

ASSESSMENT AND INSURANCE OF THE RISK FOR ROAD TRANSPORT

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ABSTRACT: *The insurance sector contributes to the protection of property and persons against risks taken in insurance. The paper aims to presents few aspects regarding an important segment of the Romanian insurance sector, which is road transport with the main insurance policies offered by the insurance undertakings such as: compulsory motor liability insurance, cargo insurance, vehicle insurance.*

KEY WORDS: *insurance, risk, motor insurance, compulsory motor liability insurance, cargo insurance.*

JEL CLASSIFICATION: *G20, G22, L91.*

1. INTRODUCTION

Every day, we can see various events all around us, such as natural disasters, accidents, different activities which imply different degree of risk and causes us physical, emotional and financial losses. The risk is currently present at the level of human and economic activity, and humans and things are affected by all this events called risks. The risk is an unpredictable event and its effects we can hardly remove and also are of significant severity. Thus, human society is constantly tried to find effective methods of defense, prevention and compensation for damages caused by risks.

These methods, even if they have known a great variety, can be systematized in three categories: preventive measures; assistance measures; precautionary measures. (Șeulean & all, 2007). Against such as events, and in order to compensate their effects we can buy insurance.

According to the insurance dictionary - "insurance is a system of economic and social relations, a necessary objective process of economic and social development arising from the action of objective laws, which consists in the joint creation by

individuals or legal entities threatened by certain risks, of a fund from which to compensate the damages and to satisfy other economic-financial requirements, probable, unpredictable.”

Insurance against risks for road transport are related to motor insurance and the field of transportation. The motor insurance appeared for the first time at the beginning of the 20th century and was included in the category of insurance for accidents.

Although, at the beginning, the motor insurance included only protection for personal injury or other losses suffered by third parties, time brought in new types of protection (Badea, 2003).

For transportation sector insurance undertakings offer different types of protection related to:

- merchandise insurance;
- carrier's liability insurance;
- vehicle insurance;
- third party liability insurance

These types of insurance cover a large variety of risks.

2. MERCHANDISE INSURANCE

Insurance contracts for the merchandise during road transport include only ordinary goods which are transported by rail, vehicle or post. Perishable, dangerous goods (easily combustible, flammable or explosive, acidic liquids), high value goods (money, securities, documents, collections, paintings), can also be accepted under special conditions.

The following risks are covered in the merchandise insurance:

- fire, lightning, explosion, storm, rain, hail, flood, earthquake, collapse or landslide, contamination, snow avalanche;
- accidents of the vehicle: collisions, blows, collisions, falls, skidding, overturning, congestion.
- acts of robbery, theft;
- burglary, leakage, scattering, disappearance or theft of the insured goods, as a result of an accident of the vehicle;
- accidents while loading, placing or unloading goods.

Exclusion clauses are related to loses and damages caused by the following:

- inappropriate behaviour of the insured or its representatives;
- damages caused due to specific properties or nature of insured goods;
- indirect losses related to late expedition, moral damages,
- the damages as a result of the bad preservation by the insured of the insured goods, of the packaging or of the damaged goods;
- influence of temperature upon the quantity and quality of the goods;
- the damages caused to the transported goods, as a result of the delivery for shipment of some goods excluded from the transport, under false, inaccurate or incomplete name;
- operations on the black market, illegal trade;
- damage caused by worms, rodents, insects, frost or atmospheric heat;

None of these excluded risks can be insured, they are included in the category of non-insurable risks.

In the case of these insurance contracts, the insured amount may consist of:

- a) the value of the goods according to the invoice;
- b) the cost of transport and the cost of insurance, if they are not included in the invoice value;
- c) customs expenses and taxes;
- d) an overinsurance of 10% applied to the value of the good to cover those expenses that cannot be assessed at the initial moment, when the insurance contract is signed.

The liability of the insurer begins when the goods are loaded into vehicles and ends when the goods are unloaded at the destination.

3. TRENDS OF THE COMPULSORY MOTOR LIABILITY INSURANCE SEGMENT ON THE ROMANIAN INSURANCE MARKET

Compulsory motor liability insurance is one of the few compulsory insurance policies in Romania, in order to cover the damages produced by the insured to third parties. This is imposed by law, the insurance contract being an adhesion contract, the insured accepting the conditions established by the insurance undertaking.

Vehicle insurance is optional, and because of this, many drivers choose not to sign such a policy. However, the lack of vehicle insurance implies a much higher risk, which would be wiser not to assume.

In case of the compulsory motor liability insurance, the insurer has the obligation to compensate the injured party for the proven damages suffered as a result of the accident caused by the insured vehicle.

The main risks covered by the insurance are:

- Material damage and bodily injuries occasioned to third parties at fault by the insured person;
- Damages arising from the lack of use of the damaged vehicle;
- Legal expenses for the damaged party

Due to social implications of this type of insurance, there are special legal provisions that regard compulsory motor liability insurance. In the European Union the evolution of legal provisions shows a gradual extension of the compulsory motor liability insurance.

In 2016, the following insurance undertakings were authorized by the Financial Supervisory Authority to practice the compulsory motor liability insurance activities: Allianz-Țiriac Asigurări S.A., Asigurarea Românească - Asirom Vienna Insurance Group S.A., Societatea de Asigurare - Reasigurare City Insurance S.A., Carpatica SA, Euroins, Asigurare - Reasigurare S.A., Generali, Asigurare Reasigurare S.A., Groupama Insurance S.A., Omniasig Vienna Insurance Group S.A. and Uniqa S.A (Financial Supervisory Authority, Annual Report 2016)

There is a significant concentration towards the first top insurance undertakings; the first 2 insurance undertakings accumulated approximately 38% of the compulsory motor liability insurance portfolio in Romania.

Table 1. Market share for compulsory motor liability insurance in 2016

No.	Insurance undertaking	Market share
1.	Euroins	20,65 %
2.	Asirom Vig	17,33%
Total 1+2		37,93%
3.	City Insurance	16,12%
5.	Carpatica	10,51
5.	Allianz – Tiriac	9,48%
6.	Omniasig Vig	8,92%
7.	Groupama	7,00%
8.	Generali	5,08%
9.	Uniqa	4,91%
10	Others	0,05%
Total		100%

Source: based on data from Annual Report of ASF 2016 (www.asfromania.ro/files/analize)

Table 2. Trends in market share for compulsory motor liability insurance in the last 5 years (2012-2016)

No.	Insurance undertaking	2012	2013	2014	2015	2016
1.	Euroins	12,80%	18,80%	19,50%	16,60%	22,00%
2.	Carpatica	9,20%	12,70%	17,30%	18,00%	16,40%
3.	Asirom Vig	15,60%	10,80%	8,60%	9,40%	12,70%
4.	City Insurance	0,30%	2,30%	7,50%	10,70%	10,40%
5.	Omniasig Vig	20,40%	10,20%	7,90%	9,90%	10,20%
6.	Astra	20,30%	16,70%	15,10%	15,40%	8,70%
7.	Allianz Tiriac	8,00%	8,30%	8,70%	8,30%	8,20%
8.	Groupama	4,30%	9,30%	5,20%	4,30%	5,60%
9.	Uniqa	4,30%	7,10%	8,20%	5,50%	3,80%
10.	Generali	4,60%	3,60%	1,70%	1,70%	1,90%
11.	Others	0,10%	0,10%	0,30%	0,30%	0,00%
Total		100%	100%	100%	100%	100%

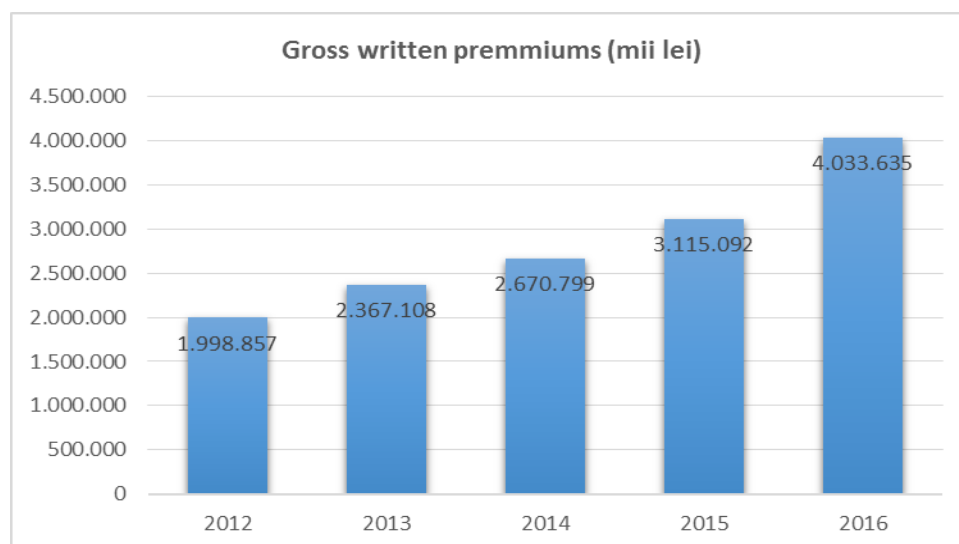
Source: based on data from Annual Report of ASF 2013, 2014, 2015, 2016 (www.asfromania.ro/files/analize)

In the last 5 years, insurance undertakings were struggled to gain a higher market share for the compulsory motor liability insurance. Statistics data for the last period of time (last five years – 2012-2016) indicates that traditionally the compulsory motor liability insurance market in Romania was dominated by 3-4 big insurance undertakings, while the market share of the other players have been much lower, or even insignificant.

There has been a significant increase in market share for most insurance undertakings for compulsory motor liability insurance practice (e.g. City Insurance increased from 10.4% to 16.1%) due to the redistribution of the portfolio held by

Carpatica, which was a a major player in the compulsory motor liability insurance segment in the past.

The total value of the gross written premiums for compulsory motor liability insurance in 2016 reached the value of 4,033,634,947 lei. Compared to the same period of the previous year, there was an increase in gross written premiums by 29.5%.



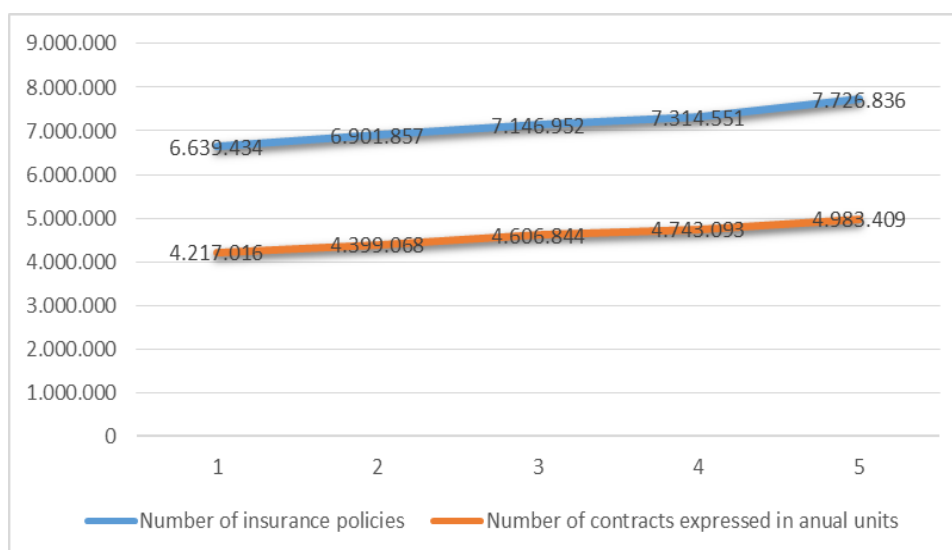
Source: based on data from Annual Report of ASF 2013, 2014, 2015, 2016 (www.asfromania.ro)

Figure 1. Evolution of gross written premiums for compulsory motor liability insurance (2012-2016)

The number of contracts for compulsory motor liability insurance increased between 2012 and 2016. Expressed in annual units (taking into account the different duration of policies), the number of contracts concluded for compulsory motor liability insurance in 2016 was 4,983,409 contracts, which is equivalent to an increase of 5.07% compared to the previous year (Figure 2).

Regarding to the structure of clients portfolio which consists of individual clients and businesses clients the major share belongs to individual clients.

In the last year there have been no significant changes in the structure of client portfolios, so at the level of the entire market the share of contracts concluded with individuals remained at a constant level constant, around 78%. Business clients share in total portfolios is around 22%. (Table 3). These shares are the same in last five years regarding to compulsory motor liability insurance segment.



Source: based on data from Annual Report of ASF 2013, 2014, 2015, 2016 (www.asfromania.ro)

Figure 2. Evolution of the number of contracts for compulsory motor liability insurance (2012-2016)

Table 3. Share of number of contracts depending on types of insured person: individual clients or business clients (2012 - 2016)

Insured clients	2012	2013	2014	2015	2016
Individual clients	77,78%	78,06%	78,35%	78,80%	78,29%
Business clients	22,22%	21,94%	21,65%	21,20%	21,71%
Total	100%	100%	100%	100%	100%

Source: based on data from Annual Report of ASF 2013, 2014, 2015, 2016 (www.asfromania.ro)

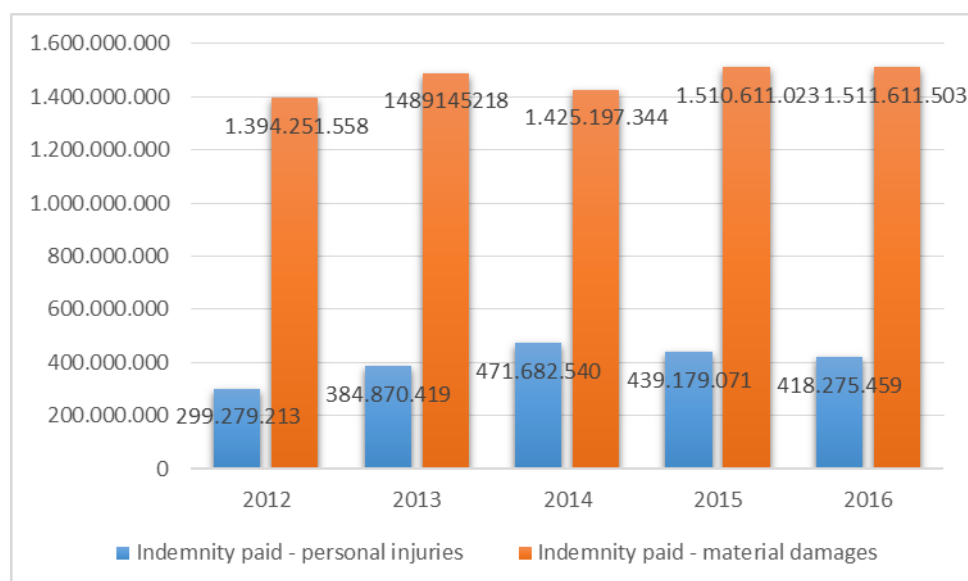
Table 3. Evolution of the yearly average premiums for types of insured person (2012 - 2016)

Year	2012	2013	2014	2015	2016
Individual clients	362	400	423	455	528
Business clients	809	957	1072	1311	1725
Total market	474	538	580	657	809

Source: based on data from Annual Report of ASF 2013, 2014, 2015, 2016 (www.asfromania.ro)

The evolution of the yearly average premiums for compulsory motor liability insurance increased by about 23% in 2016 compared to the previous year, reaching the value of 809 lei.

Evolution of total indemnity paid for compulsory motor liability insurance between 2012 and 2016 remained at one relatively constant level.



Source: based on data from Annual Report of ASF 2013, 2014, 2015, 2016 (www.asfromania.ro)

Figure 3. Evolution of indemnity paid for compulsory motor liability insurance (2012-2016)

The average amount of indemnity paid for personal injury in 2016 decreased compared to the previous year by 11% while that for material damage increased by 2%.

4. RISKS COVERED BY VEHICLE INSURANCE

The most common non-life is vehicle insurance, and represents, in the same time, the most frequently demanded facultative insurance.

The object of the insurance is represented by the vehicles registered in Romania, belonging to the individuals or entities. The insurance may include some of their component parts (additional accessories, auxiliary equipment, and subsequent equipment) under the conditions of payment of additional premiums compared to the basic premium.

The main risks that are underwritten by the majority of the insurance undertakings are related to the following:

- fire, explosion and damages linked to these events;
- accidental damages caused by the involvement of the insured vehicle in traffic accidents (collisions or crashing with other vehicles or any other movable immovable objects inside or outside the insured vehicle);
- natural disasters: thunder, explosions, earthquake, landslides, floods or other damages if they occurred at a certain distance from the vehicle;
- collisions with animals;
- theft (theft of the vehicle, of some components or parts);
- damages caused during parking;

Compensation is also granted for:

- expenses incurred in order to transport the damaged vehicle from the place of the accident to the nearest repairing unit;
- expenses incurred in order to limit damages caused by events covered by the insurance;
- expenses incurred while trying to save the vehicle or the establish where it is located;

5. CONCLUSIONS

In recent years, although insurers have streamlined their business processes, the high costs of compensation, especially those related to personal injury, show that profitability in the compulsory motor liability insurance segment is far from being achieved, and that, sustained efforts by market players are needed to bring balance to this business segment. An uncontrolled level of damage on the line of compulsory motor third party liability insurance generates significant turbulence for the entire insurance system, due to the important share of compulsory motor liability insurance policies in the Romanian insurance market.

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