EFFECTIVENESS OF INSURANCE IN ROMANIAN AGRICULTURE IN THE CONTEXT OF EU INTEGRATION*

EFICACITATEA ASIGURARILOR IN AGRICULTURA ROMANEASCA IN CONTEXTUL INTEGRARII IN UNIUNEA EUROPEANA*

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Abstract: *The experience of developed countries has shown that modern agriculture can not be achieved without a strong development of agricultural insurance. Agriculture is influenced very much by the climatic conditions, so it is important that investments are insured, so agricultural insurance plays a significant role in stimulating investments in agriculture and stabilizing farmers' incomes. According to a survey conducted among the participants from ICAR Forum 2008 nine out of ten farmers considered that insurance is a solution to support agricultural development, because insurance is a basic tool for agricultural development and support, as well as for the protection of farmers.***

Key words: *Crop insurance, Animals' insurance, insurance activity indicators, insurance industry*

INTRODUCTION

Romania's accession to the European Union marked a new era in the agricultural and rural economy of our country, our country being forced to adapt quickly in order to integrate into the EU internal market.

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** http://www.1asig.ro/Agricultura-si-asigurarile-agricole-Nici-prea-prea-nici-foarte-foarte-departe-de-performanta-articol-13,90-33499.htm

Farmers that ensure their crops, animals, birds, families of bees and fish at insurance and insurance-reinsurance companies approved by the Ministry of Agriculture and Rural Development and by the Insurance Supervisory Commission benefit from subsidies of insurance premiums.

Crop insurance[*] is an optional insurance and the insured amount is determined differently for each insured crop, being influenced by some factors such as:

- culture category;
- specific culture;
- culture's degree of sensitivity to the insured risk factors;
- damage evolution;
- insurance type.

Typically, when it comes to crops, the entire area owned by the insured is ensured.[†]

Animals' insurance is an optional insurance and the insured amount is established by the insured and it will be differentiated by species, breed and age of animals, animals which are kept in optimum conditions in terms of nutrition and hygiene can be insured, and industrial livestock firms and the population that meet the required food and veterinary standards can conclude insurances.

MATERIAL AND METHODS

The following data presents information for Romania, according to reports issued by the CSA.

Table 1

Evolution of the insurance companies in Romania during 2007-2010

Year	2008	2009	2010
Number of insurance companies	43	45	45
Number of insurance companies that practice crop insurance	14[‡]	11	8[§]
Number of insurance companies that practice animals' insurance	14		3

Source: Reports issued by the CSA 2008-2010

[*] Tănăsescu Paul, coord.; Lazarescu, Sorin (2003) - Asigurări moderne de bunuri şi persoane, Editura ASE, Bucureşti

[†] Negru Titel (2007) - Asigurări**,** Editura Fundației România de Mâine, pg 88, Bucureşti

[‡] Anuarul asigurărilor, editura Media XPRIMM, Bucureşti, 2009, pg. 83-218

[§] http://www.bursaasigurarilor.ro

Table 2

Class structure of gross written premiums of general and life insurance

Class of non life insurance	**2007**	**2008**	**2009**	**2010***
1 - Accident and sickness insurance	66.163.121	62.500.806	62.929.358	57.830.376
2 - Health insurance	23.728.045	28.209.304	24.859.868	21.121.874
3 - Insurance for land vehicles (other than railway rolling stock)	2.619.859.216	3.557.030.729	3.330.988.688	2.494.164.019
4 - Insurance for railway rolling stock	3.856.595	4.538.389	5.566.689	4.335.964
5 - Aircraft insurance	14.100.541	21.154.900	21.262.074	20.540.173
6 - Insurance for ships	30.622.078	22.979.546	30.160.705	23.777.836
7 - Insurance of goods in transit	40.112.546	43.984.162	40.898.248	42.548.333
8 - Insurance against fire and other natural forces	648.324.805	849.670.047	934.738.928	971.181.606
9 - Other insurance against damage to property	193.590.384	208.152.038	163.733.629	129.575.466
10 - Motor third party liability insurance	1.500.332.334	1.843.828.800	2.252.065.897	2.505.704.913
11 - Aircraft liability insurance	18.083.544	26.985.725	24.200.074	16.424.395
12 - Liability insurance for ships	3.036.931	5.346.335	10.593.396	14.870.542
13 - General liability insurance	107.422.904	128.735.720	135.785.975	145.811.936
14 - Credit insurance	*395.487.654*	*190.619.187*	*115.619.772*	118.772.957
15 - Suretyship insurance	5.177.876	12.641.946	29.973.022	66.427.629
16 - Insurance against financial loss	10.234.355	13.439.453	15.666.826	14.291.404
17 - Insurance of legal expenses	11.887	4.988	6.591	6.267
18 - Touring and travel assistance insurance	46.607.967	48.351.445	42.534.582	51.125.560
Total gross premiums of general insurance	***5.726.752.784***	***7.068.173.520***	***7.241.584.322***	**6.698.511.250**
Total life insurance gross premiums	***1.449.036.915***	***1.868.112.985***	***1.628.162.635***	**1.665.983.220**
Total gross premiums	**7.175.789.699**	**8.936.286.505**	**8.869.746.957**	**8.364.494.470**

Source: Reports issued by the CSA 2007-2010

* provisional data

RESULTS AND DISCUSSIONS

Analyzing the data in Table no. 1 we can see that the number of insurance companies has increased continuously from year to year, from 42 companies in 2007 to 43 companies in 2008 and 45 companies in 2009, however the number of companies engaged in agricultural insurance has dropped from 14 companies in 2008 to 8 companies in 2010.

Analyzing the data in Table no. 2 we can see that in 2007 total gross written premiums in the insurance market in Romania has exceeded 7 billion lei, in 2009 the gross written premiums was approximately 9 billion lei, and in 2010 the gross written premiums decreased by approximately 500 million amounting to the sum of 8.4 billion. Of the total gross written premiums relating to insurance contracts concluded in 2007 the gross premiums related to insurance contracts amounted to 5.72 billion lei (78,81% of total), while life insurance premiums generated premiums amounting to 1,45 million lei (20.19% of total).

Also, we note in table no. 2 that in 2008 gross written premium income of insurers has been increasing by 17.15% compared to 2007 and in 2009 due to strong economic depreciation and the declining demand for life insurance has been, a decrease of the share of gross written premium volume for life insurance by 2,5% compared with 2008 (from 20,90% in 2008 to 18,36% in 2009) in favor of gross written premiums for life insurance, which registered a increase of 2,5% from a share of total gross premiums underwritten by insurers of 79,10% in 2008 to 81,64% in 2009.

The crisis deepened in 2010, and the share of gross written premiums for life insurance declined by about 1.5% of gross written premiums for life insurance which represented about 20% of total gross premiums underwritten by insurers.

Gross subscribed premiums relating to contracts in agriculture are part of the insurance Class VIII - *Insurance against fire and other natural forces* and Class IX - *Other insurance against damage to property*, but not 100%. From the existing data in CSA reports, we only know the exact weight of agricultural insurances from class VIII, and only for the years 2008 and 2009, when their share in the total general insurance was only 0.15% in 2008 and 1.14 % in 2009.

In table no. 1 as well as in figure no. 1 we can see that, in general, each year the amounts received for each class of insurance has increased very slightly, maintained or decreased slightly, except in 2010 when the crisis was felt most due to the evolution of the car industry which greatly influenced the insurance industry, because, in 2010, the insurance related to this area had a 75% share of the general insurance.

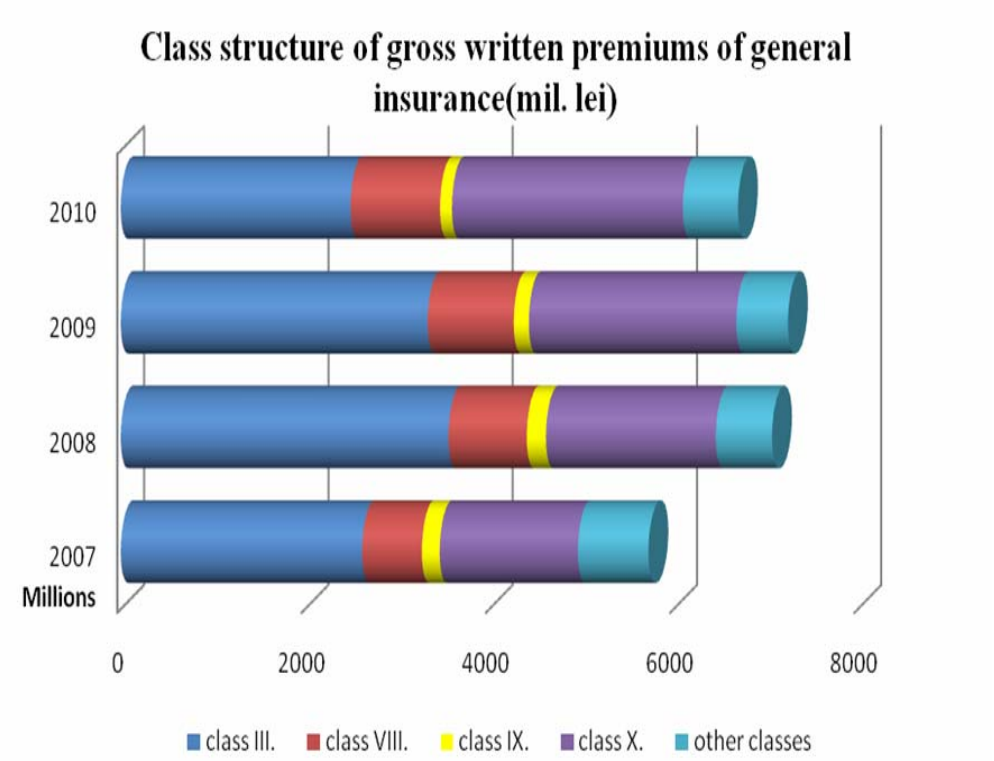


Figure no. 1 Class structure of gross written premiums of general insurance
Source: Reports issued by the CSA 2007-2010

Gross written (subscribed) premiums relating to insurance contracts from Class VIII increased from year to year from 648.324.805 lei in 2007 to 971.181.606 lei in 2010, the growth was approximately 50% and in clasa IX there has been a decrease in gross written (subscribed) premiums of approximately 34% from 193.590.384 in 2007 to 129.575.466 lei in 2010.

The level of subsidies of insurance premiums approved is the same for all insurance companies, insurance-reinsurance and it is presented in the table below.

Table no.3

The level of subsidization of insurance premiums for agricultural insurance

Indicator / Agrarian year*	**2005-2006**	**2006-2007**	**2007-2010**	**2010-2011**
Percentage granted by the state (%)	50	50	0	50 or 70
Value of granted subsidies (lei)	23.192,43	18.689.100	0	42.549

Analyzing the data in Table no. 3 we can see that during the analyzed period, the highest amount of granted subsidies was the agrarian year 2006-2007 and the years 2007-2010 it did not exist (because in August 2007 subsidization of insurance premiums was abolished by the Government) but for the agrarian year 2010-2011 the Government decided to grant subsidies for insurance premiums according to Decision no. 756 of July 21, 2010.†

According to the Decision no. 756 of 21 July 2010 the State grants a percentage of the cost of insurance premiums paid by the farmers, as follows:

a) 70% for policies that provide coverage of losses caused by adverse weather conditions which can be assimilated to natural disasters;
b) 50% for policies which provide coverage of losses caused by the conditions mentioned in letter a), as well other losses caused by adverse weather conditions and / or losses caused by animal or plant diseases or pest infestations.

In 2007 there were granted 18.689.100 lei to subsidize the rate of 50% of insurance premiums related to insurance contracts entered into by producers of agricultural crops with agricultural insurance in accordance

* Agrarian year begins at October 1 and ends on September 30 next year.

† HOTĂRÂRE nr. 756 din 21 iulie 2010 pentru aprobarea normelor metodologice referitoare la modul de acordare a ajutorului de stat în agricultură pentru plata primelor de asigurare – art. 6

with HG no.74/2003[*], and during 2010-2011 the state aid granted to farmers for paying insurance premiums is 42.549 lei.

Table no.4

Indicator / Agrarian year	2007-2008	2008-2009
Ensured agricultural area (hectares of crops)	4.300.000	2.900.000
Number of agricultural insurance contracts	23.951	13.136
Gross subscribed premiums	10,8	82,3

In Table no. 4 we see that the insured in the agrarian year 2007-2008 4.3 million hectares of crops were ensured, and in 2008-2009, the ensured area decreased to about 32.5%, reaching 2.9 million hectares. The number of agricultural insurance contracts in 2008 was 23.951 contracts, while in 2009 decreased by approximately 45% to 13.136 contracts, but the volume of gross subscribed premiums increased from 10.8 million to 82.3 million lei, approximately 7.6 times.

We can see that even if the number of contracts almost halved, the amount of gross subscribed premiums in agriculture has greatly increased.

CONCLUSIONS

One of the engines that can pull the economy out of the crisis is represented by agriculture and rural development, and theoretically, things should go well because there are state subsidies for agricultural insurance, moreover, there is even the state compensation which is granted if an agricultural insurance is concluded. Agricultural insurance prices are extremely low due to competition, but also because many farmers purchase insurances only to receive state aid.

A problem of Romanian farmers in comparison to the ones from EU is that we have less subsidies (the support is 130 Euros per hectare, half of the amount that the vast majority of farmers in the EU have), at the same production costs as the European farmers.

[*] Raport de activitate al ministerului agriculturii şi dezvoltării rurale pentru anul 2007 – pg 66

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