

ACTIVITIES EVOLUTION OF DISPOSAL OF RISKS IN REINSURANCE ENTERPRISES

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Summary:

Reinsurance arose from the need to complete once all area insurance and to support them financially. They were born in the occurrence of extreme high risk, which, if they would take an associative insurance, could go bankrupt.

The first thought that comes to mind when you ask what insurers are useful is the "capacity and protection". But for a market like the one in Romania, the real answer is know-how. . We need both the ability and protection, but we also need knowledge.

Reinsurance is a necessity, not a cost. We emphasize that, finally, reinsurance is considered an important action and be given increasingly more attention to the activity of insurance companies. Although in previous years, shareholders and managements of insurance companies not warranted allocating a budget of reinsurance,

However reinsurance operations have always evolved in recent years, being made that there are more than necessary for the development of the insurance – reinsurance market in Romania

Since both the insurance and reinsurance activities always aims to provide financial backstops against a wide range of potential hazards, the approach to identification, analysis, quantification, failure and risk assessment is an essential component of this area of insurance.

Key Words: risks, reinsurance, insurance,

Classification JEL: A, A1

1. Introduction

The purpose of this analysis on the evolution of business failure risks more accurately or reinsurance premiums is to present the main findings in this area in terms of the evolution of ceded reinsurance premiums in the range of 2012 and 2013

Reinsurance faces a number of challenges in the current, globalized, prevailing by uncertainty and risks becoming higher.

The situation of reinsurance in Romania

At the end of 2013, a number of 26 insurance companies ceded reinsurance risks for general insurance companies and 18 life insurance activity.

After this operation disposal risk reinsurance premiums ceded total premiums in 2013 was 2,319,056,875 lei representing 28.54% of total gross written premiums of insurance companies in Romania in 2013.

Compared to the amount of premiums ceded in the previous year, the variation in the amount of 580,239,643 lei representing an increase in nominal terms by 33.37% and 28.27% in real values. [6]

As regards general insurance category, in 2013, they were ceded gross written premiums amounting to 2,258,953,512 lei representing 34.80% of total gross premiums for general insurance.

Regarding life insurance premiums ceded to reinsurance were up by 0.33%, remaining almost unchanged.

In 2013 reinsurance activity arrivals grew by 1.5% over the previous year, the overwhelming share reinsurance receipts for general insurance.

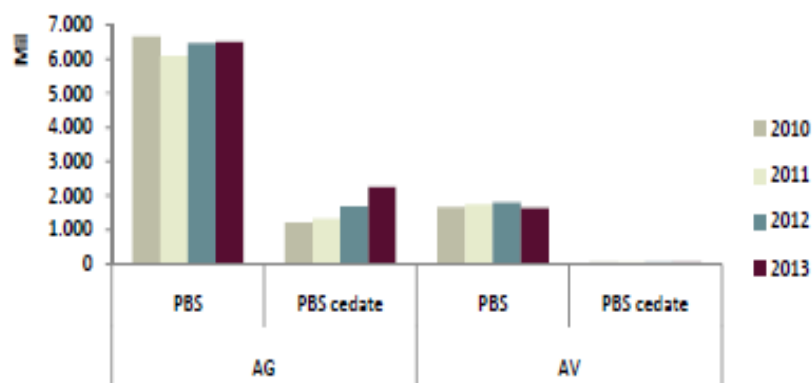
The main indicators of reinsurance activity in 2012 and 2013 are as follows:

Table 1 The main indicators of reinsurance activity in 2013

Indicators	Life insurance		General insurance		Total (general insurance + life insurance)	
	2012	2013	2012	2013	2012	2013
Gross written premiums (RON)	1.802.519.132	1.634.296.439	6.454.395.818	6.490.358.402	8.256.914.950	8.124.654.841
Reinsurance premiums (RON)	1.802.519.132	44.433	35.255.931	35.778.914	35.294.975	35.823.347
Commissions for reinsurance Receipts (RON)	0	0	7.657.045	7.794.593	7.657.045	7.794.593
The share of charges for admission to the first related (%)	0	0	21,79	21,69%	21,69%	21,76%
Premiums ceded to reinsurance (RON)	59.903.019	60.103.363	354.903.720	299.035.853	299.035.853	369.859.951
The share of premiums ceded in total gross written premiums (%)	3,32%	3,68%	26,01%	34,80%	21,06%	28,54%
Commissions for transfers for reinsurance (RON)	17.127.424	14.956.231	281.908.429	354.903.720	299.035.853	369.859.95
The share of commissions received for transfers for reinsurance (%)	28,59%	24,88%	16,79%	15,71%	17,20%	15,95%
Revenues from reinsurers in indemnities recovered (RON)	16.738.291	16.865.640	937.128.744	1.424.011.256	953.867.035	1.440.876.896
The share of revenue from payments from reinsurers recorded recovered in total gross premiums ceded to reinsurance (%)	27,94%	28,06%	55,82%	63,04%	54,86%	62,13%

Source: ASF

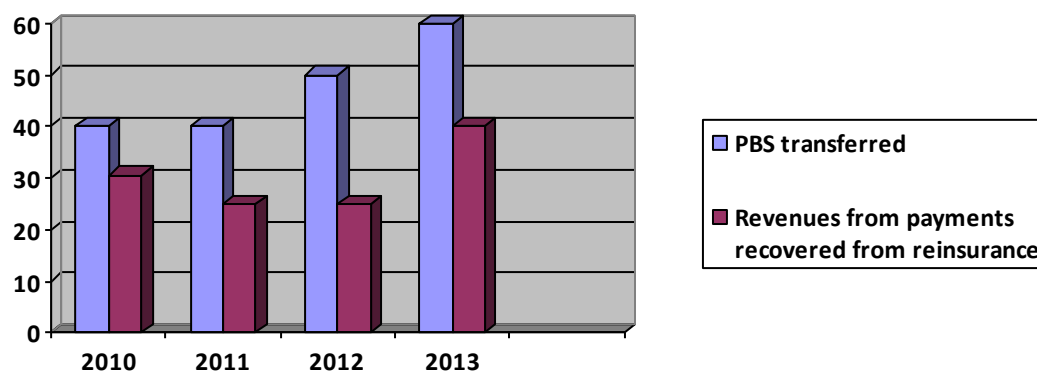
Figure 1 Dynamics of gross written premiums and gross written premiums ceded in 2010-2013 (mil. lei)



Source: ASF

Because the reinsurance is the most appropriate solution for risk dispersion, maintaining solvency requirements, risk profile obtaining leveling, increased underwriting capacity, companies have opted, as in previous years to end both proportionate share reinsurance treaties or surplus, as well as the disproportionate excess of loss per risk and / or event or stop damage. The amount of revenue from payments from reinsurers recorded recovered under reinsurance contracts entered into were in 2013 to 1,440,876,896 RON, up from 2012 with 487,009,861 RON, representing an increase of 51.06% in value nominal or real growth of 45.28%. [6]

Figure 2. Dynamics of recorded income from payments recovered from reinsurers in 2010-2013 (mil. RON)



Source: ASF

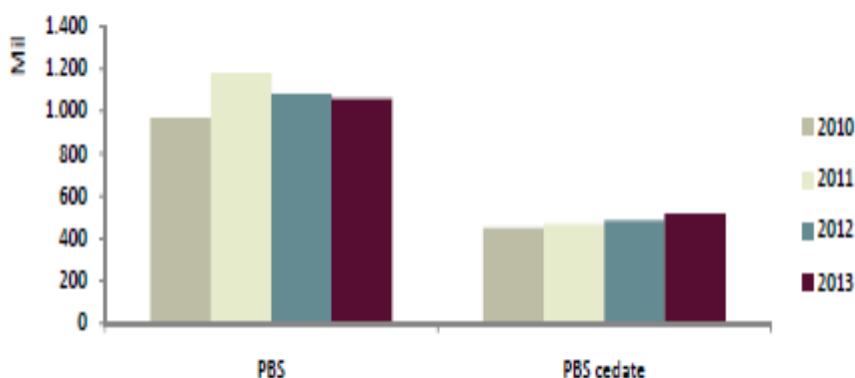
In the insurance sector, gross premiums were ceded in 2013 to 2,258,953,512 lei, representing 34.80% of total gross premiums for general insurance. Consequently, at the end of 2013, own retention level resulting from reports submitted by insurance companies was 65.20% of gross written premiums for general insurance [11]

There is an increase in the percentage share of reinsurance cessions to the previous year when it was ceded only a percentage of 26.01% of gross written premiums for life insurance. The values demonstrate a permanent concern of insurers in 2013 to reassure face major risks, obtaining protection from reinsurers, mainly from Europe and the US [11]

Regarding the insurance category the largest share in the total amount of premiums ceded were recorded for the following classes of insurance:

➤ class VIII - Insurance against fire and other natural disasters, recorded a volume of premiums ceded to reinsurance 514 941 382 lei, representing 48.56% of total gross written premiums for this insurance class and 22.80% of the total ceded premiums reinsurance insurance. Compared to the previous year there is an increase in premiums ceded for this class of insurance with 5.98% in nominal terms, an increase in the real value of 1.92%.

Figure 3. Dynamics of gross premiums subscribed and premiums transferred to reinsurance, afferent for class VIII - Insurance against fire and other natural disasters in 2010-2013 (mil. Lei)

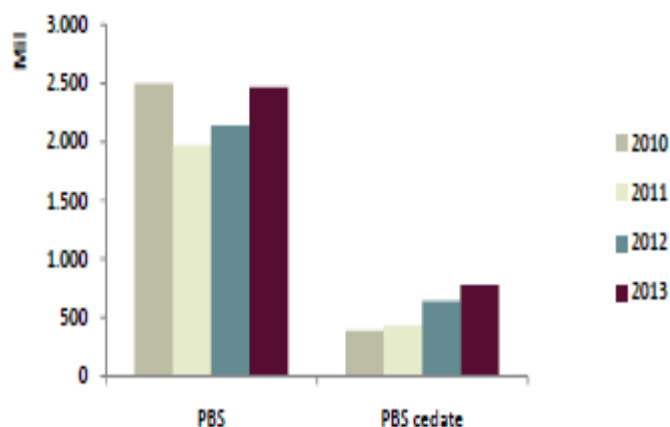


Source: ASF

Income received from reinsurance for damage caused were recovered from payments in the amount of 83,580,975 lei, representing 37.77% of the gross indemnities paid for this class. These allowances decreased by 7.86% in nominal terms compared to 2012. [11]

➤ X-class vehicle liability insurance, with a volume of premiums ceded to reinsurance 773 761 857 lei, representing 31.43% of the premiums written on this class of insurance and 34.23% of total premiums ceded to reinsurance insurance. Compared to the previous year is an increase in the value of premiums ceded for this class with 20.46% in nominal terms, respectively 15.85% in real values.

Figure 4 Dynamics of gross premiums written and premiums ceded insurance for class X - Motor liability insurance in 2010-2013 (mil. RON)



Source: ASF

Regarding the particular damage, recorded revenues recovered from reinsurers of these insurance indemnities 801 194 729 lei registered a nominal increase of 45.15% and 39.59% compared with the actual 2012 to total indemnities paid for this class, in 2013, recorded revenues of allowances recovered from reinsurers accounted for 41.58%. [6]

➤ Class III - Insurance of land vehicles other than railway, with a volume of premiums ceded to 628,176,861 lei, representing 35.59% of total written premiums for this insurance class and 27.81% of total premiums ceded insurance. Compared to the previous year is a strong value growth in premiums ceded for this class of insurance by 169.31% in nominal values and an increase of 159.00% in real values, even if the first

Other classes that were significant changes compared to 2012 in terms of gross premium subscriptions, as well as reinsurance cessions are:[9]

➤ Class XV - security guarantees, with a volume of premiums ceded to reinsurance 44,254,899 lei representing 21.06% of total gross written premiums for this insurance class and 1.96% of total premiums ceded to reinsurance for insurance .

It is noted that, compared to last year, for this class of insurance increased by 38.01% subscriptions conjunction with an increase in premiums ceded to 20.71% in nominal terms, which in real values is a 16.09% increase.

For damage, income received from reinsurers were recovered from payments amounting to 5,138,394 RON, up by 1870.58% nominal or real increase of 1795.15% compared to 2012.

➤ Class XIII - General liability insurance; gross written premiums decreased by 14% over the previous year, which in turn ceded gross written premiums have increased by 28.50% in nominal terms, registering a volume of 118,995,940 lei.

The amount of revenue recorded from reinsurers in indemnities were recovered for damages in the amount of 19,439,237 lei, decreasing nominal 58.73% and a real decrease by 60.31 to 2012.

Also during the year 2013 in the life insurance segment premiums ceded value of 60,103,363 lei was a relatively constant compared to that reported in 2012, with a nominal increase of 0.33%, which in real terms represents a decrease of 3.51%.

To total gross written premiums of life insurance premiums ceded accounted for 3.68%, remaining at about the same level compared to 2012. Consequently, its risk retention level assumed by life insurance contracts was 96 32% on 31.12.2013, the amount of net premiums of 1,574,193,076 lei.

The largest share in total premiums ceded respectively 93.88% was reported for class I - Life assurance, annuities and supplemental life insurance. So, premiums ceded for this class of insurance was in the amount of 56,425,176 lei, registering a constant value to 2012.

Of the total gross claims paid in 2013 for life insurance in the amount of 134,773,646 lei, recorded revenues of benefits recoverable from reinsurers were worth 16,865,640 lei and accounted for 12.51%.

Reinsurance programs of the companies practicing life insurance category did not change substantially from 2012, both in terms of value of gross written premiums transferred to reinsurance and in terms of their structure.

2. Conclusions

Reinsurance mechanism lies with the important role of stabilizing and stimulating factor itself functionality of the insurance market. Reinsurance market is the only stock market that evolves without major obstacles, with customers having access to sufficient capital

Economic growth has strongly marked the industrialized world development after the Second World War. As a consequence, the amplification of external economic exchanges has boosted the international reinsurance market expansion.

As observed at the situation of 2013, the Member of Central and Eastern Europe region, reinsurance assignment percentages nationally indicated that ruled Romania Jan region by 26% compared with the Czech Republic (19.4%), Russia (13.3%), Slovakia (14.3%), Moldova (19.8%) and Turkey (22.3%) look pretty hammered, Specialist reinsurance. Moreover, in Romania, the premiums ceded increased annually, from 19% in 2009 to 26% in 2012.

However, insurance-reinsurance companies in Romania must take into account not only the amount of reinsurance that counts, but also its quality.

Reinsurance is very important; it can maintain the solvency ratio of the insurance companies at a high level.

Currently, reinsurers tend to diversify its portfolio and expand on several business segments. Such action may, however, be problematic if reinsurers fail to maintain discipline and not closely monitor their customer base.

During the last period it is noted that the market recorded a high growth reinsurances main causes are: growth, business climate dynamics and structure of insurance markets.

Investment performance remains a continuous challenge for managers reinsurance companies, while access to capital markets also remain a challenge, both for insurers and for reinsurers

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