

THE AUTO MTPL MARKET IN A PRESENT CONTEXT

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Abstract: *An insurance policy is an essential aspect of modern life. Without an insurance policy, many elements of today's society and economy could not function. One of the most important insurances on the Romanian market is the compulsory car liability insurance, also called RCA(MTPL). It is an insurance through which third parties injured as a result of a car accident receive compensation for material damage and / or death or personal injury suffered in an accident. This paper aims to study what trends are on the Romanian MTPL car market and what changes this type of insurance has registered. Based on both the quantitative and the qualitative methods, the present paper is an exploratory research, aiming to highlight relevant information in the field. Car liability insurance remains a very important insurance policy on the Romanian insurance market.*

Keywords: *insurance, car insurance, motor third party liability insurance, MTPL, market.*

JEL Classification: *I15.*

1. Introduction

An insurance policy is an essential aspect of modern life. Without an insurance policy, many elements of today's society and economy could not function.

The business branch concerned with insurance policies has made many advances over time, its existence generating other related sectors of activity, such as motor third party liability insurance. In other words, MTPL is the method of protection by which those affected by car accidents are helped by getting compensation that can vary from case to case.

Ciurel V. (2011) states that the MTPL insurance is an insurance by which third parties injured in a car accident, caused by the fault of the insured driver, receive compensation for property damage and / or death or personal injury suffered in that accident.

Due to its social role, the motor third party liability insurance is compulsorily practiced in all states of the European economic area. The compulsory civil liability insurance contract, for damage caused by vehicle accidents, covers the civil liability of the user of a vehicle for the damage caused to a third party by said vehicle. Basically, when an accident occurs, the insurer takes over the payment obligations to the injured party / parties, according to the MTPL insurance contract concluded with the insured driver.

MTPL insurance is mandatory for any vehicle owner. It must be available to all drivers in the event of disastrous road events. This type of insurance only covers damages caused to third parties due to the insured driver's fault.

MTPL insurance is the only type of compulsory insurance that the Romanian state imposes for motor vehicles. (<https://www.toplacservise.ro/blog/ce-trebuie-sa-stii-despre-asigurarea-obligatorie-de-raspundere-civila-auto>, 2018)

According to law no. 132/2017, regarding the compulsory motor third party liability insurance for damages caused to third parties by vehicle and tram accidents, the following can be deduced:

- Once this type of insurance is completed, drivers receive a policy called a Green Card, which is valid when driving abroad.
- In order to be able to purchase liability insurance, the vehicle must be registered and in the possession of the person taking out the insurance.
- According to law no. 132/2017, the compensation limits reach up to 1,220,000 euros for material damages and 6,070,000 euros for bodily injuries. The conditions for granting compensation are strict and may vary depending on the quality of the insurance.

- Compulsory insurance also covers compensation if the guilty driver does not comply with the law or does not have a driving license.
- Lack of MTPL insurance is sanctioned with a fine between 1000 and 2000 lei, withdrawal of license plates and withholding of the registration certificate.
- In some cases, the insurer may claim compensation from the culprit. For example, if the accident occurred intentionally or took place during a crime, the insurer can claim compensation from the culprit.
- The MTPL insurer does not grant compensation if the damaged cars belong to the same person, regardless of whether the person is self-employed or a business owner.
- In case of the loss of the MTPL policy documents, the insurer may issue a duplicate, but only if the driver who took out the insurance policy publishes their plate numbers in a national newspaper before requesting the duplicate.
- The MTPL insurance premium can be refunded if the vehicle is deregistered or sold, exception being leased vehicles.
- Insurers have the obligation to ascertain the damages within 5 days from the notification made by the victims. For settling damages resulted from minor accidents, it is sufficient to use an Amicable Finding Form.

2. Research methodology

Considering the above, the main objective of this paper is the analysis of motor third party liability insurance (MTPL) through specific terms.

The purpose of the research was to highlight the trends of the MTPL car market in the pandemic context, as well as to highlight some measures taken by Romanian insurers.

This paper is based on various types of data provided by the insurance market through various sources of information, which gives it a qualitative and quantitative character.

3. Data analysis

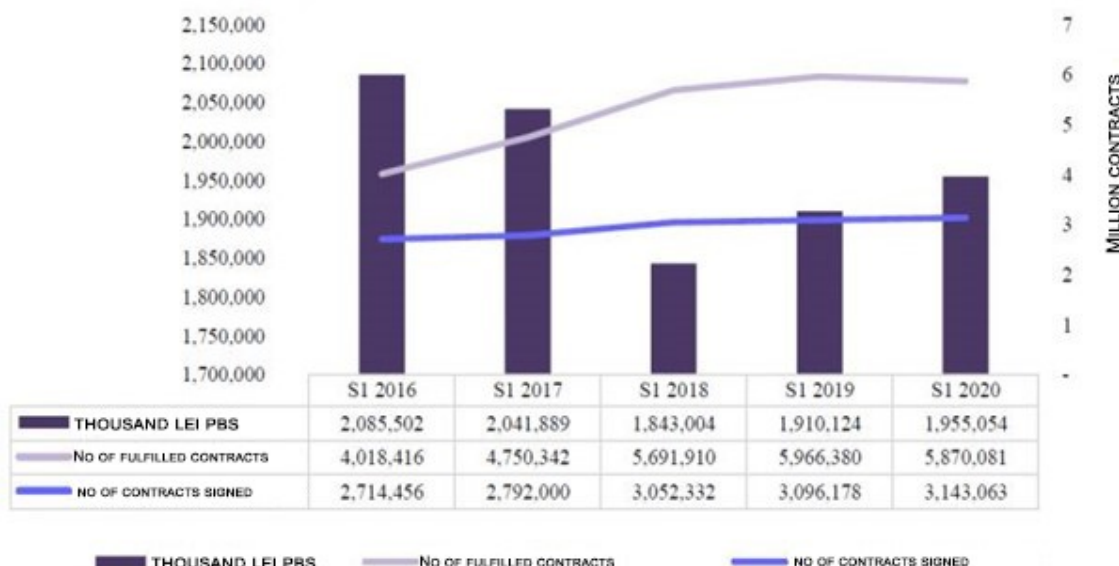
In the pandemic context, the MTPL car market recorded the following data, provided by data gatherers. Thus, the MTPL - motor third party liability insurance market advanced by about 2% in the first half of 2020 compared to the same period last year. At the same time, the annualized MTPL average increased by about 1%, and the average damage increased by 4%. The total value of insurance premiums written for MTPL policies in the first 6 months of 2020 was about 1.96 billion lei. The rest of class A10 (about 2.07 billion lei) represents the carrier's insurance for transported goods and MTPL insurance taken out in the territory of other EU Member States under the right to freedom of providing services.

According to chart no. 1, we find that the number of MTPL contracts concluded until June 30, 2020 was 3.14 million contracts, compared to the first half of 2016 where there were 2.71 million contracts, 2.79 contracts in Q1 of 2017, 3.05 million contracts in Q1 of 2018 and 3.09 million in Q1 of 2019. There is a slight increase compared to the 2016-2019 period.

At the same time, the gross premiums registered for MTPL policies have had a downward trend since 2016, but the first half of 2019 marked a slight return, maintaining this year, 2020, on an upward trend.

Graph no. 1.

EVOLUTION OF MTPL PAYMENTS IN Q1 2016 - Q1 2020



Source: https://asfromania.ro/files/analize/Evolutia%20pietei%20asigurarilor_S1_2020__si%202102020.pdf

Regarding the evolution of MTPL payments as shown in table no. 1, overall, the first average annualized MTPL increased by approximately 1% in the first half of 2020 compared to the same half of 2019, registering the value of 622 lei per policy on the total market. For individuals, the average payment was 462 lei, while for legal entities it was worth 1,188 lei.

We notice that for individuals, the payment has registered slight changes, and for legal entities we notice that in the period of Q1 2016 – Q1 2020, it is decreasing, the current economic context having its say.

Table no. 1

EVOLUTION OF MTPL PAYMENTS IN Q1 2016 - Q1 2020

	S1 2016	S1 2017	S1 2018**	S1 2019**	S1 2020**
MARKET TOTAL	768	731	604	617	622
INDIVIDUALS	497	538	426	451	462
BUSINESSES	1.650	1.356	1.217	1.184	1.188

Source: https://asfromania.ro/files/analize/Evolutia%20pietei%20asigurarilor_S1_2020__si%202102020.pdf

According to table no. 2, in Q2 of 2020, the largest shares were held by the policies with a validity of 6 months and respectively 12 months.

Regarding the contracts concluded in the period of Q1 2016-Q1-2020, table no. 2 shows the policies with a validity of 6 months and 12 months, but also noted are the insurance policies with a validity of one month.

Table no. 2. Number of contracts concluded in Q1 2016 – Q1 2020

Time period	Q1 2016	Q1 2017	Q1 2018	Q1 2019	Q2 2020
12 months	41,05%	34,13%	31,73%	30,29%	31,45%
11 months	0,00%	0,03%	0,07%	0,01%	0,02%
10 months	0,00%	0,02%	0,02%	0,03%	0,03%
9 months	0,00%	0,06%	0,10%	0,12%	0,11%
8 months	0,00%	0,10%	0,13%	0,14%	0,09%
7 months	0,00%	0,12%	0,15%	0,13%	0,09%
6 months	51,81%	43,49%	34,87%	34,35%	36,38%
5 months	0,00%	0,09%	0,09%	0,05%	0,05%
4months	0,00%	0,17%	0,21%	0,17%	0,09%
3 months	0,00%	3,56%	6,21%	5,47%	4,59%
2 months	0,00%	2,00%	3,26%	3,06%	2,54%
1 month	7,14%	16,23%	23,17%	26,18%	24,57%
Total	100,00%	100,00%	100,00%	100,00%	100,00%

Source:https://asfromania.ro/files/analize/Evolutia%20pietei%20asigurarilor_S1_2020__site02102020.pdf

From the point of view of the structure of client portfolios, table no. 3 shows that in the first half of 2016 up to quarter 1 of 2020, the share of contracts concluded with individuals in the entire market remained at about 80%, and for the same period the share of contracts concluded with legal entities was 20-21% higher.

Table no. 3. Number of contracts concluded with an individual or a business

	Q1 2016	Q1 2017	Q1 2018	Q1 2019	Q1 2020
Individual	78,57%	78,44%	79,74%	79,67%	79,62%
Business	21,43%	21,56%	20,26%	20,33%	20,38%
Total	100,00%	100,00%	100,00%	100,00%	100,00%

Source:https://asfromania.ro/files/analize/Evolutia%20pietei%20asigurarilor_S1_2020__site02102020.pdf

Regarding the top insurers, according to table no. 4, in the first half of 2020, the degree of acquisitions remains significant for the insurers at the top. The first 2 insurers accumulated about 74% of the MTPL insurance portfolio in Romania, and the first 3 have a share of 81%.

According to the calculations made by XPRIMM Publications based on the data published by the Financial Supervisory Authority, CITY Insurance registered subscriptions on the MTPL market of 815.3 million lei, increasing by 11.2%, being followed by EUROINS Romania, with 639.3 million lei (+ 6.9%), and ALLIANZ-TIRIAC Asigurări, with 130.2 million lei (+ 2%). This ranking is followed by OMNIASIG VIG - 123.2 million lei (-23%), ASIROM VIG - 79 million lei (+ 29.3%), GROUPAMA Asigurări - 65.1 million lei (-36.4%), GRAWE Romania - 57.7 million lei (+ 34.2%), GENERALI Romania - 32.1 million lei (-49.4%) and UNIQA Asigurări - 13.1 million lei (-38.8%).

Table no. 4. MTPL car market- Q1 2019-Q1 2020

Piata RCA

COMPANII	PBS S1 2020		PBS S1 2019		Evolutie (%)	
	EUR m	RON m*	EUR m	RON m*	in EUR	in RON
CITY INSURANCE	168.40	815.30	154.80	733.10	8.79	11
EUROINS ROMANIA	132.00	639.30	126.30	598.10	4.51	6
ALLIANZ - TIRIAC	26.90	130.20	26.90	127.60	0.00	2
OMNIASIG VIG	25.40	123.20	33.80	159.90	-24.85	-22
ASIROM VIG	16.30	79.00	12.90	61.10	26.36	29
GROUPAMA ASIGURARI	13.40	65.10	21.60	102.40	-37.96	-36
GRAWE ROMANIA	11.90	57.70	9.10	43.00	30.77	34
GENERALI ROMANIA	6.60	32.10	13.40	63.40	-50.75	-49
UNIQA ASIGURARI	2.70	13.10	4.50	21.40	-40.00	-37

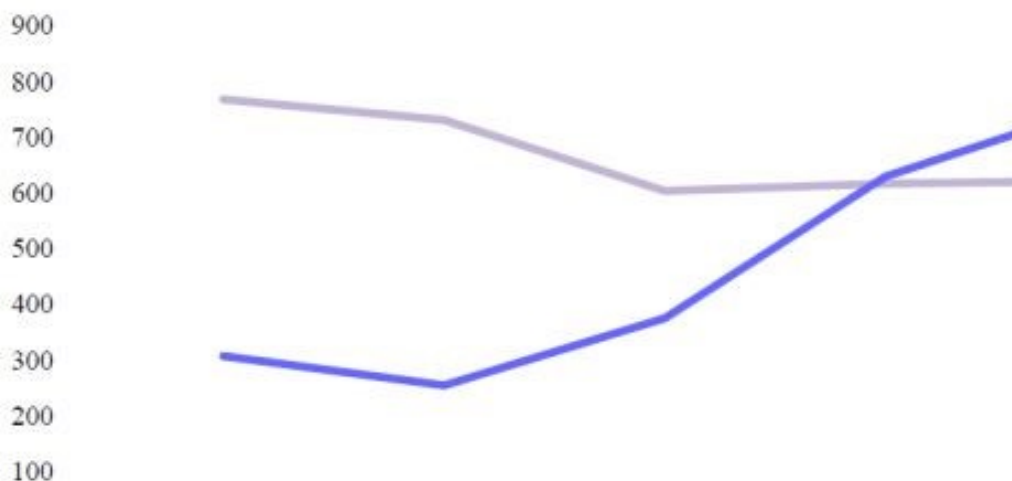
<https://www.iasig.ro/Piata-RCA-in-S1-2020->

Regarding the evolution of damages, according to chart no. 2 during the first six months of 2020, compared to 2019, the average premium increased by about 1%, while the average damage increased by 4%, to 8,609 lei. We notice that the first average is in a downward evolution from Q1 2016 to Q1 2020, this aspect being such due to the number of policies concluded during this period.

Regarding the average damage in the period of Q12016-Q1 2020, we notice an increase to it, due to the occurrence of road events more and more often, these events being caused by an underdeveloped road infrastructure.

Graph no. 2.

Evoluția primei medii și a daunei medii (lei) în perioada S1 2016 – S1 2020



Source:www.iasig.ro/Piata-RCA-in-S1-2020-

According to table no.5, the average total MTPL damage payments paid for bodily

injuries in the first 6 months of 2020 increased compared to the first half of 2019 by about 4%, and this increase is observed in the first half of 2016, 2017, 2018.

Regarding the damages paid to individuals for bodily injuries, we also observe an increase. And for the damages paid to legal entities, we observe an increase in the Q1 2016- Q1 2020 period.

Regarding the damages paid to individuals between Q1 2016-Q1 2020, we observe slight increases in Q1 2016 and Q1 2017, and more accentuated increases in Q1 2018, Q1 2019, Q1 2020.

Table no. 5.

Evoluția daunelor plătite RCA - vătămări corporale

	S1 2016	S1 2017	S1 2018	S1 2019
Daune plătite PF	137.160.858	158.614.095	181.310.300	175.619.625
Daune plătite PJ	81.895.189	96.432.854	112.084.418	117.319.085
Total daune plătite	219.056.047	255.046.949	293.394.718	292.938.710

Evoluția daunelor plătite RCA - daune materiale

	S1 2016	S1 2017	S1 2018	S1 2019
Daune plătite PF	448.580.160	489.713.403	634.965.273	743.142.147

Sursa: https://asfromania.ro/files/analize/Evolutia%20pietei%20asigurarilor_S1_2020__site_02102020.pdf

Regarding the insurers carrying out MTPL policies, on June 30, 2020, on the insurance market *the following were present: ALLIANZ-TIRIAC Asigurari SA, Asigurarea Romanească - ASIROM Vienna Insurance Group SA, Societatea de Asigurare - Reasigurare CITY Insurance SA, EUROINS România Asigurare - Reasigurare SA, GENERALI Romania Asigurare Reasigurare SA, GRAWE Romania Asigurare SA, GROUPAMA Asigurări SA, OMNIASIG Vienna Insurance Group SA and UNIQA SA.* Starting with March 3, 2017, the company Euro Insurances Dac practiced services for class X (MTPL) based on the freedom to provide services (FOS), and in the first half of 2020 it had premiums amounting to 5.3 million lei. The WATFORD Insurance Company Europe branch also started its activity on the MTPL market in the third quarter of 2018, based on the right of establishment on the territory of Romania (FOE), on June 30, 2020 registering a level of gross written premiums of 48.5 million lei. WATFORD has stopped its MTPL subscriptions on the local market.

4. Conclusions

Given the current context, we can see that so far this market seems to have been changed by the pandemic.

Thus, the changes specific to the 1st quarter of 2020 were changes regarding the MTPL policies. The MTPL insurance policy consists of two sub-policies. The first one is the Green Card, which provides protection for road accidents outside Romania, and the second one is a compulsory policy. The Romanian Motor Insurers' Bureau (BAAR) announced that from July 1, the Green Paper will be printed on white paper.

Changes have been proposed on the mode of operation of the "high risk insured individuals": The European Commission considers that the current mode of operation

restricts the freedom of BAAR to charge by imposing a calculated premium. The proposed legislation amendment envisages the elimination of the obligation of BAAR to offer the insurance premium in the case of a high-risk insured individual having an accident. At the same time, it is envisaged to establish the obligations of BAAR to allocate the high-risk insurance policies according to its own policies and procedures, as well as internal procedures that establish the conditions for concluding the insurance. They must be assumed by all BAAR members, as well as establish applicable rules of conduct for its members, including the conclusion of MTPL insurance in the case of high-risk policyholders”.

It is also proposed to repeal the provisions limiting the administrative and sales expenses of the insurance policy that may be included by insurers in the calculation of premium rates. A decrease in the frequency and severity of damage is expected, a situation determined by the fact that the movement of people during this period, including by car, is limited. Consequently, the rate of damage will decrease in turn. In this absolutely unforeseen context a few months ago, several insurance companies considered it necessary to implement measures to protect their customers, but also their own employees.

The following was found:

- ▶ New amendments to the MTPL legislation. Elimination of the reference tariff set by the FSA.
- ▶ Most insurance companies will develop digitally.
- ▶ The car insurance market will have a lower market share.
- ▶ Insurers' profitability and capital will continue to be under pressure.

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