

DIVERGENT AND CONVERGENT POPULATION'S PERCEPTION ON THE ROMANIAN INSURANCE MARKET

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This paper aims to analyse the perception of the Romanian population on the insurance market, by emphasizing the role of insurances in the social context and, in the same time, the importance of understanding its structural elements and the degree in which the Romanian population has been able to assimilate this system. The study relies on statistical sources made available by the Media Xprim – the most important press group in the insurance market, the Annual Report of the Insurance Supervisory Commission (2009) and quantitative and qualitative surveys carried out in September 2009 in Bucharest and some large cities. The author paid special attention to the way in which the insurance market is perceived by various socio-professionals categories such as employees, employers, free lancers and unemployed correlated them with the degree of knowledge each of these social categories has about the types of insurance on offer by the companies. The analysis points out the existence of an increasing insurance market, appreciated to be positive and favourable by the respondents in Bucharest and nationwide; however, the research also showed a moderate level of awareness on specific types of available insurances.

Keywords: risks, risk perception, protection, insurance market, Romania.

Introduction

The interconnection between the science marked by interdisciplinary and the current insurance industry is given by the probability of the risk to occur and the impact generated by the effects thereof on the population. Hence, the importance of human geography on the social role and impact of insurances from a causal perspective and the space-time dimension of the social-economic system in geographic view.

Given the multitude of aspects (natural, social or economic and financial) and from the perspective of the population and the life environment the risk is the main element that connects the geography to the insurance system, the human factor being centre of gravity

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The perception on risk is a complex process influenced by numerous factors. People usually select, organise or interpret certain significant and coherent images on daily life triggered by certain external stimuli (Brun, 1992)¹.

The literature reveals several approaches to the risk perception. Some authors (Dake, 1992)² focus on the analysis of the possible results of a chance-based event. Vaughan & Vaughan (1996)³ underlines that risk is a condition containing the likelihood of deviation from a desired, expected or hoped result. In social terms, Wildavsky (1991)⁴ defines the risk perception as a contraction process which may take on various forms from the consumers' images, positioning to services, physical properties of the product itself, pricing through advertising, etc

There are further approaches of risk from a cultural point of view, as a cultural phenomenon (Douglas and Wildavsky, 1983)⁵ or as a cognitive phenomenon (Slovic, 2000)⁶.

Risk perception depends on the various origins that the term takes – uncertainty, fear or unknown event. Due to a factor-based analysis the author performed, the surveys showed that the quality of services provided by the life insurance companies would be influenced by factors such as: prices, employees' competence, products and services, technology, confidence, advertising or management (Upadhyaya, Badlani, 2011:1021)⁷.

Last but not least, the importance of geography through the active role of the new systemic concepts, G.I.S. technology, in gathering, analysing and interpretation of data on risk management (subscription and assessment functions, reinsurance procedure, reaction to disasters, marketing and strategic planning).

G.I.S is seen as a very practical tool (Raichel W)⁸ in the insurance industry. This technology enhances the ability to make a fast and accurate localisation by geocoding and the provision of full information on natural risks.

In Raichel's opinion, *Geographic Insurance* was thought as an "insurance industry" that uses a set of tools and specific techniques for defining the phenomenon.

¹ BRUN, W. (1992), "Cognitive Components in Risk Perception Natural Versus Man Made Risks", *Journal of Behavioural Decision Making*, 117-132.

² DAKE, K. (1991), "Disposition in the Perception of Risk; an Analysis of Contemporary Worldviews and Cultural Basis", *Journal of Cross – Cultural Psychology*.

³ VAUGHAN & VAUGHAN (1996), *Fundamentals of Risk and Insurance*, Library of Congress Cataloguing in Publication Data, John Willey & Sons Inc. United States of America.

⁴ WILDAVSKY, A. (1991), *The Rise of Radical Egalitarianism*, The American University Press.

⁵ DOUGLAS, M., WILDAVSKY, A. (1983), "Risk and Culture", *An Essay on the Selection of Technological and Environmental Dangers*, University of California Press.

⁶ SLOVIC, P. (2000), *The Perception of Risk*, London/Sterling.

⁷ UPADHYAYA, D., BADLANI, M. (2011), "Service Quality Perception and Customer Satisfaction in Life Insurance Companies in India", *International Conference on Technology and Business Management*.

⁸ RAICHEL, W. (1994), "Insurance Geographics", *G.I.S. in Business Conference*, Insurance Service Office Inc., New York.

Geography identifies, due to its structural inter-disciplinarity, the possible types of risk within the social stage and provides the means for their assessment defining and proving in the same time the social importance of this huge economic-financial system for the protection of the general population. All of this is possible due to the applicability of the quantitative and qualitative, inductive, deductive, cartographical as well as the synthetic and comparative analysis methods that exist within geography, as well as the new complex methodology of systemic concepts (e.g. factorial analysis that determine variables that have an explanatory-progressive role on social phenomena)⁹, stimulated by the new paradigms of social epistemology.

As a “*science synthesising the natural and social factors*” (Vintilă Mihăilescu)¹⁰, geography integrates the analytical complexity of the geomorphologic (natural factors) processes with the greater *unity in diversity* of population (social factors), emphasizing the complementarity and connectivity with the insurance system.

The Romanian Insurance Market in the Context of European Union accession

Intensely developed after 1990 and perfected in accordance with the standards of the European structures in 2007 (at the same time with Romania's accession to the European Union), the Romanian insurance market is permanently diversifying and expanding, having a constant territorial distribution.

The most important specific indicator underlining the development and expansion of the insurance market are the gross written premiums. According to the 32/2000 Law, these are the *premiums collected and collectable, including the reinsurance and collectable premiums related to all the insurance and reinsurance agreements coming into effect in the reference period prior to the deduction of any amount thereof*¹¹.

The statistical data emphasised the size and expansion of the insurance market in Bucharest and the Ilfov County, which is the reason the percentage of the respondents in this region adds up to 68.5%. As a matter of fact, this region accumulated in 2009 44,4% of the market share in terms of total volume of gross written premiums, both in general insurance and life insurance segments. The same data shows that the North-Western region adds more than 900 million RON, followed by the Central region with values between 800 million RON and 900 million RON out of the total volume of gross written premiums. (*Fig. 1*)

⁹ Vert, C. (1995), *Analiza geodemografică*, University of Timișoara, Timișoara.

¹⁰ Mihăilescu, Vintilă (1968), *Geografia teoretică*, Editura Științifică București, Bucharest.

¹¹ Law 32/2000, as amended in 2004, art.2/13.

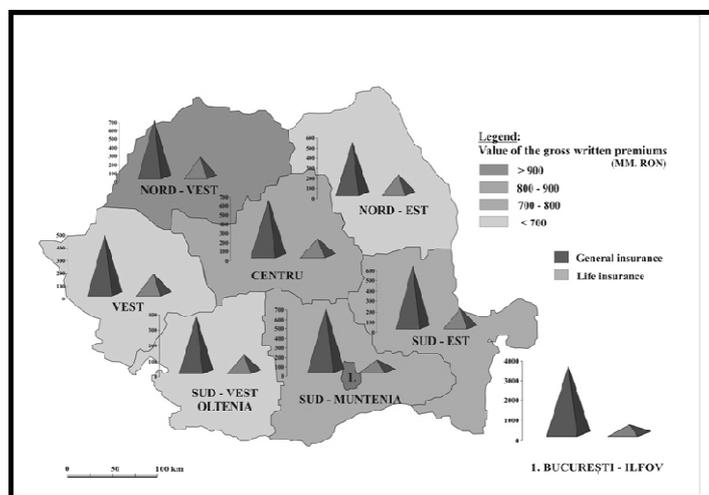


Fig. 1. Territorial distribution of the gross written premiums (2009)
Data source: Media Xprimm

Recently, more and more research companies and institutes have initiated complex surveys of the Romanian insurance market with the emergence of some important international players on the market.

“Ensign” made a detailed analysis of the concentration patterns of the Romanian insurance markets based on the data from the Insurance Supervisory Commission’s reports. Based on the data provided by the *Annual Report of the Insurance Supervisory Commission (2009)*, the results of the Ensign survey also reveal that 55% is held by the corporate sector (legal entities) acquired from general insurance products (Fig. 2).

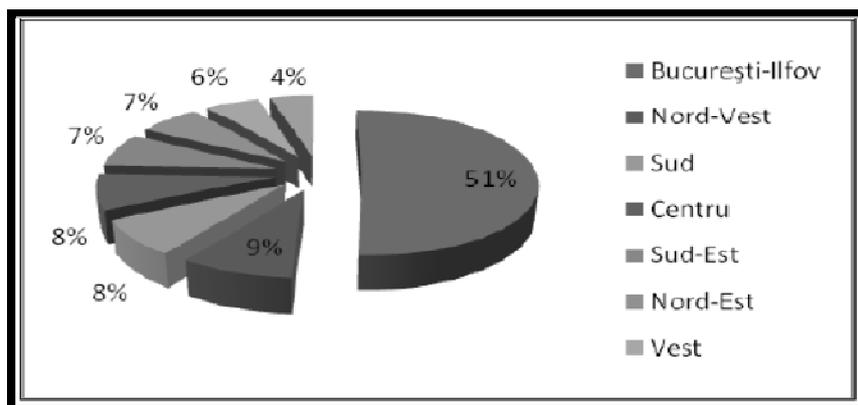


Fig. 2. Distribution of the gross written premiums in general insurance by development regions (2009) (Source: Ensign, Management Consulting)

Population Perception of the Romanian Insurance Market – Research Design AND Analysis

This analysis aims to assess the population's degree of perception over the Romanian insurance system. Given that there is a series of subjective factors (understanding, perception) overlaid with the heterogeneity of the complex insurance system existing in a still developing market, undertaking this analysis is quite a delicate matter. Lacking a referential framework for this analysis, the author tailored the study based on the official data available (Media Xprimm and the general data of the National Institute of Statistics), as well as on personal investigations. In order to emphasise the relevance of the study, which focuses on the analysis of population perception of the Romanian insurance system, the correlation of the two research methods was required: *qualitative* (open interview with insurance brokers) and *quantitative* (*face-to-face* questionnaire method). In this case, the focus will be put on the results of the questionnaire.

Starting with the five objectives of any fundamental research (exploration, description, explanation, understanding and prediction) and adapting them to this study, the general objectives are:

- exploration and survey of the Romanian insurance market through a general description of this system, giving details on its structure and spatial-temporal dynamics;
- investigation of specificities, decisional mechanisms that lead to signing the insurance agreements, identification of the target groups that will have a certain risk-related behaviour;
- explaining a series of connections (correlations) among variables.

Depending on the duration of data collection, a *cross analysis* was chosen as it allows for a group to be studied at a certain point in time. The hypothesis brought forth by the study is that *the Romanian insurance market is still in progress and its maturity depends on internal decisional factors, the transparency of the contracting clauses but also on the promotional strategies used.*

The structure and theme of the questionnaire aim at emphasising some particularities regarding the types of insurance and their costs. Considering certain heterogenic territories inhabited by similar urban/rural population profiles, the author made a special emphasis on the *convergence of perceptions* and representations that those particular population groups have over the dynamics and structure of insurances. The scope and contents of the investigation had to be adapted to the research trend and they were based on various types of questions. In order to realize a pertinent analysis and to structure the information, the set of questions contained the two types of questions: closed and open.

Convergence and Divergence of Perception on the Romanian Insurance System

The importance and predilection of the types of insurance vary with the insurer's profile. Life insurance, buildings insurance and auto insurance (*Fig. 3* and *Fig. 4*) are predominant among the employees and employers (around 24%), while home insurances are first among free lancers (51%). Retired people are more interested in health insurance (34%) and buildings insurance (29%) (*Fig. 5* and *Fig. 6*).

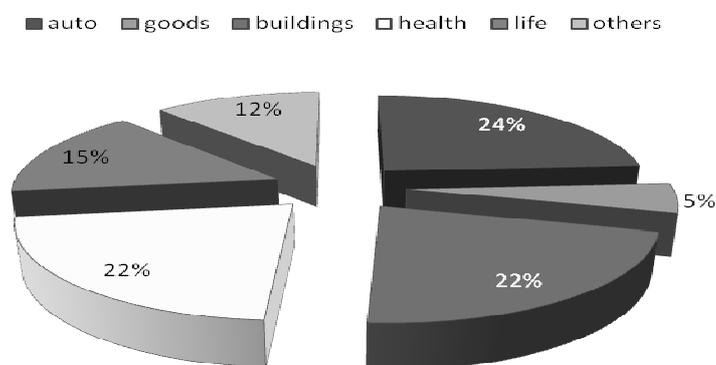


Fig. 3. Importance of insurance types as seen by employees

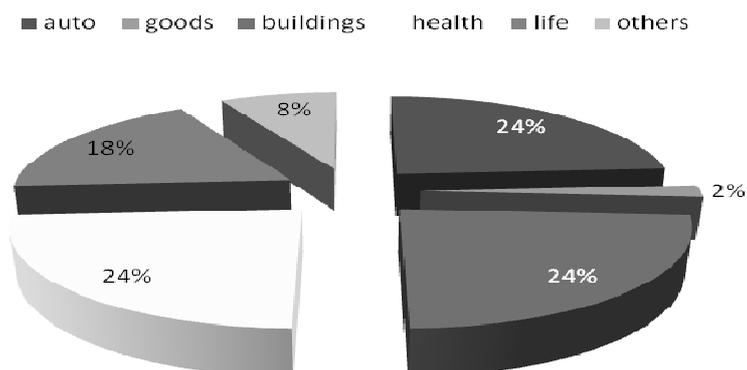


Fig. 4. Importance of insurance types as seen by employers

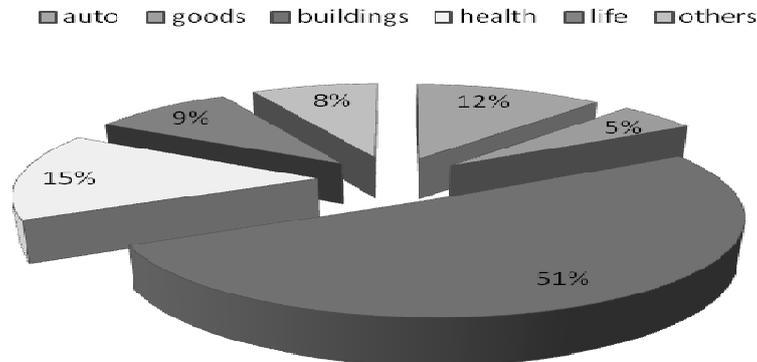


Fig. 5. Importance of insurance types as seen by free lancers

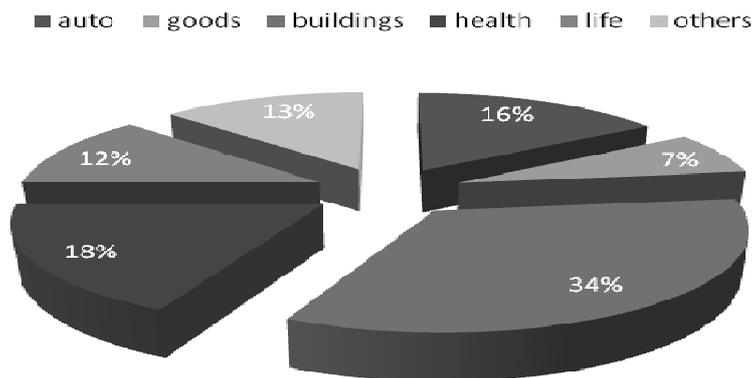


Fig. 6. Importance of insurance types as seen by retired persons

Generally, the signing of insurance policies depends on several motivational factors. It is known that educated and professional trained people are better informed and tend to insure their assets, and they are also interested in other types of policies (life insurance, health insurance, etc.).

The increase in life standard, socio-professional status and having a career corroborated with access to information and sources via the Internet and other IT tools are deemed potential factors in the decision-making mechanism regarding the choice of various insurance agreements. At first glance, differences can be seen between the two variables considered. In order to test certain connections between the two variables, two questions were raised.

Is there any connection between the choice of an insurance type and the education level of the interviewees? Does the conclusion of an insurance agreement depend on the education level?

Following the above mentioned profile valid only for a part of the Romanian society, the author was able to check whether there is a connection between the conclusion of certain agreements (health insurance in our case) and the highly-educated population.

We rely on the assumption that certain types of insurance are concluded following a *pattern* of the insured person. For instance, those with a high level education, especially those working within multinational companies, have a certain mentality and organisational *corporate* culture, and benefit from certain facilities, will have the tendency to conclude several types of insurance.

In order to check certain connections among these types of insurance and those that received a high education, the author chose to carry out the analysis by means of *Crosstabs* and the chi-square test.

Thus, the cross tables (Tables 1a, 1b) show differences between different types of insurance taken out, depending on the level of education.

The chi-square test was done in order to check the association between the two categories of variable. The test provides a statistical comparison between the observed internal frequencies and the theoretical frequencies corresponding to the independence hypothesis. Is there a connection between the level of education of the target group and the conclusion of a life or health insurance agreement? The internal frequencies for the two variables' independent hypothesis were calculated.

Hypothesis

H₀: there are no statistically significant differences between the two variables, and there is no difference between the values compared;

H₁: there are statistically significant differences between the two variables

The statistical difference of chi-square is given by the size of the significance test. If this is lower than 0.05, we reject the null assumption and the two variables are declared as inter-connected.

More than half of the highly educated people declared they had taken out health insurance agreements. When the internal frequencies found were analysed (*Table 1.a.*), differences appeared between the persons who had taken out health insurance agreement and those highly educated. The theoretical internal frequencies calculated (Expected count) vary slightly.

The association tests (chi-square and Likelihood Ratio) confirm the presence of some associations. The significance tests (*Asymp.Sig. (2-sided)*) of the two association measurements are lower than 0.05.

Tabel I.a

Cross table with higher educated people (ST_SUP) and health insurance agreements entered (SANAT)

			ST_SUP		Total
			yes	No	
SANAT	No	Count	76	45	121
		Expected Count	63,8	57,2	121,0
		Residual	12,2	- 12,2	
Total	Yes	Count	135	144	279
		Count	211	189	400
		Expected Count	211,0	189,0	400,0

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	7,044	1	,008		
Continuity Correction	6,477	1	,011		
Likelihood Ratio	7,111	1	,008		
Fisher's Exact Test				,009	,005
Linear-by-Linear Association	7,026	1	,008		
N of Valid Cases	400				

a. Computed only for a 2x2 table

b. 0 cells (,0%) have expected count less than 5. The minimum expected count is 57,17.

The values of Chi-square obtained were lower than 0.05. Therefore, the null assumption is rejected and the existence of significant connections between the conclusion of some health insurance agreements and highly educated people is declared. Following the statistical tests performed, it can be concluded that people that have received a higher education tend to enter into health insurance agreements.

Conclusion

The trend of the Romanian insurance market is an incremental one; according to experts, the expectations lay in the important insurance companies, mostly those related to life insurance segment and in the same time there is a tendency of transferring of responsibilities from the state to the private sector. The average insurance expenses were in 2004 of 12.5 EURO for life insurances compared to the 56.6 EURO allocated in the first place, and 11 EURO/inhabitant in 2007.¹² (*Ziarul Financiarul. Bănci și Asigurări*, 16.06.2008).

¹² *Ziarul Financiarul. Bănci și Asiguări*, 16.06.2008.

The insurance market both in Romania and in the Central and Eastern European countries is under continuous development while crystallizing its specific role of social and economic protection that it promotes under the circumstances of an accelerated economic crisis.

Following the current geographical trends towards a continuous expansion of its cross-disciplinarity by the complex methodology applied, the human geography through the specificity of the object studied is highly interested in the interferingly-active and complex role of insurance in the social life, creating a new approach and perception of the connected interrelations generated on a social level by the great economic-financial insurance system.

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