Romanian insurance companies was overtaken by what was called *The Romanian-Soviet Joint-Stock Insurance Company – Sovromasigurare*. In 1952, the Administration for State Insurance (A.D.A.S.) was established, the state having total control over insurances for almost five decades.

After the revolution in December 1989, the Romanian society faced an institutional restructuring and reorganising process, which also included the insurance market. Consequently, the state monopoly disappeared.

The optimal functioning of the insurance market in Romania depends on a series of factors: economic, social, educational, political, moral-traditional, psycho-social and legislative. The present legislative environment regulates, generally, all insurance activities, but, taking into consideration the future Romanian integration into the E.U., our insurance legislation need completion and improvements, so it will be in total agreement with those existing in other societies on our continent.

The insurance contract is the specific contract in which the insured must pay a premium to the insurer and the insurer must pay the insured compensation or the insured sum (also called an allowance) in case a certain risk occurs, according to the agreed limits and terms.

Due to its synalagmatic nature of the contract, the insurance offers rights and obligations to both parties engaged, with the mention that some refer to the period prior to the occurrence of the insured case, others to the period following the event.

The effects of the insurance contract refer to all subjective rights and obligations involved, which are modified or ended by such an act; this is, actually, the content of the contract. Accordingly, the effects of the insurance contract take place when the insured event happens.

When this event occurs, the insured has a right to ask for compensations. These can be granted by the insurance company in accordance with the expert evaluation and a mutual agreement; in case they do not reach an agreement, a court trial may follow.

In order to establish the juridical nature of the contract, two criteria must be taken into account:

- the juridical nature of the contract; according to this criterion, contracts are commercial, civil or mixed;
- the complexity of the contract.

The insurance contract is, normally, of commercial nature, because it is the juridical expression of the insurance economic activity, which is a commercial activity, according to the objective criterion, but subjective as well, because one of the involved parts (the insurer) is always a commercial enterprise.

The insurance contract is of mixed nature (trade deed for one of the parties and civil for the other, so it is a commercial as well as civil contract) because this contract is always commercial, from the insurer point of view, as the insurer is always a commercial enterprise. From the insured point of view, the insurance contract is, sometimes, of mixed nature because it has a civil character. Art. 3, lines 17 and 18 of the Commercial Code, clearly stipulate that insurances are objective commercial matters.

A juridical act or an operation may be considered a commercial matter for both parties involved in a juridical relation. Accordingly, the act or operation involving both parties may be an objective or subjective commercial matter, or the same matter may represent a subjective commercial matter for one party and objective for the other.

For the insurer, the insurance is a subjective commercial matter as well, because it involves a commercial enterprise and because the juridical contract is not of a civil nature according to it or to the law. So, for the insurance company, the operations are always, subjectively and objectively, commercial matters, governed by commercial laws.

Personal insurances are always of civil nature for the one being insured, even if he/she is representing a commercial enterprise, because the personal insurance contract refers only to the natural person, without taking into account his/her activity. The goods insurance has a civil nature for the one being insured when the insurance contract doesn't refer to objects or commercial establishments, including the liability of the trader.

If the insurance policy is of commercial nature only for the insurer and of civil nature for the one insured, this insurance relation is mixed, representing a commercial matter only for the insurer and a civil matter for the one insured.

If the insurance relation is of mixed juridical nature, it will comply with the commercial regulations for both parties, even if for one of the parties the relation is of civil nature.

So, for the insurance company, the insurance operations are always commercial matters while, for the insured, they are civil ones, excepting the cases when the object of the insurance is represented by goods or commercial establishments. Nevertheless, the Commercial Code stipulations will affect both parties involved.

The insurance contract, as a juridical act regulating the intent of the parties to sign an insurance policy, takes a written form and includes:

- the name and address of both parties;
- the object of the insurance policy: goods, persons or civil liability;
- the risks being insured;
- the starting and ending moments of the insurer's liability;
- the insurance premium;
- the insured sums;
- other elements regulating the rights and obligations of the parties.

In Romania, the insurance activity is represented by the obligatory and facultative insurances, as well as by re-assurance operations, made by commercial insurance – re-insurance enterprises and by commercial re-insurance companies, also called insurers and re-insurers.

There are two types of insurance contracts:

- facultative insurances
- obligatory insurances

The facultative insurance represents the type of insurance in which one of the parties, called the insured-contractor, has to pay the other party, called the insurer-contractor, a certain sum of money as insurance allowance, and the insurer, when the insured case occurs, has to pay the insured or the third party the insurance sum according to the terms of the contract.

According to their object, the facultative insurances may be:

- Goods insurances
- Insurances for persons
- Civil liability insurances

2. Case study about the Reputation of Insurances in Craiova

In order to get a better understanding of the insurance services usage, we have conducted a survey among the population of Craiova between the 1st and 3rd of July 2004. We used an administrated questionnaire, which was filled in by students as interview operators. This research was conducted in cooperation with the professionals of the Social Institute Craiova and of the University of Craiova.

The purpose of this investigation was to analyse the degree of utilization of insurance services by the population; the research area was constituted by a number of 423 persons over 18 years old from Craiova. We mention that, according to the March 2002 census, Craiova has a population of 302601 inhabitants (146491 men – 48.4% and 156110 women – 51.6%).

The research served a double purpose: to reveal the population's level of knowledge over insurance services and to compare the ways insurances are used at local and national levels.

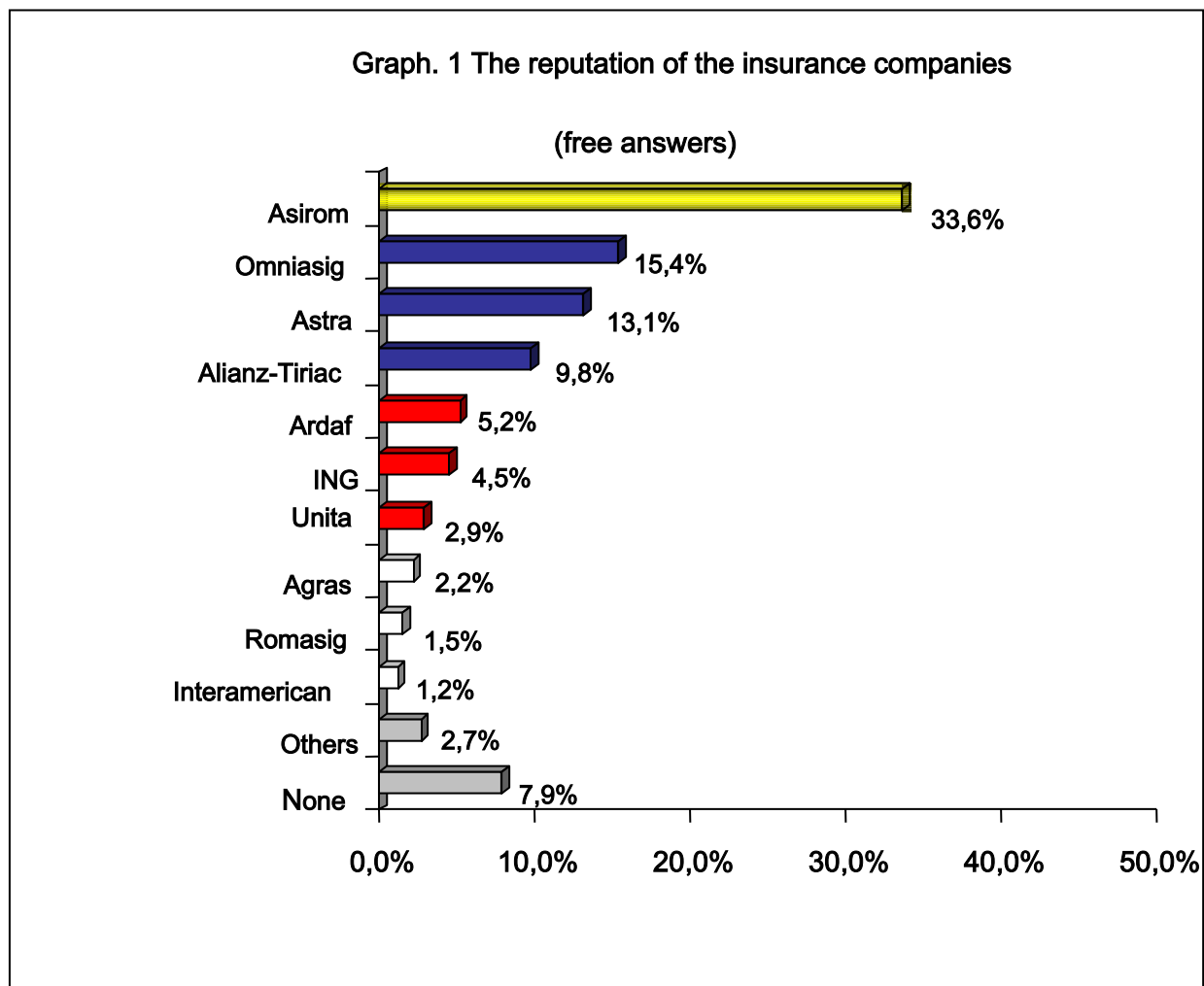
For this survey we presented the most important insurance companies and types of insurance policies in Romania. The final results included details on the percentage of those who use insurance services, as well as data regarding the population's satisfaction degree over the insurance services they use.

The reputation of insurance companies was pointed out using two questions, an open one, without multiple-choice answers, and a close one with pre-established answer variants.

The interviewed persons were asked, at the direct question, to name some insurance companies in Romania. 92.1% of the total number of subjects mentioned at least one name of insurance company, while 7.9% could not say even a single name.

According to the received answers, we reached the conclusion that Asiroam is known by 33.6%,

then Omniasig (15.4%), Astra (13.1%) and Allianz-Țiriac Insurance (9.8%). The companies Ardaf, ING, Unita, Agras, Romasig and Interamerican meet a lower reputation, between 1% and 5%.

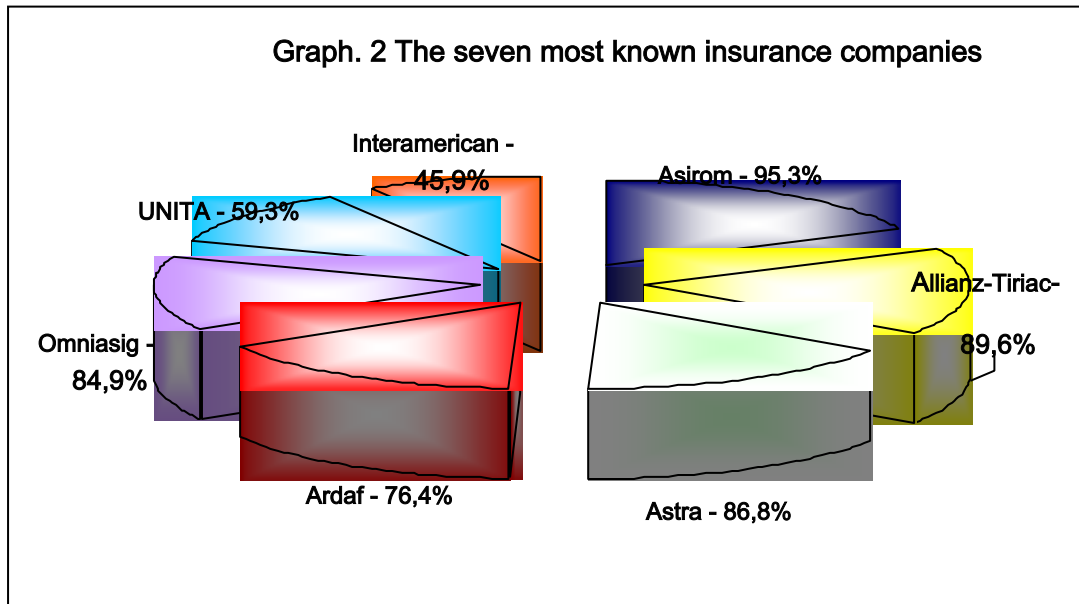


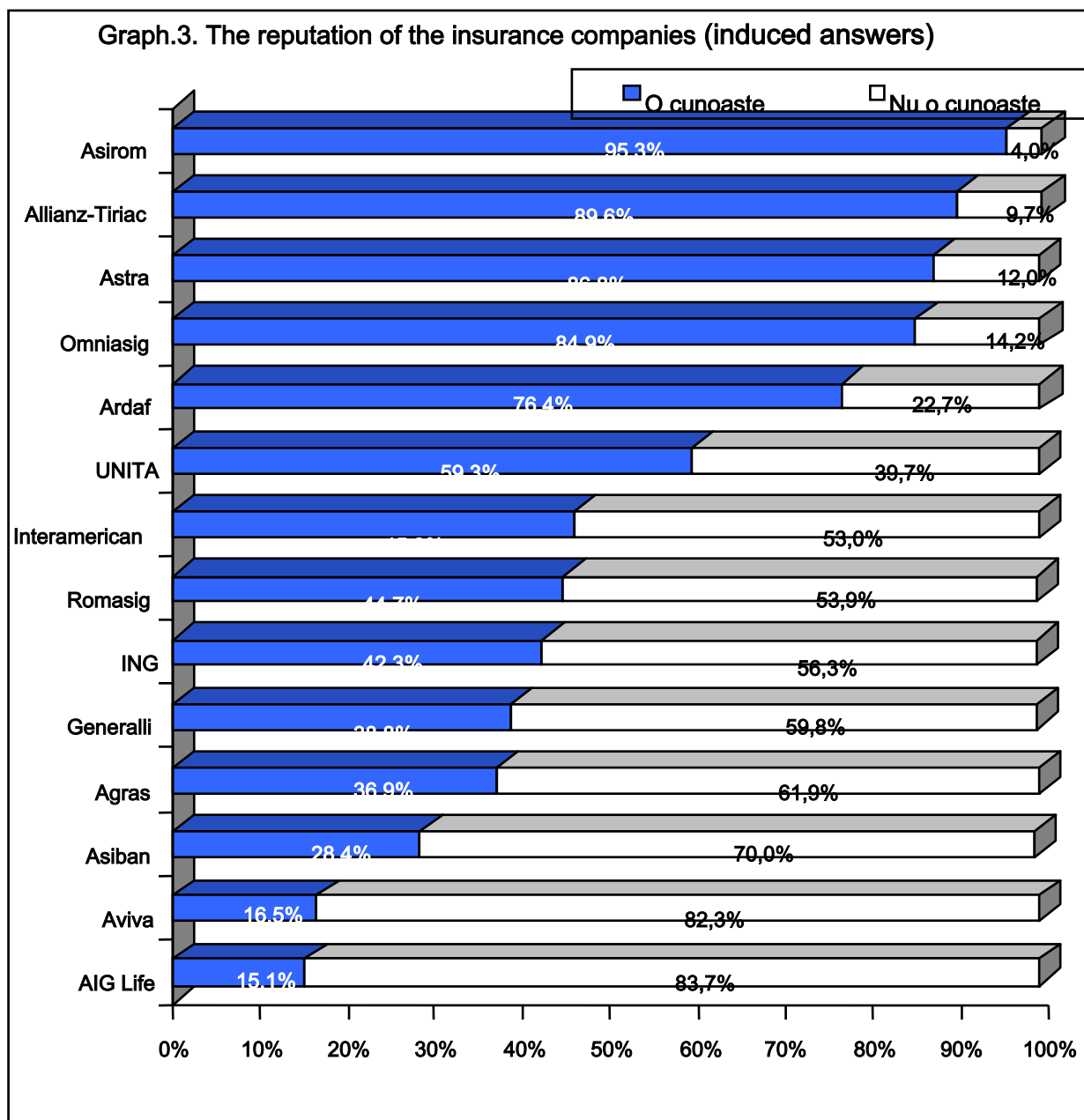
Depending on the level people know about the insurance companies, they were ranked, decreasingly, as it results from the above graphical presentation.

For the second question – with pre-established answers - referring to the insurance company reputation level, the subjects were read a list containing 14 insurance companies. Then, they were asked to name the companies they heard about. This time, the research revealed that all the subjects know, at least, one insurance company; moreover, there is a higher percentage than in the previous question (with free answer). The reputation top generally remained the same, Asirom (95.3%), Allianz-Țiriac Insurance (89.6%), Astra (86.8%), Omniasig (84.9%), Ardaf (76.4%) and Unita (59.3%) being the best known companies. More than 50% of the subjects mentioned that they did not know the following companies: Interamerican, Romasig, ING, Generali Insurance, Agras,

Asiban, Aviva and AIG Life.

The table and graphics below illustrate the final results of the answers related to the knowledge of the insurance companies by the population in Craiova (for the question with pre-established answers).





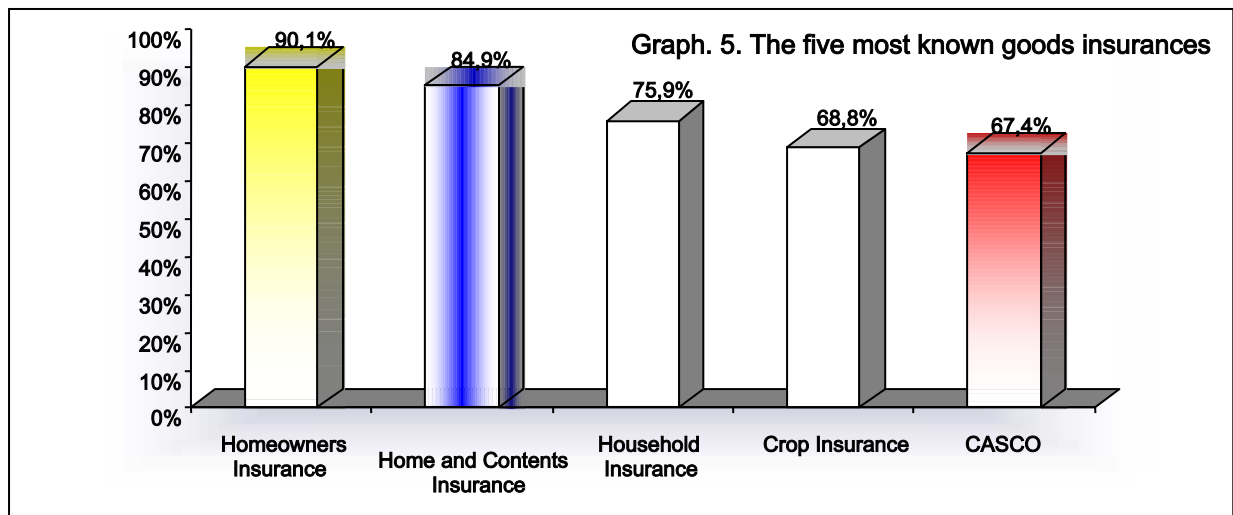
In order to establish the population information level regarding the insurance services, we have formulated questions referring to the knowledge of different types of insurance policies which can be concluded on the insurance market in Romania.

The insurance policies which most people heard of are policies of *compulsory car insurance* (89.1%), of *auto liability insurance valid outside Romanian territory – Green Card* (69.3%), of *general liability insurance* (54.2%), of *professional liability insurance* (38.5%).

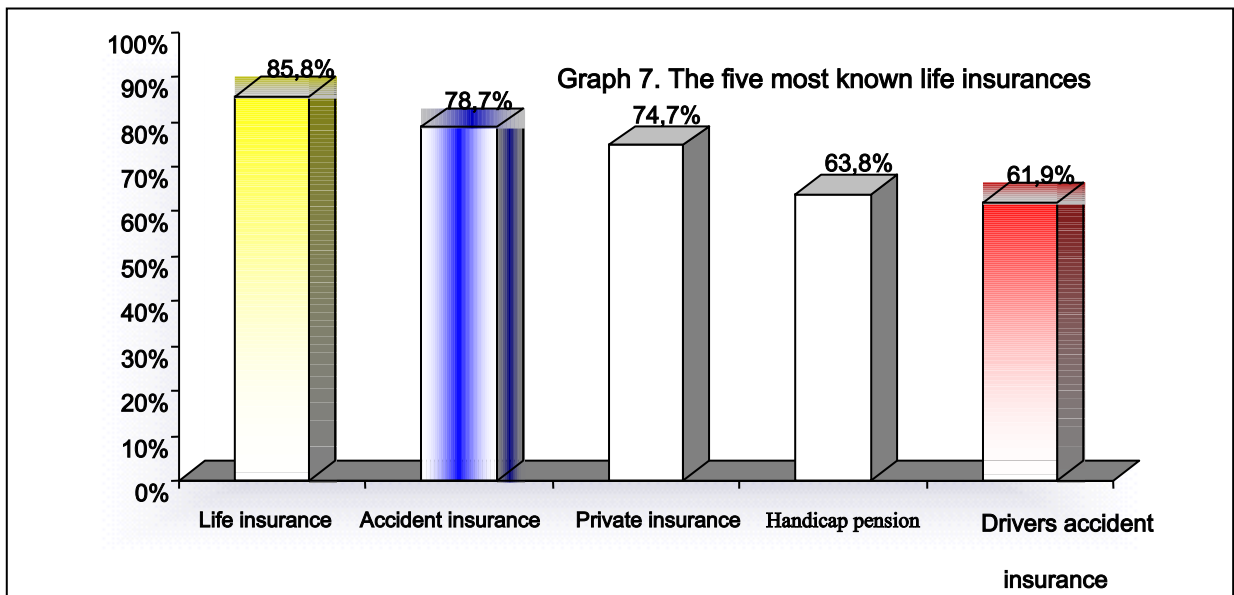
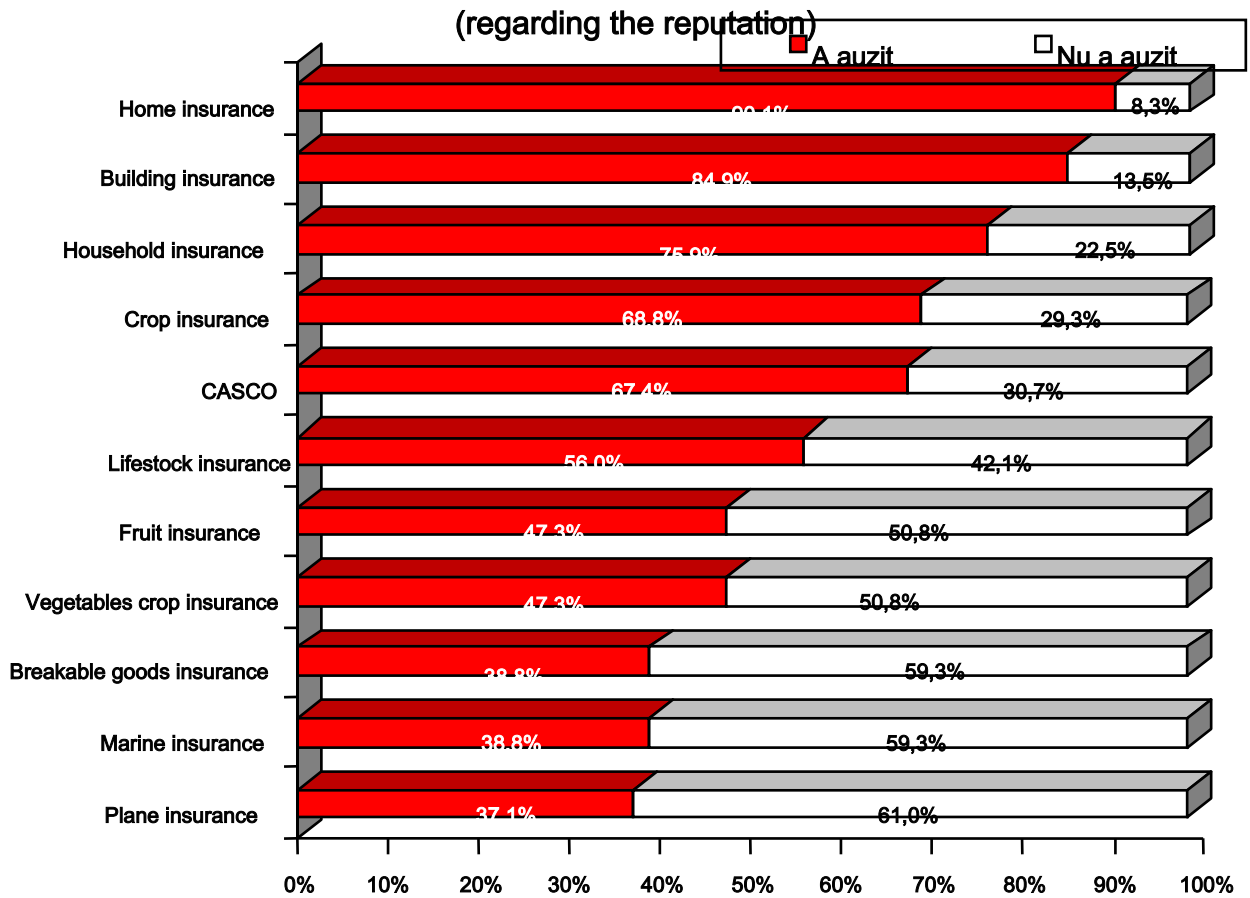
Most people have heard about: *policies of homeowners insurance* (90.1%), of *home and contents insurance* (84.9%), of *household insurance* (75.9%), of *crop insurance* (68.8%) and of

optional auto insurance against damage and theft – CASCO (67.4%). Less known are the policies for breakable goods insurance (38.8%), for goods insurance against marine and transport risk (38.8%) and for plane insurance (37.1%).

The policies in the class of goods insurances are more familiar to the subjects than those of civil liability. More than 50% of the subjects know six types of goods insurance policies and only three civil liability insurances.



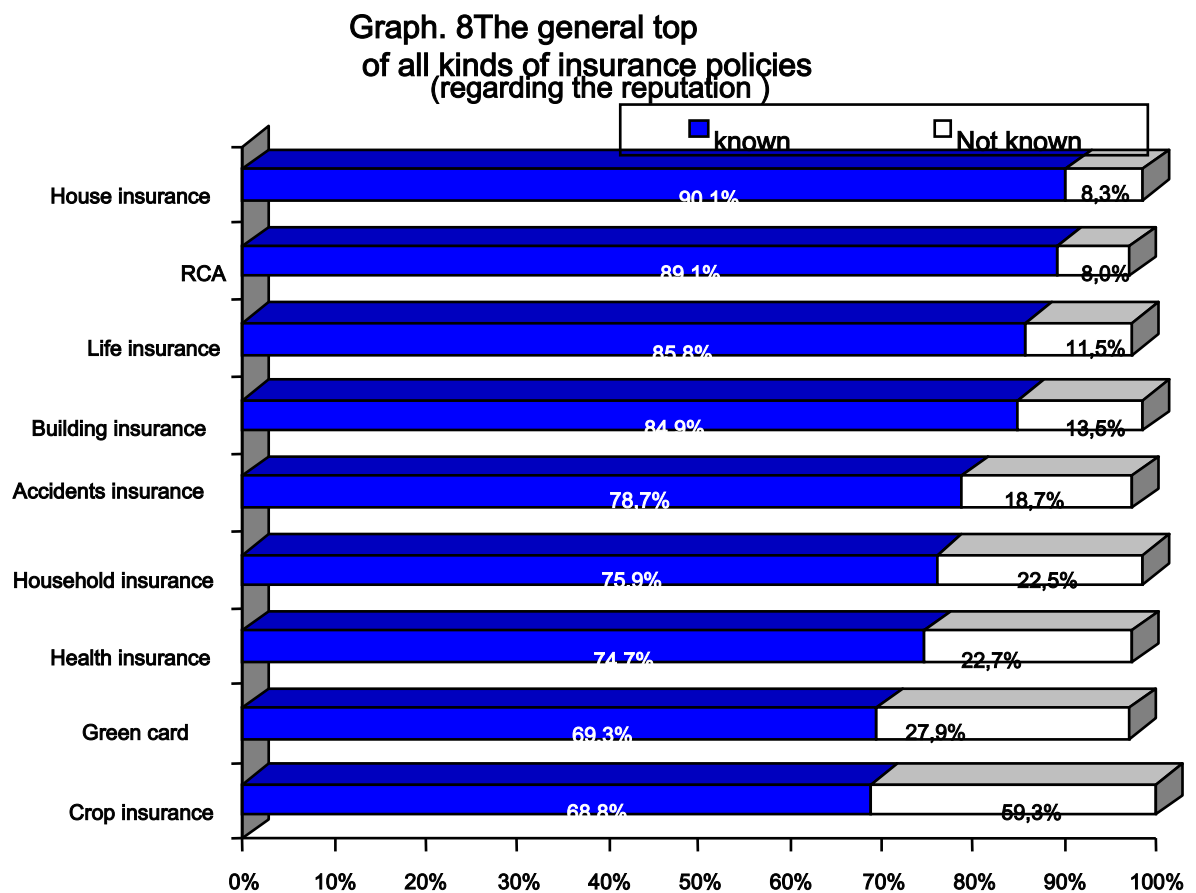
Graph 6. Goods insurance Top



The policies most subjects heard of are: *life insurance* (85.8%), *accident insurance* (78.7%), *hospitalization insurance* (74.7%) and *handicap pension* (63.8%). *The national subvention pension*

fund (19.4%), the *marriage insurance* (11.6%) and *the dowry insurance* (9.9%) are less known. The policies with a large applicability (the life insurance and the accident insurance) are normally known by a significant part of the population. On the other hand, the policies for certain social categories (pregnant women, newly-weds, single women) are less known.

Taking into consideration the fact that everybody is extremely concerned with his/her own safety, the self insurances are the most important for the population. This is shown by the fact that most people have heard of these policy types (more than 50% of the subjects know 8 policies in the category of self insurances, 6 in the category of life insurances and only 3 in the category of civil liability insurances).



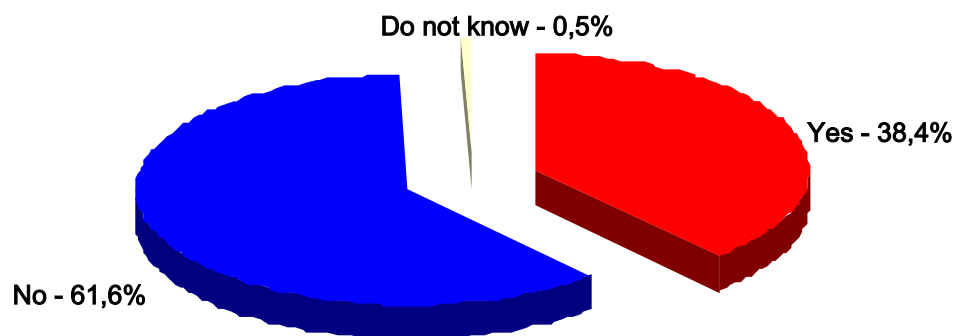
From the nine policies presented above, five are goods insurances, three are self insurances and one is a civil liability insurance.

During the research, a special attention was given to the use of the insure services by the population from Craiova. The data gathered prove that most of the population (61.6%) does not hold insurance policies not even for one of the policies available on the insurance market in our country. On the other hand, 38.4% of the subjects said that they held at least one insurance policy.

These answers were given to the question “Do you personally hold any insurance policy?” and they can be represented as it follows:

1. Yes	38.4%
2. No	61.1%
3. I don't know	0.5%
TOTAL	100%

Graph 9. Hold insurance policies

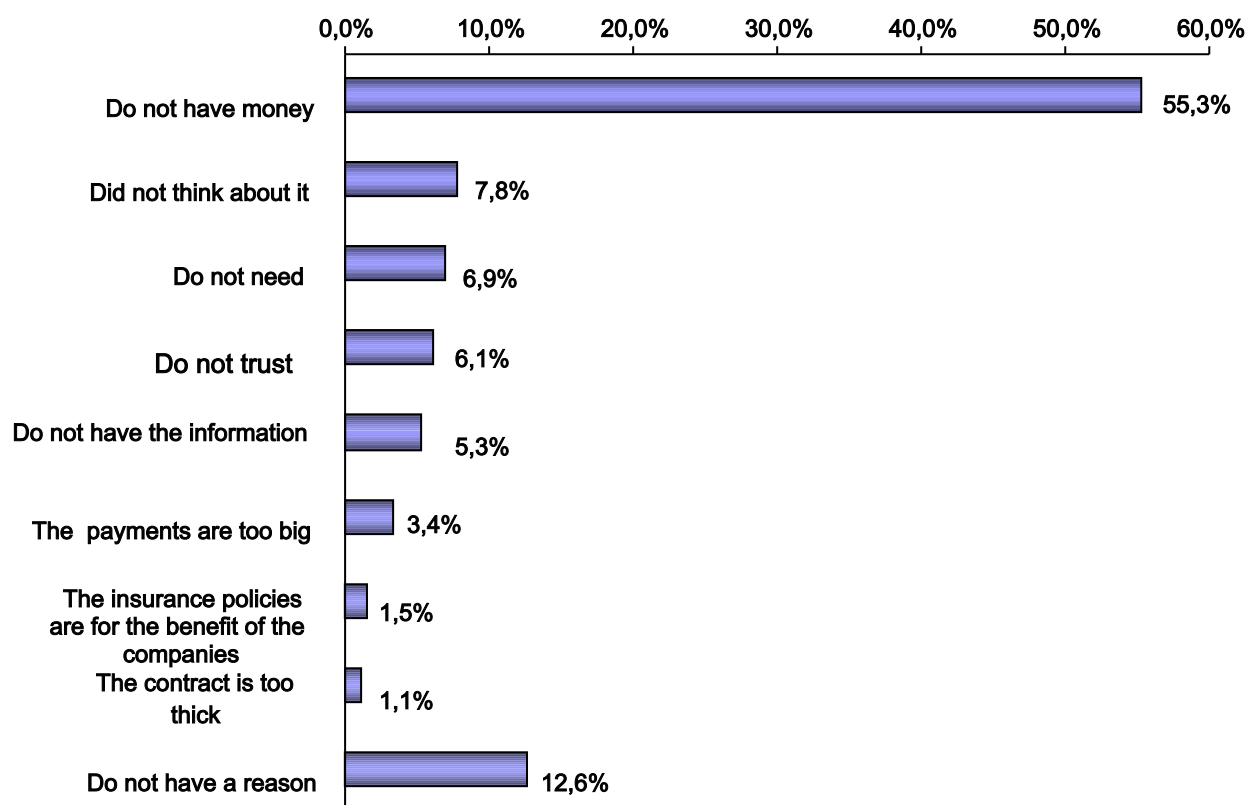


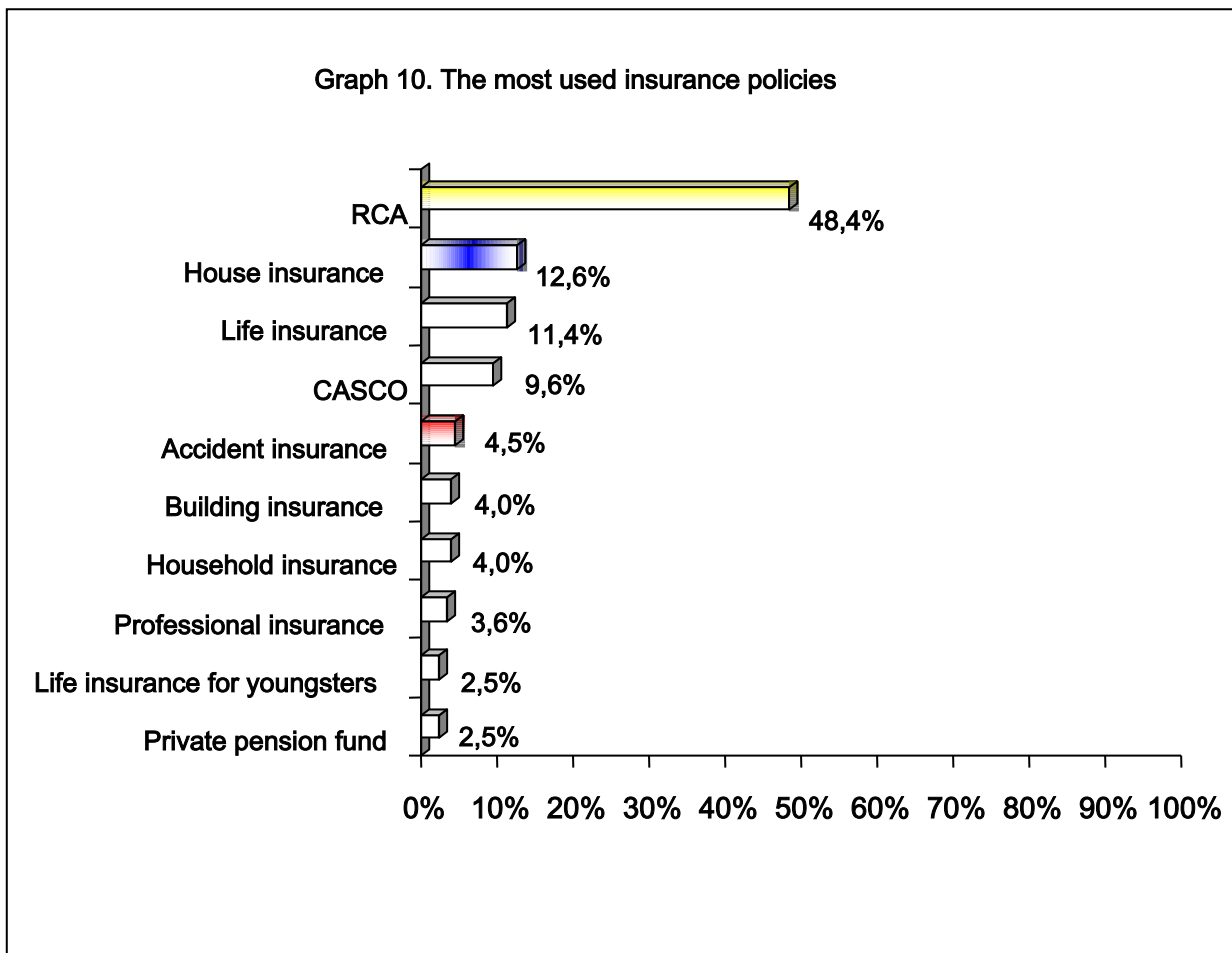
The subjects who do not hold any insurance were asked about the reasons for not signing any insurance contract up to that time. Most of them (55.3%) said that they did not have enough money in order to pay for the insurance expenses, 7.8% said that they had not thought of it before and 6.9% claimed that they did not need any insurance. The low level of confidence in the insurance companies, the lack of information about the insurance services and the high rates of the insurance expenses were among the other reasons mentioned by those who do not have an insurance policy.

All these answers are statistically shown as it follows:

Structure of the reasons given by people who did not sign an insurance contract

1. I haven't got money	55.3%
2. I haven't thought about it yet	7.8%
3. I don't need any insurance	6.9%
4. I don't trust insurance companies	6.1%
5. I have no information on insurance	5.3%
6. The insurance money is too much and the sum cannot be justified	3.4%
7. The insurance policies are only to the benefit of the insurance companies	1.5%
8. The insurance contract is too complicated, and it has far too many clauses	1.1%
9. I cannot give a reason	12.6%
TOTAL	100%

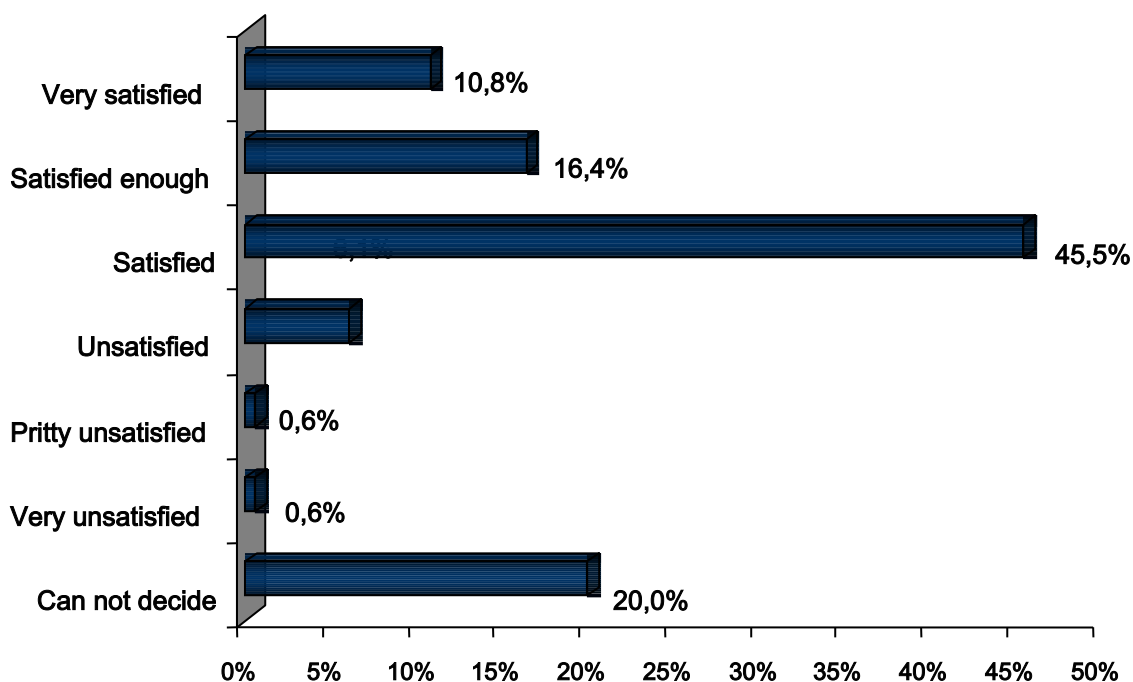




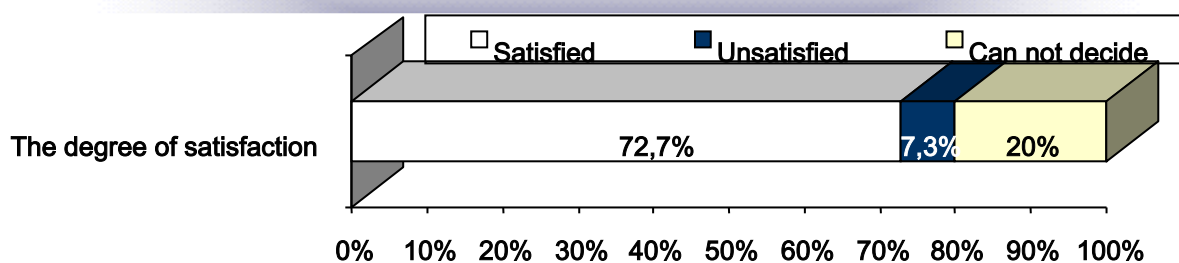
Therefore, one can conclude that the insurance services are used by low percentage of the population. The main causes responsible for this situation are, first of all, the lack of money and secondly the lack of information on the insurance market in Romania. Although 38.4% of the subjects mentioned that they hold an insurance policy, when they were asked about the type of policy, from the 4 policy categories (civil liability insurance, goods insurance, life insurance and facultative insurances of credit and warranty), most of them admitted that they did not hold any policy. For example, when asked about the civil liability insurances, 45.8% of the subjects claimed that they did not hold any policy of that type. Considering the life insurances, 70.6% of the persons who have signed an insurance policy are not the holders of a life health insurance.

All the people who declared that they signed an insurance policy (38.4% out of the whole group) were asked how satisfied they were with the insurance services they benefited of. The obtained answers can be thus classified:

1. Very satisfied	10.8%
2. Fairly satisfied	16.4%
3. Satisfied	45.5%
4. Unsatisfied	6.1%
5. Rather unsatisfied	0.6%
6. Very unsatisfied	0.6%
0. I cannot appreciate	20.0%
TOTAL	100%



Graph 11. The degree of satisfaction of the insurance policies holders



One can notice that most insured people (72.7%) are satisfied with the services provided by the insurance company they signed with, fact which supports the hypothesis that the way of building the relationship between the insured and the insurer should represent an increase factor of

the insurance number in Romania.

The most important information source for population on insurance is determined by media and television advertisements (76.1% of the subjects mentioned this source), fact which can justify the low level of information on the insurance services in Romania, as the advertisements are more meant to convince people than to inform them.

*

NOTES:

- ¹ Yvonne Lambert-Faivre, *Droit des assurances*, Edition Dalloz, 11^{eme} Edition, 2001, p. 151
- ² Jean Dominique, Charles Rochet, *Microeconomie de l'assurance*, Economica, Paris, 1991, p. 5
- ³ D. Popescu, I. Macovei, *Contractul de asigurare*, Junimea, Iași, 1982, p. 57; R. Motica, F. Moțiu, *Contracte speciale civile. Teorie și practică judiciară*, Lumina Lex, București, 2000, p. 365
- ⁴ J. Bonnard, *Droit et Pratique des Assurances. Particuliers et entreprises*, Delmas, Paris, 2001, p.433
- ⁵ C.J. Behr, H. Groutel, *Droit des assurances*, Daloz, Paris, 2001, p. 19

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