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Tel./Fax: 004 021 252 46 72; e-mail: editor@primm.ro

Direct Line: +4 0740 XPRIMM

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Constantin NĂSTASE, Mihaela CIUNCAN,

Mihaela CHIOREAN

ART DIRECTOR

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GRAPHIC DESIGNERS

Claudiu BĂJAN, Iuliana LINCAN, Alex SPINEANU

PHOTO

Claudiu BĂJAN, Cristian TĂNASE, Alex SPINEANU

DISTRIBUTION

Camelia ANGELESCU, Loredana MANOLACHE

Tel.: 004 021 252 46 72

Fax: 004 021 252 46 73

ACCOUNT MANAGER

Georgiana OPREA

EVENTS COORDINATOR

Daniela ALECU

IT DEPARTMENT

Octavian GRIGOR, Dorin PALADE

EDITION RESPONSIBLE: Alex ROȘCA

PREPRESS and PRINTING

MasterPrint Super Offset

Phone: 004 021 223 04 00

LEGAL ADVISOR

MUȘAT & Associates

Attorneys at Law

Phone: 004 021 202 59 00; Fax: 004 021 223 39 57

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Edition closing at: 10th of June, 2007



Sergiu COSTACHE

General Director

The Long, Hot Summer of Private Pensions

I have never received so many questions or so many requests of recommendations as I did over the past two months with regard to Private Pensions.

Who is "more trustworthy"? Can I join in? Will the system be functional? How safe is it? Are hopes going to be shattered, just like it happened before?

The weather forecasts show already a dry summer this year but, for the New Pension System, I already have four signs that it will be even more than that.

FIRST – three of my neighbors, with whom I barely exchanged two words in the past five years, stopped me just the other day, one by one, and asked me to "reveal" the Big Mystery of the Three Pillars. They kind of heard I was into some pensions and insurance magazine.

SECOND – for the first time, after 10 years of working in this field, a few friends, former classmates, asked me about what I was doing: how safe is the New Pension System and what fund should they choose. They read on 1asig.ro that I organized a Conference on this topic.

THIRD – TV channels broadcast, as never before, ingenious or just accurate ads, but obsessive in their frequency, of life insurance companies that are going to administer private pension funds, while newspapers put on their first page, in capital letters, news about the first contribution for Pillar III.

FOURTH – although conferences on private pensions follow one another in rhythms of south-american dances, they still have not managed either to talk out the topic, or to bore the audience that becomes ever more numerous.

Conclusion? With all due respect for insurance, we shall experience the „Long, Hot Summer of Private Pensions”. The battle for the 2% is on!

P.S. We have drawn down the curtain on the 10th Edition of FIAR, but the season of major events continues with two premiers – The First Regional Forum for Private Pensions and the First "Insurance Day", from the second cycle of the **National program „Unde Mă Asigur?"** (Where do I buy insurance?). The two events shall be organized in Cluj-Napoca by the PRIMM – Insurance and Pensions Magazine.

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JUNE 2007

Year IX - Issue 5/2007 **50****FIAR 2007****A TRADITION IN 10 STEPS** 4

The 2007 anniversary edition of FIAR 2007 has been closed. The royal residence from Sinaia has hosted for the 10th time the top representatives of CEE insurers who came to Sinaia in order to meet the elite of European reinsurers. A synthesis of what we may call FIAR 2007 "the week of European insurance", by Daniela GHEȚU

A TRIPLE CONFERENCE 10

The first day of the event from Sinaia started with the official opening of FIAR 2007, during the Insurance-Reinsurance International Conference. You may read, at a brief of the debates.

**e-Business
ANTIFRAUD SOLUTIONS****A necessary instrument offered to the insurers by the information technology** 14

The 6th edition of IT&C dedicated conference was held at FIAR 2007. The project of an IT&C focused conference during the Sinaia Forum has been started in 2002 and became a tradition both for the attendants and organizers. We invite you to read a brief synthesis of the main topics from the conference.

Insurance Market**MOTOR INSURANCE AT BALANCE
TIME** 20

Issues related with the past, present and future of motor insurance have been discussed during Motor Insurance Day that took place at FIAR 2007. Topics related with major problems that the industry is currently facing, such as increasing of the claims rate have been the main topics of the panel.

Insurance Market**PRIVATE HEALTH INSURANCE****Deep or shallow change?** 23

The unanimous conclusion of the Health Insurance Day's attendees was that private health insurance is the only solution in order to revitalize the actual health system in Romania. Mihaela CÎRCU offers you a short presentation of the main topics of the event.

Insurance Brokers**FROM MEDIATION TO
CONSULTANCY** 27

The International Insurance Mediation Conference during FIAR 2007 offered the perfect framework for gathering the three dominating forces of the Romanian insurance market, focused of the main topics of the insurance mediation activity. Report by Liviu HULUȚĂ

Insurance Market**THE SAFETY NET OF SOLVENCY II** 30

With less than four years to go until the official and finally binding implementation of the new Solvency II regime in 2011, it is becoming increasingly clear that the European insurance industry needs to prepare. Solvency II is the European Commission's most recent project: creating a more transparent and harmonised insurance and reinsurance industry, which will provide a safety net for policy holders and support overall market stability. The Safety Net of Solvency II, an article brought to our readers by the courtesy of WILLIS Re.

Country Profile**KAZAKHSTAN** 43

Till 1991 the Republic of Kazakhstan's economy has been influenced by the economic needs and interests of the Soviet Union. The process of economic changes started from the moment when Kazakhstan became independent. The insurance market in the country was obviously influenced by the economic frame. You may read a brief overview of the KAZAKHSTAN's insurance market during 2005-2006 written by Irina GALAȘANU.

Events 49**Interview****Angela TONCESCU**

President, Insurance Supervisory
Commission 16



> The celebration of the first year of activity can be a very appropriate moment to evaluate the changes brought by the new President of the Insurance Supervisory Commission. Continuity, changes, accomplishment and present dilemmas in an interview signed Daniela GHEȚU.

Pensions**Interview****Mircea OANCEA**

President, Private Pension System
Supervisory Commission 34



> After a road scattered with hesitations, Romania's private pension system has finally reached its starting point. Daniela GHEȚU offers you a dialogue with the Commission's President on the system's debut and its unclear aspects.

THE PRIVATE PENSIONS DAY 38

The event that took place during FIAR 2007 gathered more than 120 private pensions, asset management, banking, human resources specialists together with representatives of the main confederations of union in Romania. Read a brief of the hot topics debated at the Private Pension Day.



Solvency II draws the lines.



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> The 2007 edition of the International Insurance-Reinsurance Forum, the anniversary one, came to its end. For the tenth time, the royal residence from Sinaia welcomed the top representatives of direct insurers from Central and Eastern Europe, who arrived here to meet the elite of the European reinsurers. A week rich in specialized communications and business meetings, but also in memorable relaxation moments, meant to strengthen old friendships or encourage new ones ... to put it in brief, "the European insurance week".

FIAR 2007

A Tradition in 10 Steps

Could FIAR be considered a successful product? The answer can only be a positive one. The statistics are here to prove it: more participants every time, representing an increasing number of companies, which become more and more relevant, from more numerous countries (and even continents). The agenda is also here to show this: it is denser by the year. Friends prove it as well, and for an event such as FIAR, with an extremely personal mark on the relation guests-host, long-term friendships testify to this. Here you have testimonials from our most loyal participants:

FIAR evolved, over a short period of time, from a local event, relatively small in size, to a meeting that now requires the attention of all relevant stakeholders from the specialized markets in the region, exposing the considerable growth and the

substantial potential of the entire area. Anyone who, even for just a short while, was involved in business in CEE countries is aware of the current progress and growth perspectives. Thus, FIAR proved to be a strong information dissemination factor and played an important role in promoting the Central and Eastern European markets. Simon FOREMAN, Director, Central & Eastern Europe, Aon Limited

Although I am sure that constantly keeping up with the international market trends and standing up among various similar events in the Balkan region is not easy, a wider participation of the reinsurer community to FIAR is a clear evidence for the success in organizing this event.

The reasons that bring us back to FIAR every year are at least two in number:

- *The time of the event: it is the first post-renewal meeting in the Balkan region and the best moment to review last season's conclusions and prepare for the next one;*

- *The participants: this event managed to maintain its Romanian roots, while considerably expanding its influence throughout the Balkan, Russian and CIS countries and even in certain countries in the Middle East.* Thierry PELGRIN, Specialty Manager, Everest Advisors, Great Britain

FIAR represents already a major benchmark in the reinsurance business and a mandatory item on the agenda of all players in the CEE markets. Wolfgang AMIRAS, Vice President, AXIS Re, Switzerland

I believe that in the next 5 years FIAR is going to become as important as the reunions in Baden-Baden or Monte Carlo with regard to the insurance-reinsurance markets from Central and Eastern Europe. The participation in FIAR is essential for all business people or those who want to start on these markets. Mr. Alain BEURRIER, Managing Director, ABAS Conseil, France

Alexandru CHIRIACESCU, Reinsurance Director, BCR Asigurari: *This Forum represents a unique event in Central and*



> Year after year the Peles Castle stands in the skyline of FIAR conferences



> Mr. Tudor BALTĂ, Vice-President of ISC held the opening speech

Eastern Europe as it gives insurers and reinsurers the chance to interact in a relaxed context, outside the alert competition environment, and this can only be beneficial for both parties. In addition, the authorities' support and their active presence strengthen the official character, revealing at the same time the openness and the availability for dialogue in order to consolidate the relations between insurers and supervisory bodies.

What do newcomers have to say?

As a newcomer at FIAR, I found this as a very useful and pleasant experience. For me, FIAR was the confirmation that professionalism, accompanied by smiles and quality, is feasible in Romanian as well. Daniela FLOREA, Chief Executive Officer, Geo Strategies-Experian

I can say, with no trace of doubt, that in my career of 30 years, FIAR proved to be the best organized event I ever attended.

Kevin CUMMINS, QBE Re Europe

News 2007

There is nothing new in the fact that each FIAR edition brings about some ... news. New topics, new organization facilities... The 2007 edition brought, mainly, a local TV station, XPRIMM TV. Live broadcasting, interviews, summary of previous days were shown on TV terminals installed in all event's locations and were also available online. The broadcasted interviews are relevant for the general opinion regarding the development of the Romanian insurance market. Here are some opinions:

Tudor BALTĂ, Vice-President, ISC Board: *In 2-year time, the Romanian insurance companies will be perfectly fit to cope with any competition, either on our market, or in other emerging markets.*

Aurelia CRISTEA, Member of the ISC Board: *The trend for the next years is also an ascending one. Beginning with the 1st of January 2007, 60 brokers and over 70 insurance companies notified the ISC with regard to their intention of operating in Romania. We do not have a direct contact with them, because we do not supervise them, but we can feel the pulse, we see the*



> The official opening has been an opportunity of awarding the most performing reinsurers and reinsurance brokers

collaboration relations developing between the domestic and international players. The invasion shall result in a higher quality and competitiveness.

Mihai ȘEITAN, Partnerships Director, FINCOP Broker de Asigurare: *The insurance market keeps a steady growth rate, even if not as rapid as we wanted. We barely reached a 2% penetration rate, which is little compared to developed markets, but proves the great potential, and companies strive to develop tools and train people, attract customers, even more so as the market becomes more interesting because of a steady economic growth, which reflects also in higher salaries and other investments that need to be protected.*

Cristian CONSTANTINESCU, President of UNSAR: *It is clear that we need some help, some lobby. There is a totally unexpected trend on the Romanian market, namely on the life insurance market. This is the insurance line that entered last in Romania and started from zero. Under such conditions, it would have been normal to see a more obvious growth, compared to non-life insurance. Or, statistically speaking, their weight stays at around 20%, and in 2006 they had the lowest percentage in the last 5 years. Unfortunately, it is not normal to look at what happens, fiscally, with life insurance, in Great Britain, France, the Netherlands and consider their development level, but to look at how they got at that level. These markets started with 100% deductibility, regardless of the contribution level. In time, this deductibility decreased. It's also true that in Great Britain there are no fiscal facilities any more, but nobody is going to terminate a policy after having paid for it for 10-20 years.*

Radu MUSTĂȚEA, General Manager, ASTRA-UNIQA: *The accession affected each and every insurance company through the norms issued for the harmonization of the legislation to the European requirements. All this shall trigger major changes in the management structure and organization of insurance companies.*

Antonio SOUVANNASOUCK, Managing Partner, ASIGEST: *The Romanian brokerage market\ not only develops, but it is more and more appreciated. Insurance brokerage represents*





Surrounded by the elegant halls and sunny gardens of Foisor Palace or by the modern ambiance of Mara Hotel, the bilateral meetings are the absolute priority for the reinsurers



the development engine for the insurance market, shown also in the intermediation percentage that brokers have on the whole insurance market.

There are, for sure, insurers who want to go on the market with niche products, a beneficial move for the Romanian insurance market that, in my opinion, is lacking in product complexity and diversity.

Business and more business

For most participants, especially for those involved mainly in reinsurance, FIAR represents first and foremost a long series of business meetings with various partners. The execution of current contracts is thus assessed, than estimates on future contracts are drafted and new contacts are established. What did FIAR 2007 mean for the Romanian insurance companies, from the reinsurance point of view? Georgeta CRIDEANU, Reinsurance Director, OMNIASIG summarized: *Key events taking place on the Romanian market have been debated, among which: the cat pool that is obviously going to attract major responsibilities and, consequently, large premiums, the development of the motor market, whose results are now under full re-evaluation after implementing the measures on establishing the premium level, as well as the development of D&O insurance in the light of the new legal framework; the trend in the results for credit insurance was not overlooked either, although Romanian reinsurers are still reluctant with regard to this risk, and when they get involved, they follow only formulas that avoid them any potential losses.*

The new horizons that open for the whole market were also extremely relevant: a stronger SCOR, determined to maintain an important role in the area, a MAPFRE – Germany with a higher potential and extremely perceptive with regard to the Romanian market, and even a MITSUI SUMITOMO that seemed to be more committed in its intentions to partner with the Romanian companies. There were no signs to indicate a “hard” reinsurance market, on the contrary. If no catastrophic events will occur and even if they do, given that major reinsurers always knew how to find mechanisms that would stop the transfer of most losses towards their companies – we have all the reasons to believe that we shall have for the renewal a “soft” market that will bring us more capacity at reasonable costs, even more so as the Romanian insurance market has had a good evolution, being more and more regulated, and with regard to claims it can be stated that it was not affected by major individual claims or by significant cat claims, while a strong competition that lead to a descending trend in premium rates on almost all insurance lines seems to have calmed down. Consequently, chances are that next autumn everyone finds the desired solutions for contracts they have to put on the reinsurance market.

Regarding the information content of the FIAR conferences, you will read about it in the next pages. The results of the business meetings shall be reflected most likely in the companies' reinsurance policy. As for the atmosphere, we quote once again the participants opinion: *it did not hurt to have moments of relaxation as well, as they made us all feel closer to each other and realize we belong to the same community of interests, allowing foreigners to know us better* (Georgeta CRIDEANU).

The complete photo gallery from the 10th Edition of FIAR 2007
is available at <http://www.fiar.ro/en/photos.php>

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NEWSLETTERS

For assistance or further information, please contact
the Event Coordinator, Mrs. Daniela ALECU
Tel. : 0040 752 111 410 ; 0040 788 331 280
e-mail : daniela.alecu@mxp.ro



10th EDITION

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FIAR 2007

The organizers thank to the supervising authority and to all FIAR 2007 partners for the active involvement and the permanent support in order to build the most important specialty regional event.

More than 600 insurance, reinsurance and connected fields specialists attended the 2007 Edition of Insurance Reinsurance Forum. Representatives from 33 countries followed, during five days, an informative program built from six international conferences. The discussion topics were focused on debating insurance markets performances, the matter of insurance mediation, motor and health insurance, private pensions and IT&C solutions dedicated to the insurance field. The business meetings that took place during FIAR 2007 constitute opportunities in order of making new business contacts and the strengthening of the existing partnerships.

FIAR 2008

Next Edition
May 19th - 23th, 2008
Sinaia, ROMANIA

We would like to thank all those who contributed to the success of FIAR 2007!



THE INTERNATIONAL INSURANCE - REINSURANCE FORUM

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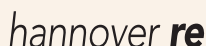


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THE INSURANCE-REINSURANCE CONFERENCE

A Triple Conference

> The Sinaia event has become a tradition which gathers year by year, relevant attendees from insurance industry and related fields.

Mr. Cristian CONSTANTINESCU
President, UNSAR



Great potential. Awaiting confirmation

The first day of the event organized in Sinaia started with the opening of FIAR 2007, with the Insurance-Reinsurance Conference, held in the Magic View Hall of the Mara hotel. The first part of this conference's three sections focused on the Romanian insurance market.

Dumitru Mugurel CERĂCEANU, President of ASIBAN, the chair of the section, stated: *Among the specific features of the Romanian insurance market, as revealed recently, we can count: a low weight in the GDP, as compared to the European average, a fragile market and a distorted portfolio structure, with low percentages of life insurance and high percentages of motor insurance; on the other hand, we are very pleased to see an extraordinary dynamics over the past several years, which increased more than 100 times in 11 years, and the increase on the market can be measured in tens of percentage*

points. Moreover, I must point out that in 1997 the participation of public insurance companies amounted to more than 57%, while now their presence went down to zero. Last but not least, we should mention a factor that contributed largely to the explosive growth of the market: insurance brokers.

The Insurance Supervisory Commission offered its support, this year as well, the organization of FIAR – The International Insurance-Reinsurance Forum, an event that facilitates the dialogue between the representatives of the relevant industry, contributing to the promotion of the insurance market both nationally and internationally, but also at the development of the insurance culture among the population, stated Tudor BALTĂ, Vice-President of the Insurance Supervisory Commission.

Romania's accession to the European Union does not bring advantages alone, but also the responsibility of getting involved in the drafting of the European legislation and being permanently represented in the European relevant bodies, mentioned Tudor BALTĂ. Thus, ISC drafted a series of principles that regulate its activity, among which we can mention the equal, equitable and non-discriminatory supervision for all entities. ISC is also changing its philosophy, in order to be perceived as an authority providing first and foremost prudential supervision.

The dialogue with the insurance companies and brokers, as well as with the professional associations in the field must be deepened so as to allow for the Commission to be more aware of their actual problems and streamline their regulation and supervisory activity consequently, concluded the above-mentioned official.





▲ From left to right: Mr. Tudor BALTĂ, ISC Council, Mr. Dumitru Mugurel CERĂCEANU, ASIBAN, Mr. Bogdan ANDRIESCU, UNSICAR, Mr. Mihai TEĂU, BCR Asigurări, Mrs. Daniela GHEȚU, PRIMM Publications

We shall witness a concentration of business in the insurance field in the future, this was the opinion expressed during the same conference by Cristian CONSTANTINESCU, President of UNSAR – The National Association of Insurance and Re-insurance Companies from Romania.

These processes shall be generated by the increasing interest that international strategic investors have for the Romanian insurance market, either in entering the market, or in strengthening their existing position in Romania. In this context, including from the operational structure perspective, local hierarchies are far from being stable, stated the official. This endeavor to gain higher market shares can lead to structural unbalances which, in the end, might impact on the market's reputation, as a whole. This is why, during this period, all those involved in this activity must be aware of the responsibility we have in the market's consolidation process, continued Cristian CONSTANTINESCU.

Thus, the need to identify joint initiatives aimed at improving the public opinion's perception of the insurance concept is a must. This is the context whereby UNSAR, as an association representative for the operators in the field, plays a decisive role, states the President of UNSAR. The 24 UNSAR members reached a level of EURO 1.5 billion gross underwritten premium income in 2006, and the estimations for this year exceed EUR 2 billion.

Bogdan ANDRIESCU, President of the National Union of Brokerage and Consultancy Societies from Romania (UNSCAR), stated at the beginning of his intervention: Ten years ago, we were ten times fewer at FIAR. Meanwhile, the number and the income of the insurance brokerage market increased exponentially.

The quoted official underlined the most recent trends on the Romanian insurance brokerage market. It undergoes a segmentation process, due to the brokers focus on certain insurance classes, added the President of UNSCAR. Another development on the market, according to Bogdan ANDRIESCU, was that the role of consultant played by the brokers becomes more important, and the income of those who used the well-established practices in this field increased exponentially. UNSICAR is a member of the European Federation of Insurance Intermediaries, BIPAR. The UNSICAR members represent approximately 70% market share on the Romanian brokerage market.

To conclude the session for the domestic insurance market, Daniela GHEȚU, Director of the PRIMM Magazine - Insurance & Pensions, presented an overview of the Romanian insurance market, with facts and figures for the 1997-2007 time interval.

Ten times in ten years – this is the today's image of the Romanian insurance market, compared to the insurance market in 1997, states Daniela GHEȚU. The Romanian market is still a

very young one and has all the specific features: motor insurance stays the star of this market, life insurance is still insufficiently developed, and according to the penetration rate we have a lot to grow, so the potential is here. However, a sign of market maturity is a sensitive shift in the insurers' priorities, from focusing on gaining market share to focusing on making profit.

The discussions revealed the fact that the market development perspectives can be encouraged by numerous factors, such as: insurance companies' concern for diversifying the product portfolio and the migration from the motor insurance area towards other insurance classes, the European legislation bringing a positive influence on the insurance related fields, which shall stimulate the insurance market's growth. Moreover, the major infrastructure projects together with the direct investments to be made in Romania shall implicitly require an insurance component.

One of the conclusions expressed by the Publishing Direc-

Mr. Radu Mircea POPESCU, Councilor, Ministry of Interior and Administration Reform (left) together with Mr. Sergiu COSTACHE, General Director, Media XPRIMM



tor of the PRIMM magazine was that spectacular increases are expected in this field, and only time can confirm it. We are talking about a huge potential that needs to come to life.

Upon conclusion of the debates, Dumitru Mugurel CERĂCEANU summarized: The Romanian insurance industry has a special dynamics and a high potential. The perspectives are good and we are on the right track, but we should keep in mind a saying from the eastern world: Even when you are on the right track, if you don't move quick enough, someone might step you over.

Romania was still the focal point for the second section of the International Insurance-Reinsurance Conference organized at FIAR 2007, the main topic proposed to the participants being the management of natural catastrophe risks, with a special focus on the Romanian Catastrophe Insurance Program.

Reinforcing the main technical coordinates of the draft law on compulsory home insurance, Mircea Radu POPESCU, Advisor with the Ministry of Interior and Administrative Re-



▲ The consortium representatives: Mr. Simon FOREMAN, AON, Mr. Harry HATFIELD, GUY CARPENTER, Mr. Andrej CERNAK together with Mr. Lucian CHIROIU, BENFIELD Group, and Mr. Guy HUDSON, WILLIS Re

form underlined: *The legislative process continues on its course, and after obtaining all the endorsements from the ministries involved, the decision to submit it for discussions to the Parliament, by the Government, or to include it in a Government Emergency Ordinance shall be made.* The official also mentioned that, *according to the estimations, after the law's entry into force, a six month period will still be needed in order to draft the secondary legislation, to set up the pool and to launch the reinsurance program.*

If nothing can be said yet with regard to the date when the system for catastrophe insurance is to become operational, the conference brought other news, even more interesting, on the steps already taken in setting up of the reinsurance program. Thus, according to Mircea Radu POPESCU, *The Ministry of Interior and Administrative Reform accepted the offer of a group of four reinsurance brokerage companies that shall form a consortium with the purpose of preparing the re-insurance offer required for the program.*

The above-mentioned consortium shall include AON, BENFIELD, GUY CARPENTER and WILLIS, international, reinsurance brokerage companies with a wide experience in the field of catastrophe risks and an excellent reputation in business.

Simon FOREMAN, Director AON Limited, the consortium leader, described the tasks of the four group members: *We shall be dealing with much more than the actual negotiation of the reinsurance contract: exposure assessment, financial and actuarial management, market and legislative research, training and claims management in the relation with the re-insurers. Briefly, our task is to create and maintain a functional system that can provide Romania and Romanians a functional and sustainable solution to natural catastrophe*

insurance. Lucian CHIROIU, NatCat Expert BENFIELD Group, presented the first details on modeling assumptions used to establish the financial parameters of the insurance/reinsurance scheme, and Harry HATFIELD, Senior Vice-President GUY CARPENTER, added details regarding the main elements that represent the foundation of the reinsurance scheme. Designed so as to answer best to the needs of the future Romanian catastrophe pool, the reinsurance scheme, negotiated already with several European reinsurance companies, is based on a dynamic and "self-adjustable" stratification of the limits, according to the aggregated exposure dimension. This solution meets extensively the pool's need to rely on a flexible reinsurance program that can offer the necessary coverage at bearable prices, especially given that the rate of inclusion in this insurance system, at least for the first years of operation, is still difficult to forecast.

Mr. Dirk HOLLNACK
Geo Risks Research Dept.
MUNICH Re



Mrs. Daniela FLOREA, CEO, GEO Strategies Experian

GEO Strategies Experian is a Great Britain established company that provides dedicated marketing solutions to insurance and reinsurance market. Mrs. Daniela FLOREA presented the newest classification of specific customers of a country, application realized in cooperation with EXPERIAN and launched under the name of MOSAIC Romania.

The product consists into a new geo-demographic segmentation program which classifies all 21.6 million of inhabitants from Romania in 45 different types of consumers, ranked in 10 classes. The product is a unique tool in Central and Eastern Europe. MOSAIC Romania offers an interesting working base for insurers, particularly dedicated for life and health insurance but also for private pensions funds managers.



According to the studies conducted by the four members of the consortium, in case of a 100% inclusion rate, the probable maximum claim, in case of an earthquake with a return rate of 1 to 250 years, would be of approximately EUR 3 billion, with a total undertaken exposure of EUR 113 billion. In case of flooding, the second major hazard covered by this program, the value of this parameter is estimated to approximately EUR 250 million. Similar calculations done by the MUNICH Re specialists based on the claims recorded during the catastrophic earthquake from 1977, and revealed that a similar earthquake would produce, in the capital city alone, damages of USD 20 billion. This is one of the conclusions from the presentation delivered by Dirk HOLLNACK, Geo Risks Research Dept., for the reinsurer, at FIAR 2007. *The estimations regarding the damage concern only the capital city, without taking into account the disasters in other areas, considering that the necessary information for an assessment is lacking,* added Dirk HOLLNACK.



▲ Mr. Hamish DOWLEN, MARSH & McLennan, Mrs. Eva KÖIS, VVO, Mrs. Nuria CASTAÑER CARRASCO, UNESPA, Mrs. Olga RAKHMANINA, OSLO Marine Group and Mr. Yuriy KHARAZIAN, MALAKUT Insurance Brokers

As stated by the MUNICH Re expert, a proper conclusion would be that large-scale insurance for cat risks represents an indispensable component, which is not by far sufficient in cat risk management. They need to join forces in creating efficient partnerships between insurers, reinsurers and the capital market, which provides the specific tools able to limit the financial exposure to these risks and, at the same time, the steady implementation of governmental programs aimed at components such as works for protection against flooding, the construction regime, the emergency response in case of catastrophes for rescue and damage control.

Parallel Developments



Mr. Romeo JANTEA
CEO, FINCOP Broker

The third part of the Insurance-Reinsurance Conference of FIAR 2007, called "International Markets – Trends and Perspectives" turned into a round table where the debates were focused both on the relevant international markets' development and on the domestic insurance market trends. The discussions were facilitated by Romeo JANTEA, CEO, FINCOP Broker, and had as main speakers: Hamish DOWLEN, Vice President MARSH & McLennan Companies, Eva KÖIS, Legal and International Affairs VVO - Austrian Insurance Association, Nuria CASTAÑER CARRASCO, Director of International Affairs UNESPA - Spanish Union of Insurance and Reinsurance Companies, Yuriy KHARAZIAN, Director International Division MALAKUT Insurance Brokers (Russia) and Olga RAKHMANINA, Business Development Manager OSLO Marine Group (Russia).

The presentations prepared for the Conference tackled topics like: *The changing reinsurance marketplace* (Hamish DOWLEN), *Recent developments of the Austrian insurance market* (Eva KÖIS), *Implications of EU accession on the insurance market* (Nuria CASTAÑER CARRASCO), *New coming reinsurance capacities – Russia, CIS and Asia overview* (Yuriy KHARAZIAN) and *The developments of the Russian market* (Olga RAKHMANINA). The presentations can be downloaded from the FIAR web site (www.fiar.ro/ro/international_conference.php).

Initially designed as a conference for the international markets, the discussions could not just ignore the realities on the Romanian market and its growth perspectives. *Through a panel dedicated to the relevant international markets we have tried to place the Romanian insurance market in the context of mature markets, on the one hand, and of markets from Central and Eastern Europe, on the other hand*, stated Romeo JANTEA.

The facilitator summarized the main discussion topics and the conclusions:

The Romanian insurance market in 2007 can be described by a clear increase in the volume, several times faster than the dynamics of the Gross Domestic Product; a diversified demand for non-life insurance products, directly connected to economic growth and expansion of the investment sector, both in infrastructure and in small and medium-size businesses; the impact of certain factors that encouraged the orientation of certain financial funds of the general public towards certain types of life insurance with medium and long-term saving components.

The discussions lead to the conclusion that there are major similarities between the Romanian market and the markets in Central-Eastern European countries, in terms of development. Moreover, a comparison with existing mature markets, but considering the development stage of these markets some 20-25 years ago, shows clear similarities, Spain and Greece being relevant examples in this respect.

Starting from the existing trends in Romania and after assessment of the historical evolution of markets that reached maturity, it can be estimated that the Romanian insurance market shall follow a trend towards a market where:

- The ratio between the volume of premiums underwritten in life insurance and the volume in non-life insurance will overturn, and life insurance will have a higher weight;
- The distribution of life and non-life products, in general, will be focused towards specialized channels, more than just through insurance companies channels;
- Non-life insurance for commercial activities shall be generalized and diversified, while motor insurance will no longer have the dominant weight in the total non-life insurance volume.

Antifraud Solutions For European Customers

> FIAR – The International Insurance-Reinsurance Forum was host for the sixth edition of the IT&C Conference this year. Starting in 2005, the project of organizing a specific event within the Forum from Sinaia, dedicated to information technology, became already a tradition both for participants and for the organizers.



One of the major objectives on the agenda of the European states is the development of the information society and the knowledge-based economy. In such a context, companies operating in the insurance industry are especially interested in providing the necessary IT support to streamline their activities, stated Corneliu MOLDOVEANU, Member of the ISC Board, at the opening of the IT&C Conference from FIAR 2007.



▲ Mr. Corneliu MOLDOVEANU, Member, ISC Council, emphasized the role of antifraud systems

However, modern IT systems also play related roles, maybe less familiar to the Romanian environment. This category includes anti-fraud software, whose role and spread shall clearly grow, especially given that the *Insurance Supervisory Commission is currently working on drafting an anti-fraud guidebook based on a similar document written by the IAIS-The International Association of Insurance Supervisors*, according to

the statements of Mr. Corneliu MOLDOVEANU. *I shall use this opportunity to say that I am persuaded that in the future, Romanian insurers will use such systems.*

In Western European Countries insurers use fraud detection software extensively, the so-called “digital detectives” that analyze millions of transactions, then combine separate pieces of information to draw a conclusion.

High level ranking managers and relevant representatives from most insurance companies in Romania and abroad attended this conference, the speakers counting top specialists in IT&C industry: Nicoleta MACOVEI, Financial Services&Telecom Applications Sales Manager and Anca

SCARLAT, Financial Services Technology Sales Manager from ORACLE, Cristian HERGHELEGIU, Dynamics Channel Manager MICROSOFT Romania, Liliana TOHĂNEANU, Project Manager PRODINF Software, and Bogdan DOBRICĂ, Major Account Manager Financial Sector ASCENTA, SOFTWIN Group.

The topics focused mainly on the competitive advantage provided to insurers and brokers by IT solutions, CRM type (Customer Relations Management – editor’ note) thus proving once again that, as the market gets more competitive, insurance services providers start being concern not only with internal processes and related IT solutions, but also in attracting and retaining customers.

All this is reflected in the presentations delivered by the above-mentioned specialists, presentations that we invite you to download by visiting the following address: www.fiar.ro/ro/program.php

The conclusions of the debates consider the fact that the market of integrated IT solutions dedicated to insurance is currently a very polarized one, with a relatively low number of providers certified by the insurers, where large corporations, such as MICROSOFT or ORACLE, as well as local providers with Romanian capital, such as PRODINF Software operate successfully. The number of insurers still looking for such systems is low and continuously decreasing, but there is hope: insurance brokers and companies that will administer the future private pensions fund.

Alexandru D. CIUNCAN

Mr. Bogdan DOBRICĂ, SOFTWIN, Mrs. Nicoleta MACOVEI and Mrs. Anca SCARLAT, ORACLE, Mrs. Liliana TOHĂNEANU, PRODINF, Mr. Cristian HERGHELEGIU, MICROSOFT ▼





Hallig Lohm, North Frisian Wadden Sea, Germany

Jens Mehlhorn, Flood Expert, Swiss Re

Water's fluid character presents challenges, as Jens Mehlhorn well knows. He and his team develop unique computer-based tools to model catastrophic floods, estimate potential losses and structure insurance and reinsurance programmes to finance the associated costs. Swiss Re combines expertise in anticipating and managing risk with financial strength – offering tailored solutions to mitigate your exposure and protect your balance sheet. For real peace of mind, it pays to have a partner whose protection concepts hold water. www.swissre.com

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> The celebration of the first year of activity can be a very appropriate moment to evaluate the changes brought by the new President of the Insurance Supervisory Commission. Continuity, changes, accomplishment and present dilemmas in an ...

Interview with ...

Angela TONCESCU

President of the Insurance Supervisory Commission

PRIMM: *You have been appointed president of the Insurance Supervisory Commission almost a year ago. What did this year mean for the institution you manage?*

Angela TONCESCU: This year meant sustained work and a period where we had to focus both on streamlining the internal organization and working procedures and on solving, within time constraints, all problems in the motor insurance field, knowing at the same time that before the accession, this chapter was marked with a yellow flag by the European Commission. Through the actions and measure we have taken, we managed to successfully overcome those moments.

In parallel, we started a series of actions intended to contribute to the development of the insurance market and to raising the general public's confidence in it, actions aimed at various levels, together with improving and completing the regulatory framework, strengthening the prudential supervision that we conduct for the insurance and brokerage companies, drafting the legislation that allows for the registration and verification of insurance agents, increasing the professional qualification level of the market and the ISC personnel.

Romania's accession to the European Union brought about new responsibilities for the Insurance Supervisory Commission, related both to the drafting of the legislation at European standards, which will have to be transposed in the national legislation subsequently, as well as to the representation of our country, on insurance issues, in all European bodies. Given this context, we would like for our supervisory body to become an institution with a high level of professionalism, a trustworthy partner in the European space, this representing actually the foreseen ISC Strategy for 2007 - 2011, that we have adopted recently.

We are persuaded that, in order to reach this level, we need a collaboration between the representatives of the Insurance Supervisory Commission and the representatives of the insurance industry that functions under the best possible conditions, therefore a higher quality and frequency of our consultations was and shall continue to be an important aspect for us. We hope that the market sees this as a

deeper transparency and a better dialogue and that they already appreciate the efforts the management of the Insurance Supervisory Commission undertakes in this respect.

PRIMM: *How do you assess the evolution of the Romanian insurance market over the past decade, both in terms of business volume and from the perspective of the market maturity and quality of products and services?*

A.T.: I believe we can distinguish at least three stages of market development, the first two being clearly identified through the entry into force of Law no. 32/2000 and by the creation of the Insurance Supervisory Commission. In a first stage we had the creation and development of the competitive market, by having numerous companies on the Romanian market, many of them being quite reputable at European level. A second stage represented a consolidation of the market and the improvement of the primary and secondary legislative framework, especially in a situation where, since 2002, the preparations in insurance for Romania's accession to the European Union have started. A third stage has a recent starting date, and we are persuaded we need to prove that we are truly Europeans. During all this time, the insurance market increased in terms of business volume, and quite often at a higher rate compared to the growth of other sectors of the national economy, which proves that the general public's confidence also followed the same trend.

PRIMM: *What do you consider was the most difficult moment that the Romanian insurance market went through over the past ten years?*

A.T.: I believe that we had somewhat difficult moments when we started the re-authorization of insurance companies, namely in 2001, and then, when going through the stages of increasing the registered capital according to the minimum requirements. However, all these measures were part of the preparation process for the accession to the European Union and were meant to mitigate the impact of this moment. Actually, today's reality proves that the measures we've taken were opportune and, moreover, a necessity.

PRIMM: *How would you describe the Romanian insurance market at this moment, from the point of view of its maturity, potential, quality of operators and products...?*

A.T.: We can talk about an established market, strongly competitive, with functioning rules that, though improvable, still cover the most relevant aspects to allow us for an

> We are persuaded that, in order to reach this level, we need a collaboration between the representatives of the Insurance Supervisory Commission and the representatives of the insurance industry that functions under the best possible conditions, therefore a higher quality and frequency of our consultations was and shall continue to be an important aspect for us.

> We must be aware of the fact that, after the 1st of January 2007, Romania is competing directly with the insurance market from the other EU member states, from the perspective of the economic and institutional performances.



> I believe the role of brokers will be strengthened more and more, especially given the freedom of movement for services. All of them will need representation on the territory of Romania, otherwise they won't succeed, if they really want to enter on the Romanian market..

efficient prudential supervision. But if I think of the insurable potential, which is quite high, I believe we cannot talk yet about a mature market. Regarding the quality of products and operators, we can say that there is always room for improvement and here we can mention the measures to be taken by the Insurance Supervisory Commission in order to increase the level of professional qualification and provide a protection for the insurers' interests.

PRIMM: Talking about the near future perspective, what do you think are the main trends to be seen on the insurance market in the next several years? Changes in the insurers' way of operating, new entries on the market, interaction with other financial markets etc.

A.T.: We must be aware of the fact that, after the 1st of January 2007, Romania is competing directly with the insurance market from the other EU member states, from the perspective of the economic and institutional performances. The insurable potential in Romania will lead to an increase in the activity of the already existing insurers, but also the attraction of new investors. One must also consider that, just like in any sector of the financial market, the activity must be well managed and supported with considerable financial resources, so as to be able and cover the undertaken risks, which are obviously growing.

Therefore, we shall probably witness take-over actions, new infusions of capital and changes in the ranking of insurance companies and brokers as well.

The interaction with other sectors of the financial market shall increase, naturally, to the extent to which the demand for more sophisticated products shall increase as well.

PRIMM: How would you assess the development level in the insurance brokerage activity? What trends will we see in the future in this field?

A.T.: I believe the role of brokers will be strengthened more and more, especially given the freedom of movement for services. In only four months that have passed since the accession, when we had this opening of the borders, the Insurance Supervisory Commission received 66 notifications on the intent to conduct insurance activities on the Romanian territory, issued by insurers from 12 EU member states. Most notifications were received from companies in countries with a long tradition in insurance, but with relatively saturated markets, I might add, such as Great Britain, France, Austria and Germany. All of them will need representation on the territory of Romania, otherwise they won't succeed, if they really want to enter on the Romanian market.

PRIMM: The adoption of European practices and legislation in all aspects of the economic life in Romania shall have an impact on the development of the insurance market as well. Do you think that in the next several years we are going to witness a drop in the weight of motor insurance to the advantage of other insurance classes (for instance, property insurance, general and/or third party liability insurance, health insurance etc.)?

A.T.: The data we have confirm that vehicles remain the most "valuable" asset for the Romanians, so unfortunately, at least on medium term, I don't believe we are going to witness a consistent drop in the weight of motor insurance.

Of course, we expect a development in other business lines, such as health insurance, traditional life insurance and investment fund insurance, such as insurance for financial losses and general third party liability insurance, but it is highly unlikely that their weight becomes so high that it outnumbers the motor insurance.

PRIMM: What are the priorities of ISC for the future, both in terms of supervision and in terms of institutional development?

A.T.: As shown in the ISC Strategy for 2007 - 2011, that we adopted recently, the general objective is to strengthen and develop the Romanian insurance market, as well as to increase the role of the Insurance Supervisory Commission at national and European level, by capitalizing as best we can on Romania's membership to the European Union.

In order to meet this goal, we have set a series of strategic objectives, among which I would like to mention the priority for changing the philosophy of the supervisory activity, as a necessary prerequisite for the implementation of the future solvency regime, Solvency II.

This objective appears as a priority in a context where, on the 10th of July this year, the European Commission shall adopt the text of the Framework Directive Solvency II and, according to the planned calendar, the actual implementation of its provisions shall start with the year 2012. Considering the magnitude of changes that the new solvency regime will impose at legislative, organization and professional level, it will be applicable only under a very good cooperation with the ISC and insurers, by setting up a calendar of actions intended for the accurate and unified understanding and integration of all necessary changes. ISC has already started a series of actions and programs for professional training and we have planned to maintain them in the following years.

As a EU member state, we shall also have the obligation to continue and transpose and implement the European legislation. Other objectives are aimed at:

- developing a systematic dialogue with the authorities and institutions in Romania whose actions might have an impact on the insurance market, in order to transfer the best practices in the implementation of community policies;
- developing the prudential supervision and control tools for the Insurance Supervisory Commission;
- developing and maintaining an active dialogue between the supervisor and the representatives of the insurance market, in order to have a unitary approach of common problems, including the new Solvency II concept;
- active and efficient participation in the drafting and implementation of the European Union legislation;
- intensifying the cooperation with the similar supervision authorities from the EU member states, as well as with other institutions, well-established at international level, in terms of relevant expertise and, last but not least, more actions and, implicitly more visibility of ISC, both internally and internationally.

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Motor Insurance - Drawing the Line



Mr. Ionel DIMA,
Director, AVUS Romania



Mr. Constantin BUZOIANU,
Vice-President, CSA



Mr. Albin BIRO,
Member, CSA Council



Mr. Marius BULUGEA,
General Manager, Mandatory
Insurances Dept., CSA

The percentage of motor insurance in the total insurance market exceeded 54% in 2006, representing more than 65% from the total non-life insurance. Their dominant position also turns this segment into a risk factor for the market's unbalance. Thus, at FIAR – The International Insurance-Reinsurance Forum from Sinaia, the 23rd of May was dedicated to motor insurance. On this occasion, aspects related to the past, present and future of the Romanian motor insurance market were debated, as well as current issues for the local relevant market, namely the extremely high claim rate. The event was moderated by Ionel DIMA, Director AVUS Romania.

The motor insurance market increased in the first quarter of this year, in real terms, by 30.55%, according to the results published by the specialized magazine Insurance PROFILE. Thus, underwriting on this class amounted to RON 1206.75 million (EUR 356.35 million), compared to the values of RON 891.74 million (EUR 250.2 million), registered in the first quarter of 2006. The leader on this market remains ALLIANZ-ȚIRIAC, with underwritten premiums of RON 223.32 million (EUR 65.95 million) and a market share of over 18.5% on this insurance class. The second and third positions in this ranking are occupied by ASIROM (with a market share of 13.64%) and OMNIASIG (12.72%).

During the same period of time, the claims paid on this segment registered an accelerated growth, their volume increasing in nominal terms, in the European currency, by 80.98% (from EUR 60.62 million during the first three months of 2006, to EUR 110.38 million in the same period of 2007). Thus, paid claims on MTPL represented, in the first quarter of 2007, EUR 45.62 million.

The increase in the claims rate takes place in a context where the expansion of the vehicle fleet in Romania is con-



tinuous, currently indicating a number of 3,603,437 registered vehicles. *Their number doubled over the past 17 years, and today we have three times more drivers than in 1990*, stated Nicu CRĂCEA, Commissioner in Chief, the Road Police Directorate.

The number of accidents also registered an increasing trend. Thus, in the first four months alone, in Bucharest, we had 16,008 accidents that resulted in material damage, the Road Police issuing 78,871 authorizations for repairs. Also, the number of authorizations increased by 45,295 compared to the same period in 2006.

It might be that the level of paid claims increase in the future, as a result of a higher threshold for the minimum amount for claims. Thus, the estimation is that in 2008, the lower limit for bodily injuries and death shall increase to EUR 750,000, from EUR 500,000 at present, while for the material damages, the claims to be paid by MTPL insurers shall amount to EUR 150,000 compared to EUR 100,000 at present.

Closer to the European legislation

The Insurance Supervisory Commission focused lately on improving the legislative framework in the field of motor insurance so as to be in line with the European standards, stated Constantin BUZOIANU, Vice-President of the supervisory body.

Thus, in order to meet the commitments made with regard to the transposition of community provisions on MTPL, we need to set up the single premium for the insurance of vehicles for damages caused on the territory of Romania or any other MGA member state, but also the obligation of insurance companies working in MTPL to set up offices for claims in the other EU member states.

Meanwhile, we need to increase the insurance coverage rate for vehicles from 87%, at present, up to a minimum of 90% from the number of registered vehicles in Romania. Also, the commitments undertaken imply the creation of a compensation body, a body that pays claims to the street victims and an information center, in application of the provisions from Directive 2000/26/EC. In Romania, these attributions shall be fulfilled by the Street Victims Protection Fund.

These problems shall be soon solved, as *the transfer of the CEDAM database to the Street Victims Protection Fund (SVPF) shall take place in the near future*, stated Marius BULUGEA, General Manager, Compulsory Insurance Directorate, the insurance Supervisory Commission.

This operation, for the completion of which certain technical details still need to be clarified, will allow the SVPF



Mrs. Maria BOGHIAN,
President, ANSDAR



Mr. Sorin GRECEANU,
General Manager, FPVS-Street
Victims Protection Fund



Mr. Richard J. NATHSCHLAEGER,
Executive Vice President Central
Europe, AUDATEX Central Europe



Mr. Ioan MATEI,
Juridical Director, BAAR -
Romanian Motor Insurers Bureau



Mr. Ovidiu VĂDEAN,
Manager Division, ASIROM



Mr. Nicu CRĂCEA, Chief
Commissary, MIAR - Traffic Police
Department, Romania

to play its role as information center. At present, SVPF fulfills, according to the law, three main tasks: it is a body for payment of claims, compensation body and Information Center. This transfer implies that SVPF shall be only a user of CEDAM, its administration remaining the attribution of ISC.

The CEDAM database became operational in the first quarter of 2006 and contains entries on vehicles for which MTPL has been concluded. The companies authorized to underwrite this type of policy (currently, 16 such companies, editor's note) can enter data in this database.

SVPF approved, during the first three months of this year, a number of 54 claim files, stated Sorin GRECEANU, General Manager of the Fund. Also, from the beginning of its activity, SVPF approved 168 claim files, out of which 74 were settled, the paid claims amounting to RON 420,315. The fund is functional since November 2005 and is intended for the payment of claims in case of road accidents caused by unknown authors or vehicles without MTPL, being administered by BAAR (The Romanian Motor Insurers' Bureau).

The amiable constat, is it a solution?

One of the legislative changes long waited for by the market is aimed at the implementation of the amicable report. *Until the 20th of June this year, the traffic legislation in force shall be amended through an emergency ordinance so as to introduce a provision on the amicable report. Subsequent to its adoption, ISC shall set the date for the entry into force of the amicable report procedure*, stated Nicu CRĂCEA.

Insurers must be aware that the application of this procedure shall bring about advantages, indicated Albin BIRO, Member of the ISC Board. Despite the advantages offered by the amicable report, certain specialists believe it might lead to an increase of insurance fraud, specialists stating that, before the application of this procedure, relevant companies should implement the bonus-malus system.

Fraud, is it a problem?

Undoubtedly, one of the major problems for the insurance industry, and for the motor segment especially, is... fraud. False declarations, set-ups, mysterious disappearances, are only a few of the numerous examples that can be given with regard to this phenomenon, which causes insurers enormous losses each year. Several solutions to mitigate the effects of fraud in insurance were presented by Ovidiu VĂDEAN, Director of the Claim Management and Settlement Department, ASIROM.

In this respect, Ovidiu VĂDEAN thinks that a structure of magistrates specialized in civil, commercial and insurance law should be created, together with a database with the individuals who attempted fraud on relevant companies and received paid claims repeatedly.

One of the most frequent fraud methods in insurance, according to the specialists, is related to car wrecks. *Meanwhile, the gathering and management of salvaged car is important both from the economic and from the environmental protection point of view, as it concerns a continuously growing flow of waste, the number of salvaged cars in EU being estimated to 8-9 millions per year; in Romania, the number of salvaged cars is estimated to approximately 80,000*, in 2007, stated Maria BOGHIAN, President of ANSDAR (The National Association of Car Dismantling and Recycling from Romania) and General Manager of SAM Forest.

Instead of a conclusion...

Dominating the portfolio of most composite or non-life insurance companies, with growth rate that stayed, over the past 5 years, at more than 25%, motor insurance can be called, beyond any doubt, a growth "motor" for the Romanian insurance market. Their dominant position turns this segment into a risk factor as well which might lead to unbalances on the market.

If the high growth rate in motor insurance underwritten premiums is a positive aspect, one cannot state the same about the much higher growth rate in terms of paid claims for motor insurance. In the past 4 years, the claim rate constantly exceeded the dynamics of underwriting, and the paid claims on the market for motor insurance represent more than 80% of the total paid claims for non-life insurance.

For companies with high business volume in this field, this trend translates into negative technical results and low profitability.

Motor insurance is the rebel child of the insurance market, concluded Ioan DIMA, at the end of the event.

It remains to be seen whether, in the future, this segment will manage to step out of this description...

Mihaela CÎRCU



Essential Change or Just Cosmetics?



Although the volume of underwritten premiums is quite low, compared to the positive estimations at the end of 2005, health insurance has a significant potential, confirmed by the increasing number of companies interested in this segment and by the forecasts indicating that, by 2010, the relevant market will reach the level of EUR 150 millions.

Specialists agree that, in fact, this is the only solution to revitalize the healthcare system in our country.

Given the context, the Private Health Insurance Day, organized on Thursday, the 24th of May this year, at FIAR – the International Insurance-Reinsurance Forum, brought together leaders and specialists of the main insurance, reinsurance and brokerage companies from Romania and from abroad, representatives of the Insurance Supervisory Commission, the specialized commissions from the Parliament, the Ministry of Public Health, the county health insurance houses, the health care services providers and the media.

The debates during the two sections of the event were moderated by Gabriel IONESCU, President of HR Club, and by Ovidiu DEMETRESCU, General Manager LONDON Brokers.

The unanimous opinion of all participants to the event consisted in acknowledging the need to reform the current health insurance system.

We need a comprehensive private health insurance system, for everyone... The progress of this segment shall take place only when the entire population has access to such services, and not just the elite – this was the conclusion of the event expressed by deputy Marian Sorin PAVELIU.



Mr. Marian Sorin PAVELIU
Deputy, Chamber of Deputies



Mr. Dan CONSTANTINESCU
Member, CSA Council



Mr. Mircea OPRESCU
Health Insurance Manager,
INTERAMERICAN



Mr. Gabriel IONESCU
President, HR Club



Mrs. Sorina NICULESCU
CEO, SIGNAL Iduna Services



Mr. Marius COVLESCU
Councilor, Ministry of Health

At present, we have an operational legal framework and the possibility of deducting the expenses for private health insurance from the employer's point of view. Still, one must understand that this law is just a framework law and requires some specifications..., estimates the quoted official, who continues by making reference to the Law on private health insurance. Nevertheless, change cannot be conducted only by the political class, insurers must interact with it, make proposals to reach a formula that suits best everyone.

Also, Marian Sorin PAVELIU thinks that, given the lack of significant funds for funding the modernization of medical services, both from the equipment and the qualified personnel point of view, the only solution is the change of the system that undergoes a clear financial crisis.



Mr. Ovidiu ȚIBULEAC
Lawyer, BOȘTINĂ&Asociații



Mrs. Adriana AHCIARLIU
General Manager, DIPLOMAT Consult

The industry of health insurance, prepared for reform

The health insurance reform must be based on a public-private partnership that should consist, in its turn, of a series of bi or trilateral partnerships between insurers, healthcare providers, the Insurance Supervisory Commission, the National Health Insurance House, the Ministry of Health, and the other stakeholders, stated Dan CONSTANTINESCU, Member of the ISC Board.

For the system to work well we need a clear definition of the responsibilities of each party involved and the concerted action of partners. Also, the terms of complementary and supplementary insurance cannot be clarified precisely, given the lack of a basic benefits package, states the official.

Sorina NICULESCU, General Manager SIGNAL Iduna Services, added: *Besides the obvious need of a clearly defined basic package, deductibility of private health insurance must be extended, as at present this only exists at the level of the employer and the natural persons. Thus, it will be possible to overcome the low penetration rate, registered at the end of last year.*

The private health insurance segment recorded, in 2006, a real increase of 68.22%, up to RON 46.2 million, representing the most spectacular evolution at the level of the whole Romanian insurance market. However, from the total underwritten premiums realized in 2006, the health insurance market has only 0.81% (with 0.19 percentages more than in 2005).

During the first quarter of the current year, the health insurance class had underwritten premiums of RON 11.33 million, an increase by 20.13% compared to the similar period in 2006.



Mrs. Lacrimioara Laura VOINEA
Managing Director, MEDNET Marketing Research Center



Mr. Ovidiu DEMETRESCU
Managing Director, LONDON Brokers



The figures are quite modest, but they were obtained without any facilities in this respect, such as deductibility, added Dan CONSTANTINESCU.

The transfer of 5% from the national single health care system fund to the private insurance segment could create a market of EUR 100 million, with a growth potential of ten times in ten years, indicated Marian Sorin PAVELIU. The creation of this complementary system will hopefully lead to an increase in the competition among the health care services providers and thus it will lead to a higher quality of healthcare services, he stated.

At the moment, the national single health care system fund represents EUR 2 billion. The healthcare system is covered, in a percentage of 83%, by the compulsory public system, and 17% are the voluntary insurance, subscriptions and direct payment services, added Marius COVLESCU, Advisor to the Ministry of Public Health.

He believes that, once the basic benefits package is defined, complementary type of voluntary insurance shall be developed and this will un-burden the public system, which will lead to a higher quality in the medical act.

But despite the high potential for development of the health insurance market, this can be exploited only if fiscal facilities are granted to potential customers.

The current deductibility, set within a limit of EUR 200, does not stimulate enough the corporations to buy health insur-

ance for the employees, a situation that might seriously shatter the optimism of these forecasts.

Thus, according to Mircea OPRESCU, Health Department Manager, INTERAMERICAN, „In such a situation, we have two solutions: either we give up the association of the health insurance premium to the salary, which is no longer taxed, and in this case, the deductibility limit of EUR 200 shall be maintained, or we continue to associate the premium to the salary, then tax it, but in this case, the contributions must be subject to total deductibility.

The law has its flaws, especially with regard to the deductibility and the connection between complementary and supplementary insurance and the substitutive ones, stated Dan CONSTANTINESCU, who recommends the involved companies (insurers and medical care companies) to lobby at the Ministry of Economy and Finances for a higher deductibility, because this could encourage employers and employees in getting involved in the private health care system.

Nevertheless, private health insurance, according to the MEDNET survey, with 17.9% of the votes, rank second in the top of extra-salary benefits wanted by the employees, the first one being, with 19.1% of the preferences expressed, the private pension.

It remains to be seen whether the optimistic forecasts of the specialists shall come true...

Mihaela CÎRCU

The Private Pensions Forum

Cluj - Napoca, Romania

1st Edition
June 28th, 2007

by Media XPRIMM

In focus:

THE NORTH - WESTERN COUNTIES

From the perspective of the future beneficiaries, the private pensions role in insuring an adequate standard of living at the retiring age is very precise and has been highly disputed. Nevertheless, the place that the private pensions can achieve in the economic agents' policy regarding their employees deserves a greater attention, from the point of view of the beneficiaries as well as from the point of view of the necessary financial and administrative efforts.

Therefore, together with the market supervisory authority and the representatives of the main authorized operators, we shall try to answer to the following questions:

- In what respect can the private pensions be used as a factor to improve the employees' loyalty?
- What are the real costs that the employer has to support in order to contribute along with the employee when buying a private pensions product? How can these costs be optimized?
- What are the criteria one should consider for the correct selection of the pension fund?
- How can the "comparability" of the offers be insured - from the costs, fees etc. point of view?
- A differentiating factor between the offerings of the private pension funds is that of the rentability/level of financial risk balance? In what way can the financial risk be understood and how can it be quantified?
- What are the financial guarantees offered to the participants in the private pensions system? What is the role of the Guarantee Fund?
- The supervisory activity of the private pensions system requires some filters like the supervisory authority, the depositary, the auditor; how will they interact and what is their responsibility?

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London EC3P 3AX
Telephone: +44 (0)20 7488 8111

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From Mediation to Consulting



The International Insurance Brokerage Conference, organized at FIAR – The International Insurance-Reinsurance Forum took place on the 22nd of May in Sinaia and provided the perfect framework for a meeting between the three forces dominant on the Romanian insurance market, focusing obviously on the issues of insurance intermediation. The three forces were the representatives of insurance intermediation companies, most of the members of The National Association of Intermediation and Consulting Companies from Romania (UNSICAR), representatives of the insurance companies from Romania and, last but not least, representatives of the supervisory body.

The International Insurance Brokerage Conference from FIAR, started with a presentation of the legal framework specific to this field and described briefly the main directions in the activity of the Insurance Supervisory Commission with regard to the regulation of the Romanian insurance intermediation market.

We are concerned with defining a legislative framework that supports and helps the brokerage and consulting activities. ISC is now drafting the regulations on the specificity of insurance agents, the professional qualification and certification of the personnel working in insurance and insurance brokerage and the specifics of the broker profession, which shall be governed by the new amendments of Law no. 32/2000, stated Aurelia CRISTEA, Member of the ISC Board, during the first part of the Conference, moderated by Bogdan ANDRIESCU, President of UNSICAR.

Regarding the future norms of the Commission that will enforce the endorsement, authorization and professional qualification of insurance agents for a transparent monitoring, we must mention that the Registry of natural persons and legal entities working in insurance intermediation is now drafted, at the moment being under debate on the official ISC web site, added the above-mentioned official.

Ovidiu ȚIBULEAC, Insurance Department Manager for the Lawyer's Firm BOSTINĂ&Associates, presented the legislation in insurance intermediation where a restrictive registry is currently turning into a permissive one.

Although we are faced with a real boom in the number of insurance and brokerage companies, this development must have an impact first and foremost in the quality of services provided. Thus, it is obvious and clear that there is a lack of specific consulting operations for risk instances, specialized technical assistance between the parties involved and the insurance industry and, last but not least, of legal consulting services. We need a complex and comprehensive legal framework, in the context where the Romanian law applicable in this field can be constantly improved, he added.



Mrs. Aurelia CRISTEA
Member, CSA Council



Mr. Bogdan ANDRIESCU
President, UNSICAR



Mr. Antonio SOUVANNASOUCK
Managing Partner, ASIGEST



Mr. Ovidiu DEMETRESCU
Managing Director, LONDON Brokers



We are on the right track, the norms currently drafted to regulate these issues indicating the shift of the Romanian brokerage market towards a mature market, states Aurelia CRISTEA.

At the same time, in order to cope with the competition of insurance agents, brokers must bring added value and provide the passage from a simple intermediation activity to a higher level of consulting and risk management, concluded Ovidiu DEMETRESCU, Managing Partner at LONDON Brokers, at the end of the first part of the Conference.

The International Insurance Brokerage Conference introduced also a premier on the Romanian intermediation market, namely the first foreign broker who placed a risk with a Romanian company for a customer operating in our country. Thus, we can acknowledge the European competition starting to be seen on the territory of our country. The insurance intermediation company is from Bulgaria and it is called MARINS International. This brokerage company has corporate customers only and is focused on niche products, which are quite rare in Romania, but their demand shall increase among the corporate segment customers. Ivan DONCHEV, Managing Director MARINS International was the one to present products for business interruption or

construction contractors' liability. Given that both in Bulgaria and in Romania, the investments from other EU member states are continuously growing, the need for insurance products not present before the accession is already obvious in these two member states. The intensity of work in the field of residential areas and office buildings constructions is well known already. They have become a clear need, and developers in this area promote the mentality and the needs regarding the operations they develop in various other regions throughout the globe.

Brokers' pressure

The International Insurance Brokerage Conference, organized within FIAR 2007, offered the participants the opportunity to debate on issues related to the legislation regulating the insurance brokerage, as well as potential barriers brokers might encounter in their daily activity.

One of the discussions hosted by this Conference was related to the brokers' possibility to operate on the private pension market. *We are looking for a solution to regulate the brokerage activity in private pensions and, in this respect, we have launched the idea of creating a product packages in col-*

POINT OF VIEW WITH



Mr. Gheorghe GRAD
General Manager, SRBA

The Contractual Relation between Brokers and Insurers – Negotiated or Imposed?

The leading annual event on the Romanian insurance market, FIAR, has recently ended. This year, the attention given to insurance brokerage was a special one, and we dare say, it measured up to the importance of this profession on the market. The debates were attended by a wider number of participants, both from the brokerage companies and the insurers, and they focused on the numerous issues related to the profession itself and the measure to improve its status from two perspectives: the relations brokers-customers and brokers-insurers.

The latest events in their professional life made us consider the contractual relation between the broker and the insurer, a topic that was, obviously, debated at FIAR. For the moment, this relation seems to be based on a force principle, supported by the big gap between the financial power of the insurers and brokers, respectively, as well as

by the fact that the insurance brokerage activity cannot be conducted without having contracts with the insurance companies. This somehow shows that brokerage companies depend on the desire and will of the insurance companies.

If one just reads the current Mandate Contracts designed by the insurers, based on the experiences they gathered since their creation and up to the present, it can be quite frustrating.

We shall give an example from a contract that caught our special attention, namely: "THE BROKER shall be held responsible for all consequences that the INSURER would bear for all payment made but which, because of inaccurate or delayed registration or because it was cashed in outside the given mandate, is not considered as being actually paid or cashed in on behalf and for the INSURER"

laboration with the pension funds, stated ANDRIESCU, President of the National Association of Intermediation and Consulting Companies from Romania (UNSICAR).

The process of authorizing the marketing agents seems to me quite cumbersome given that both for Pillar II and Pillar III, the brokerage company must set up separate companies, with distinct fees and authorizations. It does not seem to me that the entry of brokers on the private pension market is really encouraged, stated Alexandru APOSTOL, General Manager MAXYGO Insurance Broker, with regard to future problems that authorized marketing agents might encounter in the future when selling pensions.

Brokers receive support from the Private Pension Supervisory Commission (CSSPP) in regulating their activity on the private pension market. The Commission shall make the necessary efforts to facilitate the authorization of insurance brokers as marketing agents for the private pension market. *We shall make all efforts to promote an ordinance that encourages the participation of insurance brokers on the private pension market. Thus, we want brokers not to be forced to set up two companies so as to become authorized for Pillar II and Pillar III respectively. They shall be authorized, directly, to operate for the two pillars,* stated, exclusively for us, Ștefan PRIGOREANU, Member in the Board of CSSPP.

And the reaction of the future administrators was quick to follow, "Brokers are vital for the future private pension market, both on the facultative and the privately administered pension market, and their input in the sales force can only be helpful", stated Mihai COCA COZMA, Chief Operational Officer AIG Life.

At this anniversary edition of FIAR, the host of the International Insurance Brokers Conference, Bogdan ANDRIESCU, President of the National Association of Intermediation and Consulting Companies from Romania (UNSICAR) stated: "Ten years ago, at FIAR we were ten times fewer. Meanwhile, both the number and the income of the insurance brokerage market increased exponentially". conclusion

Liviu HULUȚĂ



Mr. Ivan DONCHEV
Managing Director, MARINS Int'l



Mr. Ovidiu ȚIBULEAC
Lawyer, BOȘȚINĂ&Asociații



Mr. Cristian ANGHEL
General Manager
CAPITAL & ALLIANCE



Mr. Bogdan STAN
CEO, ASITRANS

A concrete case: a customer paid in the insurer's account an amount in euros. The insurer operated it as being in USD (therefore resulting in a difference representing unpaid premium) and the same Insurer refused to pay for a claim file that was subsequently issued, invoking this reason precisely. Although the situation cleared in a few days, it is hard to comment on the fact that the insurer did not even make a phone call to the customer to apologize...

If the customer had made the payment to the broker and he/she was to make the same mistake, according to the contract, the broker should have paid the claim to the customer. But if the insurer makes a mistake, it does not count. It is obvious that such clauses must apply both ways, namely both parties must undertake mutual obligations, sanctions and responsibilities.

Another interesting clause is the below mentioned one, according to which „In case of a missing (insurance related document, editor's note), THE BROKER undertakes to present the actual situation and the circumstances that caused the missing document case. In case of a claim related to a missing policy (declared

or not as missing), THE BROKER must bear both the value of the claim and the purchase and administration costs of the respective policy”.

It is discouraging and I propose a close assessment of the following:

- if an insurance document is indicated as missing, the first steps should be taken at insurer's level, where the circumstances that caused the missing document case are described;
- make a public announcement in a newspaper and in the Official Gazette (to declare it null and void); if there is a claim... all these actions shall not exempt you, as broker, of anything (although, legally speaking, you are exempt; but contractually, you are not!?!);
- the purchase and administration costs for the related policy shall be paid for! What on earth does this mean? Are we talking about losses in the insurance company's account that amount to RON 0.50?

Another regular clause: „failure to pay on time the insurance premiums entails the broker's obligation to pay the potential losses incurred since the signing date of the insurance contract and until the submission of the premiums to the insurer”.

But all commercial contracts have provisions regarding penalties in case of delays related to the contract obligations of the parties, penalties in a quantum of 0.1% and 0.5%/day, meaning between 36.5 and 182.5%/year. Why do insurers ask for a regress for potential losses?! Is it that a possible delay in payment changes the risk circumstances and turns the broker into insurer?!

We totally agree that the collaboration between brokers and insurers had to cope with various problems over time. However, we suggest that, with the creation and consolidation of this type of business, it is mandatory to have a closer look at the clauses imposing unilateral liability. Personally, I think we have reached a maturity level of the market and a natural selection has already taken place among the brokers, which allows for a change in attitude. The history of the relation, correlated with the reputation of the persons involved should represent the first criteria in negotiating the collaboration between an insurer and an insurance broker.



> With less than four years to go until the official and finally binding implementation of the new Solvency II regime in 2011, it is becoming increasingly clear that the European insurance industry needs to prepare. The European Union has been undergoing some significant changes: with its biggest enlargement ever in May 2004, ten new countries were invited to join the 'European Club'; three years later, January 2007 Bulgaria and Romania followed. Politically and from an economic perspective, Europe has been increasingly harmonised – and just as the banking industry had its own major regulatory 'face lift', Solvency II is the European Commission's most recent project: creating a more transparent and harmonised insurance and reinsurance industry, which will provide a safety net for policy holders and support overall market stability.

The Safety Net of Solvency II

By courtesy of
Willis

Solvency II's main objective is to better reflect not only on the regulation and supervision of the industry, but also putting the risk profile of an insurer more directly within the context of economic reality in today's business. Volatile capital markets, falling interest rates, a rising number of losses and accelerating deregulation of insurance markets have had a significant impact on the equity capital base of many insurance companies. What is required is a financial services sector which can increase the flexibility and dynamism of the wider economy.

Solvency II can contribute to this by creating a level playing field in prudential requirements for insurers, fostering a deeper single market in insurance services with benefits for users as well as providers, and allowing for more efficient allocation of capital. Solvency II is, therefore, a directive which includes investment as well as underwriting in measuring a company's risks.

A high degree of regulatory alignment is, therefore, not only sensible, but supportive of the European insurance industry's credibility within financial markets. Clearly, credibility equates to transparency.

The EU's current regulatory directive, Solvency I, provides a capital buffer which contributes to policyholder protection but has proven to be less effective in meeting other objectives. In particular, early warning for the regulator requires a trigger level of capital which is aligned with the risk that a firm may fail. Solvency I also falls short in several other areas:

- Solvency I hinders efficient economic outcomes by imposing excessive burdens on firms.
- Solvency I imposes capital requirements that for many firms are too low to ensure adequate solvency.
- Solvency I does not provide supervisors with the tools to foster higher quality risk management and control which is arguably as important for policyholder protection as the level of solvency itself.

In 2003, the Committee of European Insurance and Occupational Pensions Supervisory (CEIOPS) was formed as an advisory body to the European Commission (EC). Since then, one of CEIOPS' main objectives has been shaping the Solvency II capital regime.

Figure 1

SOLVENCY II			
Embedding Solvency II in your business			
	Pillar 1	Pillar 2	Pillar 3
Insurance risk	Quantitative requirements	Supervisor Review	Market Discipline
Market risk	Reserving	Qualitative requirements	Transparency
Credit risk	Regulations on minimum capital requirements investment	Regulations on financial services supervision (Capabilities and powers of regulators, areas of activity)	w
Liquidity risk			Disclosure requirements
Operational risk			Competition related elements
	Implementation	Control	Disclosure

The new framework should promote higher quality risk management, challenge key developments within the insurance industry, and ensure that the assessment of regulatory capital is integrated within firms' wider capital management processes. Solvency II aims to implement solvency requirements that better reflect the risks that companies face and deliver a supervisory system that is consistently implemented across all member states.



Solvency margins under Solvency II

Similar to Basel II, which governs the banking institutions of continental Europe, the Commission has proposed that a three-pillar structure should be adapted for regulating insurance firms. Each of these pillars governs a different aspect of the Solvency II requirements and approach (see figure 1).

Whilst providing insurance companies with the freedom to choose their own risk profile, as long as they hold commensurate risk capital, the regime's concept of SCR and MCR allows 'safety triggers' which can provide early warning of deterioration in solvency levels.

Pillar 1 contains two capital requirements, the Minimum Capital Requirement (MCR) and the Solvency Capital Requirement (SCR)

- MCR reflects an absolute minimum level of required capital below which supervisory action will automatically be triggered.
- SCR represents additional capital to absorb significant unforeseen losses.

Pillar 2 refers to the supervisory review process that complements capital requirements (Pillar 1) and disclosures (Pillar 3). The Pillar 2 supervisory review process has two aims:

- to help ensure that a firm is well run and meets adequate risk management standards; and
- to help ensure that the firm is adequately capitalised.

Pillar 3 requires disclosure of additional information that supervisors feel they need in order to perform their regulatory functions. This means:

- company focused – Transparency
- industry focused – Transparency

Undergoing a number of Qualitative Impact Studies (QIS), CEIOPS aims to address and diminish shortfalls within previous solvency requirements whilst assuring a smooth transition into the new framework. In October 2006, results from QIS2 were presented to EU Commission to inform the Impact Assessment for the Solvency II Directive. Its main focus was the design and structure, as well as testing the viability of certain methodologies. A further study,

QIS3, and the relevant spreadsheet have just been published early this month, addressing further development and calibration of Solvency Capital Requirements (SCR), Minimum Capital Requirements (MCR) and the issue of group prerequisites.

The complexity of Solvency II will continue to cause debate in the year ahead; and whilst it is very likely that at least one or even more QIS may follow, namely QIS's 4 and 5, these should not be relied upon as opportunities to bring about fundamental change other than rather occasions for fine tuning. Therefore, it is now that the insurance industry should be embracing adequate measurements to prepare itself for the Solvency II regime - participants are still able to shape the resulting legislation up to the 30th of June 2007.

Regardless of what the final outline of the Solvency II regime may be, many regulatory authorities have started modernising their supervisory methodology towards a risk-based approach. The Insurance Day recently published a study carried out by CEIOPS, indicating that 38% of supervisory authorities acknowledge that Solvency II will mean material change not only to their supervisory tools, but also systems and resources.

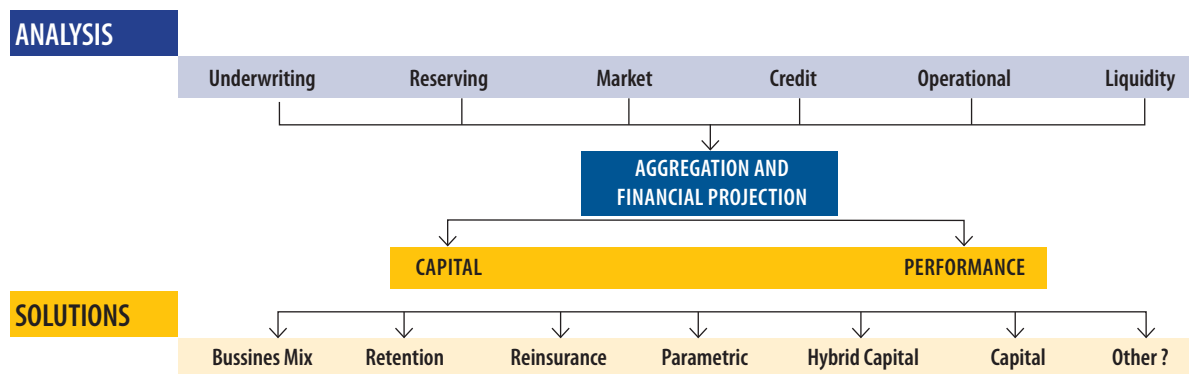
Solvency II should, therefore, not be seen as an EU directive only. Similar regulatory developments can also be observed within the Asian insurance market, for example. Non-EU reinsurers will need to be aware that in order to compete with re-insurers domiciled in the EU, an adoption of at least Solvency II standards will be crucial to remain vital and compatible in the overall steering process.

Companies that have traditionally enjoyed operating in a relatively undemanding regulatory environment will now see more restrictions being placed on the way they (used to) conduct their business. Implementing Solvency II may entail enormous effort, but it will enable companies to identify their biggest risk drivers and to significantly optimise capital allocation.

Solvency II timeline

April 2006	May 2006	July 2006	October 2006	July 2007	January 2011
	1 May	QIS2 21 July		QIS3	
30 April CEIOPS formal response on Wave 3			1 October Pillar 1 consultation papers issued	End of October First draft of framework directive	Framework directive and impact analysis finalised
					Solvency II in operation

Figure 2



Reinsurance offers a great level of flexibility and corporate independence

Meeting the solvency requirements will mean increased linkage between capital requirements and the overall risk of an insurer - rating agencies, such as Moody's and Fitch, seem to endorse this concept in particular. Hence, for those insurers wanting to maintain business opportunities or if capitalisation is still too low after the portfolio has been adjusted, there will be three options available:

- reinsurance
- capital increase and
- transfer of risks to the capital markets

It is clear that many national regulators see themselves working in partnership with the local insurance sector to represent collective interests. Likewise, there are trade bodies who again are striving to ensure their national market place remains healthy, competitive and transparent. One thing all these representatives have in common – the need to obtain practical evidence.

It is practical evidence that will now carry weight, not theoretical argument. Increased cooperation and participation are now what the regulators are looking for in their final stage of getting the directory ready for 'take-off'.

Whilst QIS 1 and QIS 2 were rather steering towards defining the formula and its parameters, QIS 3 looked at the approaches of calculating the quantitative impact. As this stage has now more or less been finalised, regulators expect an increase of insurers actually participating in completing the study.

Current outcomes show that less than half of participating insurance companies employ the integrated risk management structure as outlined by the new Solvency framework. So far, risk management was often regarded as something "nice-to-have", whereas essentially it can enhance a company's own business stand in an increasingly competitive and transparent insurance market. Solvency II addresses specific risk dimensions, such as the probability of economic factors, value at risk and others, as illustrated by the chart

(figure 2). Throughout analysis, it becomes clear that a risk management-based approach seems to be a "must-have" in order to implement the directive's higher standards successfully.

Solvency II will significantly change the importance of and demand for reinsurance cover. In addition to standard products, there will be increased demand in the future for solutions more closely geared to individual risk parameters and providing a high degree of flexibility.

Willis offers extensive knowledge on the Solvency II Project and has been in a constant dialogue with various national regulators. Our research has also shown that although about 60 per cent of European insurers believe that Solvency II will improve their organizations' allocation of capital, less than half, however, have already enacted formal programmes to anticipate the solvency implications.

Determining the structure of insurers' reinsurance programmes plays an important part in optimising the solvency capital requirements. However, there are also alternative solutions available in the market which often seem to become forgotten: business mix, aggregate cover, run off and hybrid capital, in particular, have proven a steady track record over the recent years. Providing a "gap" analysis with both regulatory and rating agency demands, Willis offers sophisticated and established modelling instruments to develop individual reinsurance programmes – these can be tailored to individual risk structures and solvency objectives, improving working practices, business diversification or access to capital.

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> After a road scattered with hesitations, Romania's private pension system has finally reached its starting point. Read a dialogue with the Commission's President on the system's debut and the aspects that need to be solved in an...

Interview with

Mircea OANCEA

President of Private Pensions System Supervisory Commission

PRIMM: Mr. Chairman, we suggest to start with a recap: what is left to be done, from the legal point of view, in order to have a fully functional pension system?

Mircea OANCEA: As far as the first stage is concerned, in other words full authorisation of operators, of schemes and private pension funds, both voluntary and mandatory, the system is completely functional from the legal point of view. Operating ground rules have been already drafted for these entities.

On the other hand, the legislation will never be complete. It will always be perfected, based on market developments, on issues raised by operators or by us, as a supervisory commission. Most certainly, practice will have a say in all this.

Some issues regarding the collection of Pillar II contributions still need to be clarified. We are working on the methodology for enlisting in the funds that will be authorised. The draft will be examined by an inter-ministerial committee, made up of representatives of the Ministry of Economy and Finances, of the National House of Pensions (NHP) and of the Commission. At the moment, NHP keeps the records of the entire publicly insured population and it will continue to do so for Pillar II. We have to decide how the enlisting documents are to be recorded, and how these pieces of information are to be processed and transmitted. The same structure will be used to keep the records of the participants in privately administered pension funds.

In the same context, we need to set the basic rule for mandatory enlisting age limit - which should be 35 years old - and for the voluntary enlisting age limit of 45 years old.

We will basically choose one of two possible options: to take into account the exact age that one has at the beginning of the enlisting period or to take into consideration only the year of birth so that anyone who turns 35 in 2007 must enrol in a fund, while all those who turn 45 years old will be able to enlist if they want to.

Another interesting issue is raised by the young people who get employed after the enlisting deadline from 2007. We have to decide if they will have to choose a fund when they get hired or if they will have some time to have a look at the offer and then decide on the operator. I think the second option is better, but, however, this will be set in the future.

PRIMM: One of the basic responsibilities of the Commission is to oversee the financial safety of the market. Where does the legislation stand in this respect? Are there any evaluation indicators for pension funds as well which will be followed-up?

M.O.: Of course we will have solvency and financial stability indicators, but I must underline the fact that private pensions are tackled differently than insurance. Our evaluations are run in a different manner. We clearly separate the fund and the administering company, as these two are distinct legal entities. The fund is assessed based on the investment return correlated to the average market return. If for a year, the fund return goes constantly below this average value by over 4%, the fund loses its operating licence. Consequently, a fund cannot afford returns which are significantly lower than the market average. This will push the administrator to constantly look for a balance to bring him a quite good return, on one hand, so that he can stay on the market, and an acceptable risk profile on the other hand.

As to the evaluation of fund administrators, we are getting closer to insurance procedures. This is the reason why, at European level, they have already started to talk about adopting a system which is similar to Solvency II model used in insurance. The European Insurance and Occupational Pensions Committee has been analysing Solvency II with a view to find a way to adapt this system, especially created for banks and insurers, to private pension systems and forward a directive draft in this respect by the end of 2008. Nevertheless, it is important to say that this will not be an easy process considering that, as far as pensions go, we can't talk about a harmonised European legislation as it is the case of insurance, capital market or banking. This is first of all due to differences between Western European systems and those from Eastern Europe. Let's not forget that Directive 41 itself is based on the 2001 reality, when the European Union had only 15 Member States. EU enlargement brought to the attention the situation from Central and Eastern European countries, which had adopted pension systems completely different to those from older Member States. In Western Europe, the system is highly occupational, with defined benefits, where funds are established by the employer with the employees and administered by the employer. In such a context, the financial stability evaluation of these institutions is greatly similar to the insurance industry. The countries of the "new European Union" practise exclusively defined contribution accounts and they make the distinction between funds and administrators. Under these circumstances, there are no guarantees for benefits level, but, still, the pension is always guaranteed. This brings along the need for guarantee funds,

> I don't think that in 2007 we will witness a spectacular increase in voluntary pensions. The real "boom" will take place in 2008, once these benefits will be embedded in 2008 company budgets.

which are rarely encountered on Western markets. From the point of view of supervision, this means different objectives and priorities of supervisory bodies. In our case, if something bad happens and the administrator goes bankrupt, the fund is taken over by another administrator. But, however, for this to happen we have to constantly check that there is money in the fund and that the interests of the participants are protected. Obviously, until a set of evaluation rules is adopted at European level, we will have to draw up our own rules for companies and for funds.

We intend to propose a set of solvency and risk indicators for pension companies by the end of the year because we don't want to deal with bankrupt administrators. We would like to work with administrators that have financial resources available at all times to meet their duties and, if they have chosen to guarantee a certain minimum return to the fund participants, that they are able to cover, from own resources, a potential return deficit. The minimum registered capital level of 4 million does not provide sufficient guarantee. On the contrary, this amount is the minimum needed to start the business.

I want to emphasize that the law doesn't impose on the administrators to provide a certain return. It is completely up to them if they decide to promise, as part of the pension scheme, a minimum guaranteed return. But, however, to make sure that if they make such a promise, they will be able to keep it, the administrators have to establish certain technical provisions. Therefore, we have already drawn up a Norm regulating pension scheme provisions. This normative act specifies the method of calculation, the rule and revision period of these provisions, which are to be adjusted to the return promised, to the establishment and source of amounts - from the administrator's own resources, not from the fund assets. The provisions will form a separate account and will be kept in depositary.

PRIMM: *A large part of the operators who are already authorised for Pillar III, or who think they will get an authorisation soon, have said that the marketing campaign might start on the 1st of May. Do you think this is realistic as a date? What do you think the structure of the voluntary private pension market will be at that time?*

M.O.: The date is realistic but I don't think that many companies will already operate on the market at that time. I think that the first contributions will be made in the second half of 2007, while the real "boom" will take place in 2008. This depends also on how informed human resources managers are and how willing they are to promote this type of benefit. No matter what, I don't think that in 2007 we will witness a spectacular increase in voluntary pensions. But, once these benefits will be embedded in 2008 company budgets, the market will develop.

In addition, by the end of the year, we will have at least six administrators on the market. Two are already authorised and four are about to be authorised. The first investment company that will bring something new than insurance companies is being authorised as well. Such a player will colour up the market and I think it will be only beneficial.

PRIMM: *We would like to go back and try to clarify where the Private Pensions System Supervisory Commission stands with regard to an issue that still causes strong debates: voluntary private pensions vs. capitalised life insurance. Besides the fact that in Romania the above-mentioned insurance products are not included in Pillar III, what differences*



> The legislation will never be complete. It will always be perfected, based on market developments, on issues raised by operators or by us, as a supervisory commission. Most certainly, practice will have a say in all this.



between the two types of financial products make the Commission think that the confusion between them could be a potential risk for clients?

M.O.: Considering the structure of these products, the two products are meant to cover different needs. The private pension is a clear product of accumulation, whereas the insurance covers mainly a risk and the accumulation element comes second. This leads to major differences related to costs. In the case of insurance, the costs are higher because funds allocation is made mostly in the first contract period mostly to cover the risk. On the other hand, pension fund contributions are invested from day one. Unfortunately, clients who don't know this difference have unrealistic expectations for both products to lead to the same result. Or, at equally invested amounts, the return cannot be the same. These products were promoted as pensions when there was no legislation in place, but they cannot be called "pensions" anymore because this might mislead the clients. This decision was made so that voluntary pensions are not influenced and so that the population doesn't get confused by the two.

Moreover, there are great differences from the points of view of legislation, taxes, supervision, and organisation. Risk management and collection systems vary as well... briefly, there are considerable differences, even if, at a first glance, the products seem similar.

PRIMM: Let's stay in the same topic of Pillar III. Have European companies shown any interest in selling voluntary private pensions in Romania? What are the operating terms for them?

M.O.: Only AIG Poland showed an interest in selling voluntary pensions and this happened because the Romanian operator of the group, AIG Life, said they wanted to work only on Pillar II.

Anyway, I don't think that the foreign administrators will not pour in. In addition, Pillar III provides a type of deductibility that cannot be applied to foreign operators unless they are authorised in Romania.

As far as Pillar 2 is concerned, it has nothing to do with supplementary occupational pensions, therefore it is not subject to the Directive on free movement of financial services. Actually, Pillar II pensions originate from social insurance. In this respect, we interpret the law in compliance with the National Bank of Romania.

It is true that the idea of occupational pensions has come to Romania too, as some administrators want to set up funds for certain professional groups. But, the law allows other individuals to enlist in these funds as well. Pressures were made to change the law as to allow closed funds, but however, this didn't happen because we would have created a pillar for occupational pensions, more restrictive than the existing one. I think that the system adopted in Romania has some advantages because the employee can choose. At the same time, it makes the participant and the Supervisory Commission responsible.

PRIMM: Numerous voices say that the private pension system is overregulated because "Romanians have already got burnt". Do you think that, when the market has matured enough, more "liberal" regulations should be adopted?

M.O.: This is possible, but not for authorisations. I think that the limits set for investment policies are quite permissive.

For example, 50% of the share portfolio is more than permissive, especially that we are talking about pensions, and 70% in government securities is enough.

As far as I know, Ireland has much more restrictive rules, and if we keep in mind that the Romanian market is just at the beginning, we can say that the rules are adapted to the Romanian reality.

Let's remember that in '96-2000, Romania had some problems concerning the asset calculation for investment funds. This is one of the reasons why fixed asset investments, for example, are not allowed because, although they seem extremely profitable at one moment, they are pretty unstable and may involve a lot of subjectivity when running the evaluation. However, it will be allowed to run transactions with mortgage bonds, which will be listed at stock exchange, similar to municipal bonds or government securities. Actually, the entire philosophy on which this system is based is to reflect the daily stock exchange value for transacted fixed assets in the net assets value.

For this reason we are considering to impose a certain type of investment even on listed markets. Let's not forget that NASDAQ shares are also listed shares. Still, this alternative system generates a very low volume of transactions, with minimum liquidity. Most of these bonds are transacted to a very small extent, which from our point of view cannot provide the liquidity needed for pension investment funds. Shortly, we can't ignore the fact that the Romanian capital market is just at the beginning and that it is very unstable.

PRIMM: You have recently stated that the Private Pensions System Supervisory Commission will support any legal changes which could increase the volume of contributions (removing the 15% threshold for Pillar III, shortening the period over which Pillar II contribution percentage will increase). Is there a timeslot forecast for debating such measures?

M.O.: It is hard to predict when these changes could be made. The Commission can promote these changes but, it is the Government that has to make the final decision.

I personally think that this 15% limit sets a handicap for someone who enters the system later because they will find it hard to compensate for the short period of contributing by increasing the value of contributions. Still, as always, there are pros and cons. For example, the 15% threshold can be used to make pressures for declaring the real income.

In addition, an increase of the Pillar II contribution could lead to a better efficiency of the system and I will support such a measure.

Nevertheless, everything depends on the budget, on how budgetary efforts required by such a measure will match the effects of the planned decrease of social insurance. Even if people are generally optimistic about economic development, we don't really know what might happen tomorrow. Consequently, although I think that these measures would benefit the development of the private pension system and I will support them, I cannot predict when they will be implemented.

> We would like to work with administrators that have financial resources available at all times to meet their duties

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> Under the generous arches of the Foisor Palace from Sinaia, a packed conference hall was the floor for the second edition of the PRIVATE PENSIONS DAY at FIAR. Organized in a partnership that can be considered as traditional, namely with the ALLIANZ-ȚIRIAC Private Pensions company, joined by the FIMADIS company, the official IT&C Partner, the event brought together over 120 specialists from the field of private pensions, asset management, banking sector, as well as representatives of the main trade unions and experts in human resources from large corporations.

Private Pensions Day



Private pensions represent one of the "hottest" topics in Romania, polarizing the attention both through its importance and implications, and through the recent surprising dynamics, stated the conference moderator, Crinu ANDĂNUȚ, CEO, ALLIANZ-ȚIRIAC Private Pensions, in the opening of the first part of the event. The developments present in this field over the last year indicated the determination of all stakeholders to observe the terms undertaken for implementation and to create a good start for this new field of activity. There

are still many things to be done and, certainly, we all have a lot to learn, therefore we need to turn the handicap of being the last Europeans to start on this road into the advantage of learning the lessons from the experience of those who implemented the system before us, he added. Thus, although the conference focused on the most important aspects of the Romanian reality in this field, it also benefited from two special contributions, extremely interesting, regarding the European experience.

A first intervention came from George COATS, Deputy Editor of the prestigious specialized British magazine, Investment & Pensions Europe. The publishing interests of our magazine made me visit almost all European countries, where I had the chance to shape a direct opinion on the developments of these private pension markets and formulate a few conclusions, stated the British journalist. A first conclusion concerned the advantage of former communist countries from Central and Eastern Europe in the pension system reform process in relation with mature economies from Western states. The demographic evolution raises similar problems in the field of pensions throughout Europe, the need to reform the current systems being clear. In such a context, the situation of EEC countries offered the advantage of building on a "virgin" soil, and this allowed the implementation of coherent solutions,



adapted to the current needs. In Western economies, the change of an economic culture and the reform of systems which developed naturally for 150 years proved to be an extremely difficult approach, added George COATS. Regarding the New Europe markets, despite the diversity of solutions adopted starting from the three-pillar scheme promoted by the World Bank, one can see common conclusions regarding the factors that affect a successful reform. A first conclusion concerns the public perception and the acceptance of the reform: *The system must be simple, understandable for persons with low economic culture and very transparent.* With regard to the financial dimension and the technical features, it is not enough to ensure the functionality and the sustainability, but the end must all the time be considered: providing decent pensions depends directly on the level of the amounts introduced in the system. In other words, too low contributions can only lead to equally low pensions. Eventually, a general conclusion underlines a dysfunction that was present and generated effects in many of the surveyed countries: *Unfortunately, the pension reform depends on the political will, and Governments think on short-term, according to election dates, while private pensions are a long and very long-term business, by definition.*

With her personality that needs no introduction in Romania, Violeta CIUREL, General Manager, European and International Affairs ING Group, brought to the attention of the participants, in the second presentation, the future perspectives in the field of European facultative private pensions. Considered as an expression of *individual responsibilities towards financial security after retirement*, Pillar III of pensions can play an increasingly important role, even more so as in many countries the resources offered by the public system, summed up with the occupational pillar, do not provide a satisfactory living standard, and in the future this situation shall become more obvious, as a result of a higher longevity. Actually, a general observation concerns the fact that there is a tendency, especially when talking about Pillar III, to focus the attention on the accumulation phase, while the importance of the payment phase is underestimated. Nevertheless, the assessment of this phase is the one that can validate the solutions selected in the accumulation phase and indicate what aspects are to become challenges for the future. From this perspective, if in the accumulation phase the accent is placed, naturally, on the asset managers' capacity to use best the assets managed, in the payment stage, the beneficiaries desire to have a steady annuity to which we associate the reimbursement of medical expenses and long term care, makes the experience of insurers in risk management and distribution annuities become an essential component in the functioning of the private pension



Dr. Crinu ANDĂNUȚ
CEO
ALLIANZ-ȚIRIAC Private Pensions



Mr. Mircea OANCEA
President, CSSPP



Mr. Bram BOON
CEO, ING Asigurări de Viață



Mrs. Violeta CIUREL
General Manager, European & International Affairs, ING Group



Mr. Ion GIURESCU
Vice-President, CSSPP



Mr. Andras SZENTGYORGYI
Sales Director, CAPITAL Systems





Mr. Cristian CONSTANTINESCU, General Manager, ALLIANZ-ȚIRIAC and
Mr. Sergiu COSTACHE, General Director, Media XPRIMM



Mr. George COATS
Deputy Editor, IPE



Mr. Dorin BOBOC
Investments Director
ALLIANZ-ȚIRIAC Private Pensions



Mr. Mihai ȘEITAN
Partnerships Manager
FINCOP Broker



Mr. Ovidiu ȚIBULEAC
Lawyer, BOȘȚINĂ&Asociații



Mr. Constantin NĂSTASE
Executive Director, UNSICAR



Mr. Ștefan PRIGOREANU
Member, CSSPP Council

market. Last but not least, noticed Violeta CIUREL, we must underline the decisive role that the state plays, through the adopted fiscal policies, in determining the population's economic behavior, both in the accumulation stage, stimulating the participation to the system, and in the distribution stage, when the taxation method may favor the option for a certain type of distribution, when the taxation method can favor the option for a certain type of distribution. There are examples where the taxation of annuities as income caused the population to chose massively for cashing the benefits in a small amount, exempt from taxes, thus a large part of the money get to be used in other purposes than the one for which it was saved. Therefore, the state is the one to consider all aspects when setting the rules, because appropriate regulations for solving certain specific objectives for the period where they were established can have perverted long term effects.

The European accession determines a direct interest for the issue of private pension portability, *young generations*, as underlined by Violeta CIUREL, *proving to have much more mobility*. According to Ovidiu ȚIBULEAC, a lawyer of the BOȘȚINĂ& Associates lawyer's firm, legally, both the provisions of Law no. 411/2004, and of Law no. 204/2006 apply to Romanians who work temporarily abroad. Sufficiently numerous, made up mainly of young persons, this category of potential customers is much more interesting for the private pension operators. As for the potential practical solutions, the participants to the PRIVATE PENSIONS DAY listened to a presentation, before its actual launch in Brussels, of the European draft for the European Financial Services Round Table, with regard to a Pan-European pension Plan meant to facilitate the cross-border functioning of private pensions from Pillar III. A viable alternative, already tested in the field, the solution proposed by the German group ALLIANZ, Allianz European Pension (AEP), was presented by Crinu ANDĂNUȚ, MD. Applied first in France, Italy and Germany, with a perspective of expansion towards the New Europe countries, AEP implies the use of a local operator, acting according to the local legislation, a local product, using the standardized contractual relations at the level of the ALLIANZ group, and a common asset management policy. Considered to be a corporate pension solution adapted to the requirements for the future, AEP provides various advantages both to the employers and the employees, especially when they belong to multinational companies.

Romania: watching the calendar

In the opening of the second part, Bram BOON, President of APAPR and CEO, ING Life Insurance, summarized some of the most important concerns of the operators. If for Pillar III only few technical details remain to be clarified, *in the case of Pillar II implementation we have several serious reasons for concern, among which the problem of the collection system, still unsolved and especially the one less discussed, but equally important, namely the system of validation for the subscription to the pension funds*. In reply to this, Ion GIURESCU, Vice-President of CSSPP, mentioned that *there is already a project under development with regard to building the collection system, a project that still requires some corrections, which means that, although the time pressure is high, there are high chances that the system is put in place in due time and functions properly*. Moreover, the official from CSSPP wanted to mention that, from the supervisory authority's point of view, the proper functioning of the system is vital because the major dysfunctions it can generate might reduce the population's confidence in the whole structure of the private pensions.

Briefly summarizing everything that happened over the past year, Mircea OANCEA, President of CSSPP, noted that *Although the supervisory authority reached its objectives regarding the issuing of the secondary legislation in due time so as to observe the announced implementation calendar, the regulation process is far from being concluded, and in the future the necessary norms must be adopted in order to clarify the operation regime of the private pension market, as well as to assess the effects that the application of the regulations issued have in practice and to operate the necessary corrections.* In addition, the agenda for 2008 should also contain the drafting of the legislation on payment methods and procedures for private pensions.

Given the extremely dynamic present and such a rich perspective ahead, the activity on the private pension market does not leave much room for reflection. However, the essence of the huge responsibility on the shoulders of all entities involved in its beginning resides precisely in fulfilling these perspectives and encourages a permanent evaluation of the road traveled and of the future stages. *We witness the birth of an extremely competitive financial market, stated Mircea OANCEA, and I am persuaded that in few years time, with the lowering of the bank interest rates and the slowing down of the real estate boom, private pensions will become a saving instrument in the population's preferences top. The success of this market shall trigger material changes in all related fields – banking, capital market etc. – and will generate a major economic and social impetus. Let's not overlook the high volume of jobs that this market will generate, the new professions created etc.* Therefore, the concrete details of the present are important especially through the angle of future implications. The professionals present at the PRIVATE PENSIONS DAY carried a dialogue with the representatives of the supervisory authority, as well as with the specialists from related fields in a successful attempt to identify the right solutions for several aspects of the practical activity.

IT&C – a must-have component

The IT solutions must represent the spine of the pension system, stated Crinu ANDĂNUȚ, the event's moderator, announcing the Conference's section focused on this topic. The administration of pension funds, the management of financial flows on the market or the supervision are activities that, in the absence of a proper IT system, would be unconceivable. The experience of certain countries that already implemented for the private pension system proved that constructive, well-designed solution almost failed when the IT support was not a proper one.

THE PRIVATE PENSIONS DAY offered the opportunity to establish a first contact with a series of dedicated IT solutions. Private pension funds administration and asset management represents the action field for the solutions proposed by FIMADIS, an important IT&C company from Hungary, specialized in technical solutions for the financial and banking system, and by SOFTWIN. If the Hungarian specialists are proudly presenting *turn-key* solutions for which they provide full support, going from individual accounts administration to reports issued for the supervisory bodies, the presentation delivered by Daniela FLOREA, CEO, EXPERIAN Geo Strategies, introduced a completely new system of geo-demographic segmentation that ranks all 21.6 million inhabitants of Romania into 45 distinct types of consumers, grouped into 10 classes, a unique instrument in Central and Eastern Europe, thus placing the selling activity in private pensions into a totally new perspective.

Obviously, the topic was too complex to be talked out in just one day of debates. However, it is beyond any doubt that the hours of discussions and presentations brought an important plus of information and offered the foundation for new partnerships, as well as many clarifications. Crinu ANDĂNUȚ: *It is very important to create a synergy of efforts that ensures for this market a start as we want it, at full speed and without hesitations, so as to send a positive image to the future participants in the system. In this approach, the exchange of experience and the dialogue represent some of the most important ingredients of the success.*

Daniela GHETU



Mrs. Daniela FLOREA
CEO, GEO Strategies - Experian



Mr. Attila RACZ
Business Line Manager, ASCENTA



Mrs. Corina CUCOLI
Director of Business Development
AVIVA



Mr. Romeo JANTEA
CEO, FINCOP Broker

> The breaks between the conferences represented a good networking opportunity





Present in the future



- > Area: 2,717,300 km²
- > Length of borders: 12,012 km
- > Neighboring countries and length of borders:
China - 1,533 km, Kyrgyzstan - 1,051 km, Russia - 6,846 km,
Turkmenistan - 370 km, Uzbekistan - 2,203 km
- > Capital: Astana
- > Administrative structure: 14 provinces
- > Population: 15,284,929 inhabitants
- > Nationalities: 53.4% Kazaks, 30% Russians, 3.7% Ukrainians,
2.5% Uzbeks, 2.4% Germans, 1.7% Tatars, 6.3% other nationalities (in total, over 30 nationalities)
- > Currency: Tenge (KZT)
- > Exchange rate: 1 euro = 162.29 KZT
- > Gross Domestic Product (GDP): EUR 45,88 billion (2006)
- > GDP per capita: EUR 6,727.63
- > Number of insurance companies: 40, of which 5 life insurance companies and 35 non-life insurance companies
- > Gross underwritten premiums (01.01.2007): EUR 740.12 million, of which EUR 22.79 million for life insurance
and EUR 717.33 million for non-life insurance
- > The insurance supervisory and regulatory body: AFN (Agency of the Kazakhstan Republic for the regulation
and supervision of the market and the financial organization)



Source: <https://www.cia.gov/cia/publications/factbook/geos/tu.html>

KAZAKHSTAN



> Until 1991, the economic system of the Kazakhstan Republic was dependant on the Soviet Union's needs. The economic transformation process began after the independence, being faced with numerous barriers in the first years, the natural resources being the only supporting pillar.

The insurance market followed the development of transformation, becoming an increasingly active sector. In the next paragraphs we shall introduce a material on the evolution of the insurance market in Kazakhstan, during 2005 and 2006.



Irina GALAȘANU
Editor

Economic framework

Even though the social-economic environment of the Kazakhstan Republic followed positive trends and an improvement at general level, there are certain factors that might affect the country's economic stability that, in its turn, shall have a negative impact on the competitive power of this state.

The economy of the Kazakhstan Republic is developing in a context of a strong flow of foreign currency, as well as

international investments, which puts pressure on the economic situation and the value of the national currency, the economy of Kazakhstan being still a vulnerable one when confronted with the fluctuation in commodity prices.

For foreign investors, the Kazakhstan Republic represents a major interest. This is due to its natural resources, the capacity of the market, the geographical position, as well as the political stability.

As for the financial system, it is appreciated by the international experts as a progressive one, Kazakhstan being the



> Tenge, the national coin of the Republic of Kazakhstan

first state in the CSI space that set up a National Guarantee



> Ministry of Gas and Oil from Astana

Fund for the economic and social stability and development.

The evolution of the banking system followed an impressive track compared to other former Soviet countries. The Central Bank managed to control inflation through a rigorous monetary policy and also tried to supervise the activity of the commercial banks and adopt certain measures to stimulate small and medium size enterprises by encouraging micro-credits, credits for agriculture etc.

Recently, the state's economic development strategy started to focus on an industrial policy based on economic diversity and aimed at reducing the over-dependency on the oil sector. This strategy is also trying to reduce the influence of foreign investments.

Last year saw pressure on the national currency caused by the flows of the exchange rate related to the price of oil. The strong economic growth caused by the revenues generated by the foreign currency flows will turn Kazakhstan into a regional financial center with a banking system comparable to the one in Central Europe.

Gross Written Premium dynamic 2006/2005

Insurance segments	Premiums (mil. EUR)			Claims (mil. EUR)		
	2005	2006	Evolution %	2005	2006	Evolution %
Life insurance	8.82	22.79	158.4	0.47	0.96	104.20
Non-life insurance	404.34	717.33	77.4	65.82	85.78	30.30
TOTAL	413.16	740.11	79.1	66.29	86.74	30.80

The insurance market

Last year, the insurance market from Kazakhstan recorded the most spectacular growth among the countries from the former CSI space in terms of gross underwritten premiums.

For the moment, the active character of insurers in Kazakhstan is not clearly shaped, and an inhabitant in this country would spend EUR 60 on insurance. The reason for this amount, still low compared to the levels in the European Union, United States of America and even Russia, is the insurers' fees. Even if these fees are a little lower than in Europe, we cannot say the same about the population's income, where most of them cannot afford insurance policies. However, the local insurance market is developing.

According to the data from the Agency of the Kazakhstan Republic for the regulation and supervision of the market and the financial organizations (AFN), on the 1st of January 2007, 40 insurance companies were operating in this country, compared to 37 the previous year. The number of insurance brokers remained unchanged compared to the previous year, namely 12 companies, and the number of actuaries increased from 30 in 2006, to 33 in 2007.

Thus, in 2006, the insurance companies from the Kazakhstan Republic recorded gross underwritten premiums amounting to EUR 740.12 million, an increase of 79.1% compared to 2005, when underwriting reached a level of EUR 413.16 million. Compulsory insurance represents 14.9% in the structure of premiums, and the facultative ones represent 85.1%.

As for the market structure on insurance classes, on the 1st of January 2007, life insurance represented 3.1% of the total, on this segment the gross underwritten premiums amounting to EUR 22.79 million. Still, this line had the most dynamic growth compared to 2005, of approximately 160%, from EUR 8.82 million.

At the same time, in non-life insurance, companies in Kazakhstan wrote last year gross premiums of EUR 717.33 million, 77.4% more compared to 2005.

Similarly, the volume of premiums ceded for reinsurance represented EUR 281.28 million, of which EUR 239.75 million were ceded to foreign residents, and the premiums taken for reinsurance from foreign companies represented EUR 3.24 million. In the total amount of insurance premiums ceded to reinsurance, the highest weight goes for the property insurance 91.5%, the rest of 8.5% being split between facultative insurance for persons and compulsory insurance.

With regard to claims, in 2006, insurance companies paid claims amounting to EUR 86.74 million, an increase by 30.8% compared to the previous year.

Meanwhile, reinsurance claims amounted to EUR 10.41 million. If we analyze payments made per insurance classes, the compulsory insurance policies represent 35.3% of the total, meaning EUR 30.61 million, an increase by 49.5% compared to 2005. Of this, EUR 17.26 million go for the paid claims in MTPL insurance. In life insurance, insurance companies paid claims of EUR 960,000 last year.

The insurance companies' assets represented, on 01.01.2007, approximately EUR 834 million, 84.7% more than the previous year.

In terms of percentage from GDP, gross underwritten premiums amounted to 1.38% in 2006, equity to 0.92%, and assets to 1.55% from the GDP.

Regarding the first quarter of this year, the insurance market in Kazakhstan followed the same positive trend, registering gross underwritten premiums of EUR 205.62 million, 38.3% more than in the first three months of 2006. Thus, life insurance had a EUR 6 million contribution to the total underwritten premiums, while non-life insurance reached EUR 199.62 million, an increase by 56.8%, respectively 37.8% compared to the same period of 2006. At the same time, claims paid by the insurers in Kazakhstan in the 1st quarter amounted to EUR 43.39 million, 2.6 times more than in the 1st quarter of 2006.

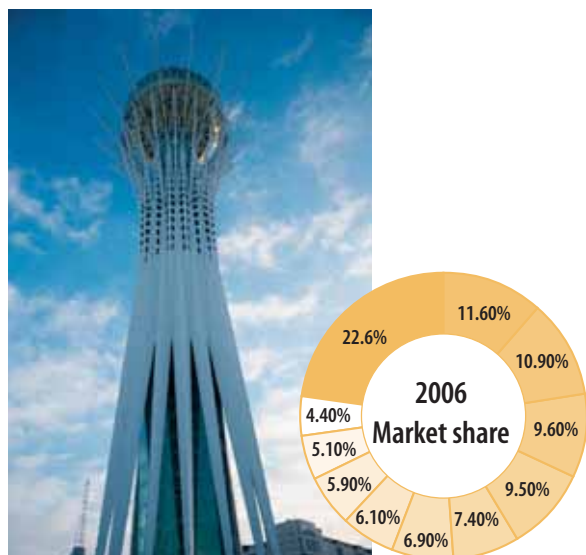
This overview of the insurance market of Kazakhstan shows an impressive dynamic in the development of the national relevant market, a phenomenon explained by the boom in the consumer loans segment, whose value doubles - at least - every year.

Regarding life insurance, until 1991, in the former Soviet Union, 78% of the Kazakhstan's population had a life insurance policy. But after the '90s, this insurance class recorded a dramatic drop. Its weight in the GDP is of maximum 0.05%. At the moment, with the increase in the population's living standard, insurance stands a great chance of growth, people being now concerned more and more about their safety, the safety of their property, old age etc. In other words, the inhabitants of Kazakhstan show a positive attitude regarding the contact with the realities of the European insurance markets. As a conclusion, life insurance market in Kazakhstan has a high growth potential, but the development level is still very low.

Another aspect related to the development of the insurance market is the territorial coverage of the relevant companies. Insurance policies are sold, they are not bought, this is the basic principle local insurers need to consider. Thus, the distribution channels represent an essential element in market development. It is just a few years ago that insurance companies started to be concerned with this issue, investing in the spread of the territorial networks.

As for the concentration on the market, the first ten companies realized, in 2006, 77.4%, in European currency, from the insurance activity.

> The Baiaterek center of Baikonur Cosmodrome



Top 10 insurance companies

EURASIA Insurance Company was founded in 1995 and became, after ten years of activity, the leader of the insurance market in Kazakhstan. The insurer has the practice license for almost all types of insurance provided for in the legislation of the Kazakhstan Republic, but also for reinsurance. In 2006, the company had gross underwritten premiums of EUR 85.9 million, with a market share of 11.6%. The registered capital of EURASIA represents EUR 1.23 million, and the company's net profit in 2006 reached the value of EUR 23.1 million.

Almata International Insurance Group (AIIG) is the second ranking company in the Top 10 from Kazakhstan according to the volume of gross underwritten premiums in 2006, which represented EUR 80.5 million. The company's registered capital is EUR 1.26 million.

KAZAHINSTRakh, founded in 1995, occupies the third place in the insurers' top in Kazakhstan. The company has a license for almost all types of facultative and compulsory insurance. The Popular Bank of the Kazakhstan Republic is one of its shareholders. According to the results from 2006, the insurer had gross underwritten premiums of EUR 70.6 million, with a market share of 9.6%. The insurance company develops its territorial network, having already all major cities in the country covered, with over 1,000 sales agents.



> The presidential palace from Astana

TOP 10 Insurance Companies ranked by GWP and market shares in 2006

No.	Company	Premiums 2006 (mil. EUR)	Market share %
1	EURASIA Insurance Company	85.90	11.60
2	Almata International Insurance Group (AIIG)	80.50	10.90
3	KAZAHINSTRakh	70.60	9.60
4	BTA Insurance	70.10	9.50
5	ALLIANCE Policy	55.00	7.40
6	AMANAT Insurance	50.80	6.90
7	LONDON-ALMATY	45.30	6.10
8	VICTORIA	44.10	5.90
9	KAZKOMMERTS-POLICY	37.70	5.10
10	ATF Policy	32.90	4.40
TOTAL TOP 10		572.90	77.40
TOTAL		740.12	100.00



> View from Baikonur, the world first cosmodrome

BTA Insurance is the fourth company in this ranking. The company was created in 1998 and has as main shareholder the largest bank in Kazakhstan, TuranAlem. Among the company's reinsurance partners we can count HANNOVER Re and SWISS Re. Last year, BTA registered gross underwritten premiums of EUR 70.1 million. The company is the leader on the motor segment, with a market share of 15%.

ALLIANCE Policy was founded in 1993 under the initial name of TUMOR. The company operates in insurance and proportional reinsurance. The insurer's territorial network covers 20 large cities in the country. In 2006, the company registered gross underwritten premiums of approximately EUR 55 million, ranking fifth among the top ten insurers in Kazakhstan.

AMANAT Insurance wrote, during 2006, gross premiums of EUR 50.8 million, with a market share of approximately 6.9%. The insurer's registered capital is of EUR 1.29 million.

LONDON-ALMATY, insurance company with British and national capital, was founded in 1997 and specializes in working with legal entities. The insurer cedes all its contracts for reinsurance abroad. With a registered capital of EUR 9.19 million, the company wrote, last year, gross premiums of EUR 45.3 million, thus ranking seventh in the top ten insurance companies from Kazakhstan.

VICTORIA is the eight insurance company in this ranking, with gross underwritten premiums in 2006 of EUR 44.2 million and a registered capital of EUR 3.05 million. The market share of VICTORIA is 5.9%.

KAZKOMMERTS-POLICY was founded in 1996 and currently has a license for 26 types of insurance. The European Bank for Reconstruction and Development is one of the two company shareholders, together with another bank, from Kazakhstan. The territorial network of KAZKOMMERTS-POLICY consists of 13 subsidiaries and 4 agencies. Last year, the insurer reported gross underwritten premiums of EUR 37.7 million, an increase by approximately 10.8% compared to 2005. The company concluded long term agreements with well-known brokers, such as MARSH, the AON subsidiary in Kazakhstan, EOS RISQ Kazakhstan, MALAKUT from Russia etc.

ATF Policy was founded in 1992 by ATF Bank. The insurer's territorial network is made up of at least 15 subsidiaries. In 2006, the company had gross underwritten premiums of EUR 32.9 million, with a market share of 4.4%. Among the reinsurance partners of ATF Policy we can count AIG, MUNICH Re, WILLIS, ROSNO, EOS Risk, MARSH s.a. ■

Source: www.wfin.kz - Kazakhstan Insurance Portal

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Mihaela CîRCU
Editor In Chief

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Events

FIAR 2007 – the official opening

Reception offered by ASIBAN

21st of May 2007

The Sinaia Casino, The International Conference center, Mirrors Hall

The official opening of FIAR 2007 took place, as usual, in the Mirrors Hall of the elegant Sinaia Casino. The participants to the reception offered by ASIBAN had the opportunity to meet again in a stylish atmosphere, to network and even set new bilateral meetings in their agenda for the next 4 days that followed the official opening.

At the beginning of the reception, Tudor BALTĂ, Vice-President of the Insurance Supervisory Commission, Dumitru Mugurel CERĂCEANU, President ASIBAN and Sergiu COSTACHE, General Director Media XPRIMM, addressed the audience welcome speeches.

The evening ended with a great and pleasant surprise: the reopening, for one night, on the occasion of FIAR 2007, of the Sinaia Casino, where the participants had the chance of showing off their talents in risk assessment and placement at the roulette, poker or blackjack.



▲ The official reception started with the welcome speech addressed by Mr. Dumitru Mugurel CERĂCEANU, President, ASIBAN



▲ The Sinaia Casino was the perfect frame for an elegant evening



▲ "Les jeux sont faits, rien ne va plus!"



▲ ROBERT FLEMING received the award for "The Most Dynamic Reinsurance Broker of 2006" granted at The Romanian Insurance Market Gala

Special evening dedicated to the brokerage market

22nd of May 2007

Restaurant of the New Montana Hotel, Sinaia

The participants to FIAR 2007 had the opportunity to prove their dancing skills during the second official evening of the Forum. The event was dedicated to insurance brokers, accompanied by representatives of the insurance and reinsurance companies in the dance contest supervised by the PRO TV star, WILLMARK. The dance floor seemed like on fire, and the atmosphere became effervescent with Latin dancing, while the dancers from WILLMARK's dance school charmed the audience.

At the end of the evening, ASIROM presented awards to the best three pairs of dancers among the participants, offering the winners a weekend at the seaside. Also, SILHOUETTE – Beauty Center, one of the partners of the evening, organized a raffle and rewarded the participants with prizes consisting of vouchers for beauty services.



▲ Mrs. Ana-Maria ION, ASITRANS, Mr. Gheorghe GRAD, SRBA, together with Mr. Boris SCHNEIDER, ASIROM



▲ WILLMARK (middle) together with Mr. Thierry PELGRIN (left), EVEREST Advisors, and Mr. Dorel BĂGIU, ASIROM



▲ Mrs. Lili BAADDI, SILHOUETTE



The Romanian traditional evening offered by ASTRA-UNIQA

23rd of May 2007

The International Hotel, Sinaia

If it is the third evening at FIAR, then we have the traditional Romanian evening offered, like every year, by ASTRA-UNIQA.

The participants were welcomed by the hosts with the traditional Romanian drink, țuică, Romanian special dishes, well-known songs from the Romanian folklore and a souvenir: every guest received a wooden recorder, an ancient musical instrument used for playing folklore.

Radu MUSTĂŢEA, General Manager ASTRA-UNIQA stated: *Year after year, besides the traditional participants, FIAR added new country and company names, thus reasserting the statement that it is indeed the event where many productive business in this market can come to life. Our company is one of the traditional partners of this event and we want all FIAR participants to look forward every year to this evening offered by us, the traditional Romanian evening, especially because they enjoyed it the previous years as well, together with their hosts, XPRIMM and ASTRA-UNIQA.*



▲ Mr. Radu MUSTĂŢEA, General Manager, ASTRA-UNIQA



▲ The guests were welcomed, according with Romanian customs, with bread and salt



▲ Traditional Romanian dancers delighted the guests



▲ Each of our guests received, as a gift, a Romanian traditional whistler



Surprise evening offered by POLISH Re

24th of May 2007

Sinaia Hotel, Fusion Club

The representatives of POLISH Re were the hosts of the most vibrant evening at FIAR 2007. In the electric atmosphere from the Fusion Club, animated by the MC of the evening, Dan FINȚESCU, the participants enjoyed the good music, the already traditional dancing and karaoke contests, the PERONI beer and the COTNARI wine. One of the evening's surprises was the extraordinary concert of MIKI.



▲ POLISH Re representatives, the evening hosts, waiting for their guests



▲ Mr. Artur MICHALAK, POLISH Re, welcoming the participants



▲ As every year, the karaoke contest attracted many competitors



▲ Mrs. Katja BOGATAJ, TRIGLAV Re, Mr. Joseph FADDOUL and Mr. Elie Abi RACHED, CHEDID Re, Mrs. Magdalena CZAJA and Mr. Artur MICHALAK, POLISH Re



▲ The evening surprise: MIKI



▲ The dance floor was overwhelmed once again