

**„BABEȘ-BOLYAI” UNIVERSITY OF CLUJ-NAPOCA
THE FACULTY OF ECONOMICS AND BUSINESS ADMINISTRATION**

SUMMARY OF THE DOCTOR’S DEGREE THESIS

**CONTRIBUTIONS REGARDING THE
MANAGEMENT IMPROVEMENT WITHIN THE
INSURANCE COMPANIES IN ROMANIA**

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2. KEY WORDS: *insurance, insurance contract, insurance policy, Lloyd's, P&I Clubs, negotiation, to close a contract, the object and the cause, contract's effects, economic agent, economic analysis, management skills and capacities; distribution channels, competitiveness, management control, project control, market share, market economy, efficiency, financial effort, management expertise, globalization, strategic management, competitive environment, economic environment, decisional process, profit, estimation, linear programming, informatic systems, integrated system, European standards, control techniques*

CONTENT OF THE MASTER'S DEGREE THESIS

Understanding the world economy tendencies at the beginning of the third millennia, assimilating the business environment characteristics and the main features of the market economy is what the government of every country should be focused on, especially in the central and Eastern European countries, which have adopted the market economy after 1990. Ensuring the welfare of these countries' populations will depend on the ability of the governments to integrate the national economies into the world economic activity, which is dominated by the globalisation phenomena.

The Romanian economy, part of the European economy, was, in all its forms, a missing link in the European economy chain, for almost half a century; its actual reintegration started in 2007 comes with considerable costs for the country, the businesses and the population.

Decreasing these costs puts a great responsibility on the leaders' shoulders both nationally and internationally in ensuring a proper judicial and economic environment for the businesses and for their managers the knowledge and skills needed to integrate and develop the Romanian economy based on competition principles, for economic efficiency and implementation of the new in the new millennia.

In this economic and social competition environment, of which Romania is part of, including its insurance sector, the Romanian management thinking, based on other positive experiences, will have to contribute due to the importance of the financial activities and, moreover, of the insurance sector for a healthy economy. These are the reasons I have considered discussing some less used techniques and management methods. I am convinced that the Romanian insurance sector is capable of reducing the gap it has to the western countries. It will have to have much understanding from the government and other institutions and will also have to adopt a competitive management to match the other European financial and insurance groups.

A good manager needs to be familiar with the external factors of the sector, the particularities of the business. Hence, in the first chapter I have made an analysis of the insurance sector from the perspective of the economic activity and the insurance market, both nationally and internationally.

By presenting the insurance activity and the Romanian market, I am looking to answer some questions:

- where are we compared to others;
- what have we done compared to others;
- what needs to be done so that the national insurance sector has an active and responsible input in helping resolve the problems the sector is facing nationally and internationally.

1. The importance of insurances in the economy¹

Insurances are economic pecuniary relations, established through a contract and generated by a transfer of risks between the insured and the insurer; they have resulted as a result of the potential risks posed to the integrity of assets and people's lives.

As an economic activity. They have distinct characteristics in the economy and the financial sector:

- they are a field of the economy which contributes to the GDP;
- they lead to a growth on the work productivity inside the national economy;
- participates with an offer of loan capital on the financial market;
- speeds up the production process by contributing to the reconstruction of assets;
- reflects the evolution of the national economy; makes people aware of the importance of the insurance activity and the income;
- they create added value and employment;
- they reduce uncertainty and are a means of recommencing a temporarily interrupted.

2. Insurance market in Romania after 1990

1990 marked the beginning of significant change in the Romanian economic system, including the insurance sector. Government directive nr.1279/1990, abolished the ADAS and allowed for private insurance companies and also to intermediates.

The period after 1990 is comprised of 2 different stages:

1990-2000, quantity accumulation stage, defined by: establishment of the first private insurance companies; a legal frame which was less adequate to the market economy; lack of trained people in the insurance sector; figuring out a way to a wise use of the resources; increase the share of life insurances in the total bonuses from 6,19% in 1997, to 21,12% in 2001, once the 136 / 1995 law was promulgated;

The stage after *2001 to present, quality accumulation stage*, defined by:

- a legal frame closer to the EU requirements;
- the Control Commission for Insurances was established in 2001 based on the 32/11.04.2000² law, which acts in accordance with the EU requirements.
- it was ruled by C.S.A the authorisation and run of the insurance companies, these being compelled to calculate and report the solvency margin and to make technical and active reserves;
- foreign insurance companies took over significant package of shares from the main Romanian insurance companies which led to important changes on the shareholder level on

¹ Constantinescu Dan Anghel – Treaty on insurance, Edit Tehnica Bucuresti2004 pag. 360

² 32 / 2000 law, published in the Official Register no. 148/10.04.2000

the Romanian insurance market;

- a strategy to adapt the laws to the European *acquis* was implemented since 2002, creating the database, IT systems for watching the national insurance.

- improving the 32/2000 law for the insurance companies with the new EU recommendations with regard to the authorisation and control of the insurers and brokers.

- involving the Commission for Control of Insurances in the PSAL II programme in the PAL

(Programatic Adjustment Loan), which lasted until, collaboration as a member of the IAIS (International Association of Insurance Supervisors) with other U.E countries in the insurance and reinsurance activity.

Romania joining the European Union had direct effects on the insurance:

- increase of the number of foreign capital insurers on the Romanian;
- liberalization of the bonus tariffs for the mandatory car insurance;
- the Romanina insurers accepted the fact that they need to ensure a high degree of solvency, adjusting the acquisition costs to the possible damages and the portofolio;
- development and consolidation of the national market, the first 3 insurers holding over 44% from the subscriptions to general insurances; in the life insurance sector the first 3 hold over 60% from the total subscriptions.;

- developing and building a more efficient sales system, bringing more diverse insurance products and especially bringing a more modern management and consolidating the financial situation of the insurance;

- increasing the subscription pase way over the national economy one³

2005 was the first year in the history Romanina insurnace when the amount of the gross bonuses subscribed overpassed the level of 1 billion Euros, the rising trend of bonuses reached 1.694 billion euros in 2006 and 2.18 billion euros in 2008⁴.

Table 5. GDP growth dynamics and the amount of subscribed bonuses in 2000-2009

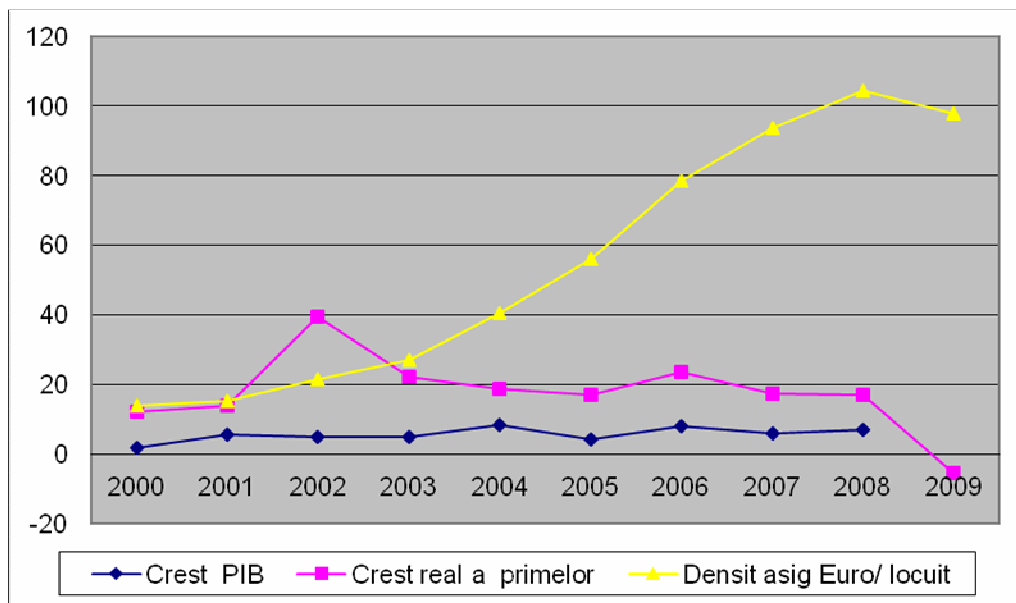
Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
GDP growth %	2,0	5,7	4,9	5,0	8,4	4,2	7,9	6,0	7,0	
Actual annual bonus growth (%)	12,06	14,0	39,5	22,4	18,9	17,01	23,7	17,5	17,1	-5,24
Density of insurances Euro/person	13,9	15,37	21,7	27,1	40,4	56,0	78,55	93,6	104,28	97,74
Penetration degree (%)	0,85	0,87	1,09	1,41	1,46	1,54	1,67	1,77	1,78	1,80

Source: Data used from the Yearly Reviews of CSA

³ Annual CSA Reviews for 2000-2008

⁴ Annual CSA Reviews for 2000-2009

Chart 2. Dynamics of the GDP growth, amount of bonuses and the density of insurances in 2000-2009



Source: Data used from the Yearly Reviews of CSA

Insurance density grew from 13,9 to 104,28 euro/ person and the degree of penetration in GDP from 0,85% to 1,78% in 2000-2008⁵; significant increase on national level, but quite far from the ones of European countries (in 2003, density per person was 217 euro in Hungary; 1001 euro in Spain; 1624 euro in Austria; de 3478 euro in England; 16.357 euro in Luxembourg⁶).

In 2007, specialists spoke of the Romanian insurance market⁷ as follows:

- insurance companies focused on assets insurance, especially automobiles, other people insurance than life insurance, avoiding the maritime ones, aviation, which involve big amounts of money and risks we do not have the capacity to take;
- there's not enough variance of risk, a selection of policy holders not being made;
- reduced reinsurance activity as a result of a this being made only by a few branches and departments and a low credibility on the international market.;
- lack of trained people, especially at top management level and a low drive to train such;

The economic growth and the manifestation of some increase factors such as: *fiscal reform, investments rate, decrease of inflation rate, merge of the Bucharest Stock Exchange with the RASDAQ Electronic Stock Exchange right after 2000*, resulted in benefits for the insurance market defined by: amount of subscribed bonuses, significant capitalization of the insurance companies, diversify services; specialised training of staff as per the EU requirements. These characteristics manifested up to 2007 and marked a strengthening of the national insurance market.

⁵ Yearly Reviews of CSA 2000-2009

⁶ D.A.Constantinescu, Insurance Thesis Vol II Edit Economica Bucuresti 2004

⁷ M.Dobrin, "Insurance and reinsurance", Editura Fundatiei România de Măine, Bucuresti, 2000, pg 35

The last 3 months in 2008 were marked by the world economic crisis, although on the whole the the year had nearly the same increase level as the previous years.

As a result of the stability on the Romanian market, the first CEIOPS and IAIS conventions were held in Bucharest.

Share capital of the insurance companies has increased per total and per structure, which made the level of the cash higher than the one of the assets. This was a result of the foreign investors' contribution as share holders in the Romanina companies and also as a consequence of the arrival of foreign companies on the Romanian market. Thus, at the end of 2009, the share of the foreign capital was 88,65%, of which: France 37,1%, Austria 24,39%, The Netherlands 15,3%.

Amount of gross subscribed bonuses in 2000 – 2009 increased significantly from 673,8 mil lei in 2000, to 8936,2 in 2008, a trend which stopped in 2009, when the economic crisis led to a diminishing of the subscriptions by 5,24%, (decreased by 2,1% in general insurances and 16,8% in life insurances).

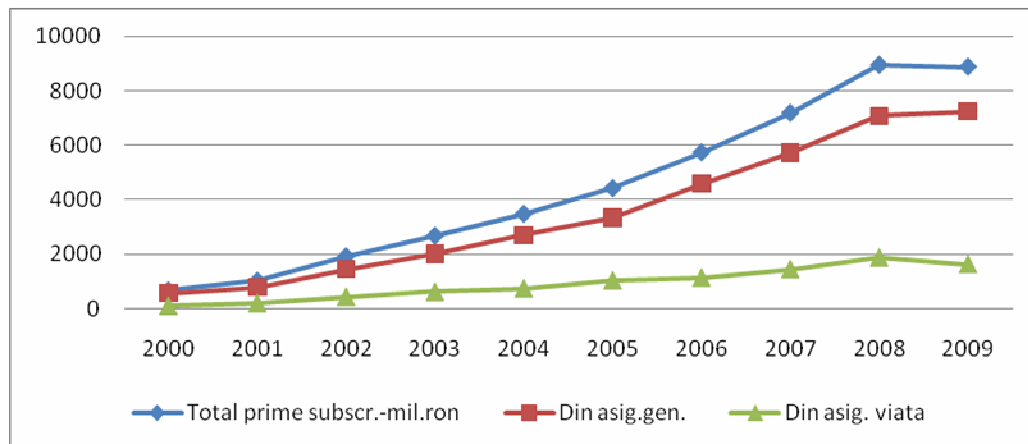
2007 was the first year when the growth pace for life insurances from 19,45% surpassed the general ones of 17,53%; thus from 106,6 mil lei in 2000, it arrived to 1.868,1 mil ron, in 2008, with a descreas of 16,8% in 2009, as per below table.

Table 7. Dynamics of the gross subscribed bonuses of the total insurances, general insurances and life insurances in 2000– 2009, per market.

Year	Total subscribed bonuses (mil ron)	Actual annual growth %	Of general insurance (mil ron)	Actual growth %	Of insurance (mil ron)	Actual annual growth %	Share of general insurances %	Share of life insurance %
2000	673,8	42,6	567,2	42,5	106,6	111,0	84,17	15,8
2001	1.025,4	52,1	789,8	17,3	211,4	98,3	79,27	20,8
2002	1.914,5	86,7	1450,4	83,6	439,4	107,8	77,8	25,2
2003	2.673,8	39,6	2021,7	39,3	619,9	41,0	76,1	23,9
2004	3.476,5	30,0	2697,6	33,4	746,0	20,3	78,5	21,5
2005	4.417,1	27,0	3347,0	24,0	1.038,0	39,1	76,5	23,5
2006	5.729,3	29,7	4591,0	37,1	1.138,3	9,7	80,1	19,9
2007	7.175,8	25,2	5726,8	24,7	1.449,0	27,2	79,8	20,2
2008	8.936,3	24,5	7068,2	23,4	1.868,1	28,9	79,1	20,9
2009	8.869,75	-5,24	7.241,6	-2,1	1.628,2	-16,8	81,64	18,36

Source: Data used from the Yearly Reviews of CSA

Chart. 4 Dynamics of the gross subscribed bonuses in 2000-2009



Source: Data used from the Yearly Reviews of CSA

Analysis of total subscribed insurance bonuses shows the following:

- percentage of the general insurances in the total subscriptions (84, 2% in 2000 and 76,51% in 2005), an average of 80 % and the life insurance have a small percentage 20-23%, while in the western countries the life insurances are 40-50% of the total subscriptions;

- amount of subscriptions varies on geographical areas and it reflects economic development, purchasing power and how much informed the population is in that area with regard to the importance of insurances.

- companies are the target of the insurers which are over 70% of the total amount of subscriptions regardless of the crisis effects and the individuals have a percentage of 30%.

Based on insurance sector, there are the following aspects:

- car insurances (class III and class X), are 70% of the total general insurances, followed by “ the fire insurances and natural disaster”, with 11-14 % and the financial insurances with subscriptions ranging 4,9% and 8,6%.

- the significant changes from one year to the other of the *increase rhythm of the subscriptions by sectors*, immaturity of the insurance activity which is strongly influenced by the economical or political circumstances.

Gross subscribed bonuses of life insurances

The Romanian insurance market is weakly developed compared to other European countries. It began shyly in 2000, increasing as a result of the arrival of foreign insurance companies which brought more experience, and management ideas, flexibility and diversity to this category.

The total amount of the subscribed bonuses for life insurances was between 106,6 mil ron in 2000 and 1.868,1 mil ron in 2008, with the first ten insurers holding 95%, of which ING life insurance had (38%). This share is small, around 20%, the maximum was in 2003 with 23,9 % and a minimum in 2006 of 19,9%, although 2007 had an increase in life insurances of 19,45% it surpassed the general insurances (17,05%).

The class analysis shows that the class I of “life insurances and supplementary life insurances” is highest, followed by class III “ life insurances with investment funds”, which have 97-98% of total subscriptions.

Gross compensations plaid to insurer in 2000 - 2009

Compensations are amounts paid by insurer as damages. For life insurances, insurance companies also pay redemption amounts, partially and totally, as part of the insurance contrat

Dynamics of the compensations paid by insurers is represented in table 11.

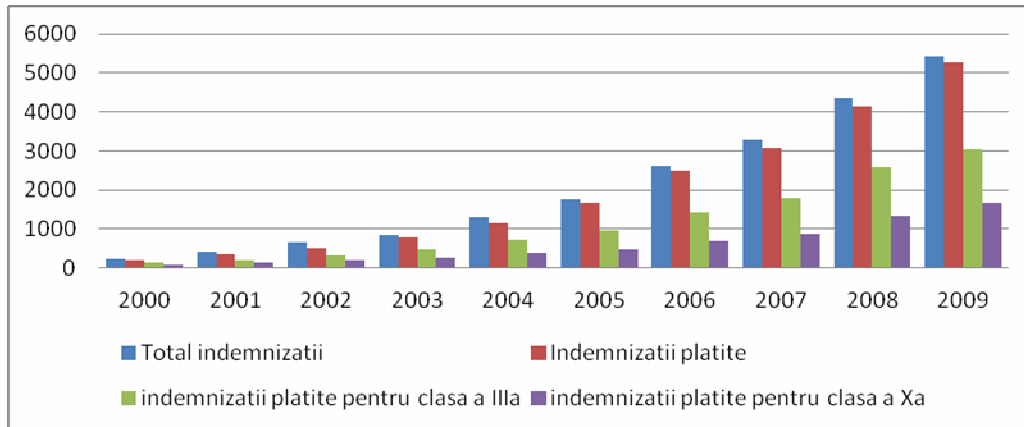
Tabel 11. Dynamics of compensations on the Romanian insurance market 2000-2009

11.1 General insurances

Year	Total subscribed mil ron	Actual growth %	Compensation mil ronari	Yearly growth %	Paid compensations mil ron	Share in tot %	Yearly growth %	Share cls III in tot%	Sahare cls X in tot%	Share cls a8a in tot%	Share Cls. 14 in tot%	Share alte cls %
2000	567,2	42,6	249,3	-	216,3	86,8	-	53,6	33,8	3,6	3,2	5,8
2001	789,8	39,2	406,2	62,8	348,6	85,8	61,1	50,2	32,9	4,5	4,7	7,7
2002	1450,4	86,7	649,8	59,9	506,8	78,0	45,4	51,2	32,1	3,7	5,9	7,1
2003	2021,7	39,6	842,2	29,6	779,0	92,5	53,7	57,0	31,2	2,6	6,9	2,3
2004	2697,6	30,0	1311,8	55,7	1150,5	87,7	47,6	55,0	29,4	3,9	7,8	3,9
2005	3347,0	27,0	1.758,7	34,0	1660,2	94,4	44,3	55,3	26,6	5,9	9,1	3,1
2006	4591,0	29,7	2.622,7	49,1	2481,1	94,6	49,4	54,7	26,7	3,0	12,3	3,3
2007	5726,8	25,2	3.278,7	25,0	3088,5	94,2	24,5	54,6	27,1	3,0	10,4	4,9
2008	7068,2	24,5	4.363,5	33,0	4145,3	95,0	34,2	59,3	30,4	2,7	2,7	4,9
2009	7.241,6	2,4	5.435,5	18,9	5.282,9	97,2	19,6	55,8	30,7	4,1	4,6	4,8

Source: Data used from the Yearly Reviews of CSA

Chart 8. Dynamics of compensations on main general insurance classes in 2000-2009



Source: Data used from the Yearly Reviews of CSA

a) Compensations paid for general insurances

Amount of compensations for general insurance had an increase from 249,3 mil ron in 2000 to 5.187,5 mil ron in 2009, as a result of both increase in subscriptions, structure of portofolio, as well as an unpredictable trend of risk.

Compensations have also been influenced by the increasei the value of damages paid, which reached 4.486 lei in 2009, compared to 3730 in 2008. This led to back payments, which also affected credibility of the insurance activity on the whole.

General insurances had 78% in 2002 and 97,2% in 2009 in the total amount of paid compensations. In the general insurances, compensations paid for cars were over 85% of the total in 2009 followed by classes VIII and XIV.

Gross rate of damages for general insurances were between 34,3% in 2002 and 71,6% in 2009, without a clear view of the amount of subscriptions.

b) Compensations paid for life insurances

Analysis of compensations paid for life insurances in the given period shows the following:

- their amount was between 30,0mil in 2000 and 248,1 mil ron, in 2009, that is 5 si 5,7% of the total compensations paid per total insurances.

- class I “*Life insurances, annuities and supplementary life insurances*” and class III, *Life insurances and annuities from investment funds*, made between 77,3% in 2004 and 88,9% in 2009, of the total amount of paid compensations;

On the whole, the given period was a good one for insurers who were focused on life insurances and made it favourable for these to extend on the Romanian market

Gross rate of the compensation on life insurances was between 9,2% in 2002, and 15,2% in 2009, and was dominated by the damages in first class life insurances.

3. Main players on the Romanian insurance market in 2000 - 2009

At the beginning of 2000, there were 73 insurance companies on the Romanian market of which only 47 had a running activity. During the given period, the number of operators on the market has changed due to some rules imposed by the Supervision Commission for Insurances, as well as changes resulted from structure and share holding. Thus at the end of 2004, there were 42 companies, at the end of 2006 there were only 40 and in 2009 there were 43 companies.

The amount of subscriptions on the national market in 2001-2009 in Euros, puts Romania among the first 10 countries in Central and Eastern Europe.

Although 2009 brought a slight decrease in the amount of subscriptions (only 2,1 bil euro) Romania is among the first 8-10 countries in Central and Eastern Europe, as per the specialised European newspapers⁸.

Romanian companies which are in the insurance field are among the first 100 life insurances operators, ING Life Insurances was on 30th place with a market share of 38,29%, in 2006, and AIG Life, came on 77th position, with a market share of 12,14%. Also, Allianz-Tiriac is among the first 100 insurance companies in Central and Eastern Europe companii de asigurari generale din statele Europei Centrale si de Est with a market share of 22,41%, Omnisig comes on place 45, and Asirom on 49. Other companies are BCR Asigurari on place 59, Asiban, on 71, Astra-Uniqua on 86, and on place 100, Unita VIG.

3.1. Main players on the national market of general insurances

Analysis of the first 10 insurers on the market for general insurances reflects:

⁸ Yearly Reviews of CSA for 2007 - 2008

- the insurance market for general insurances is mainly 85 % based on the portfolios of the first 10 insurers on the market, of which the first 8 had an increase trend every;
- the presence of foreign capital and indirectly the management of some European insurance companies has been beneficial and the results, including first trimestre in 2010 are showing it;
- the increase proves an openness on the Romanian;

Tabel 24. Top ten insurers on Romanian market based on amount of general insurance subscribed bonuses in 2001-2009 (mil ron)

Pos.	Insurance company	2001	2002	2003	2004	2005	2006	2007	2008	2009
1	ALLIANZ TIRIAC	135,2	319,6	462,9	647,6	801,7	1.028,6	1.137,6	1.278, 2	1.198,2
2	OMNIASIG V.I.G	104,8	204,96	204,5	272,3	421,6	536,0	883,9	1.181,5	1114,4
3	ASIROM SA	191,0	258,7	335,5	411,9	491,0	511,9	628,3	657,1	556,9
4	BCR ASIGURARI SA	-	-	66,2	121,1	219,2	423,9	560,0	543,5	576,0
5	ASIBAN SA	30,7	72,19	108,3	142,6	256,0	375,4	444,4	498,38	278,6
6	UNITA V. Ins. Group	24,3	53,9	99,1	142,3	238,7	259,2	474,1	507,0	
7	ASTRA SA	55,5	91,17	118,8	173,5	167,6	301,4	367,2	642,6	799,5
8	GENERALI	31,7	80,5	67,5	84,93	109,9	258,0	321,3	332,1	422,5
9	B.T. Asigurari	-	-	-	-	-	-	215,8	303,1	493,1
10	AIG Romania	18,9	28,9	49,3	57,0	79,7	-	-	-	-
11	ARDAF	47,7	82,96	97,5	153,9	227,7	192,1	-	-	327,2
13	AGI Romania	-	28,9	-	-	-	-	-	-	-
	Grup AS	32,1								-
	UNIQA									496,7
12	Total 1 - 10	704,0	1240,5	1609,1	2.207,1	3.013,2	4.088,2	5.032,8	5.943,6	6.262,3
13	Total 1 - 42	789,8	1450,4	2.053,9	2.730,5	3.3792	4.591,0	5.726,7	7.0068,1	7.241,6
14	12 / 13 %	89,1	85,1	78,3	80,9	89,2	89,1	87,9	84,1	86,4

Source: Data used from the Yearly Reviews of CSA

Conclusions presented above are also shown in the registries of the best insurance companies on the national market.

3.2. Main players in the life insurances sector

When talking about the life insurances in Romania, we must first take into account the activity ING Life Insurances, which after 2002 had a third of the total amount of subscriptions.

The amount of subscriptions and the economic results for the life insurances:

- the life insurances activity is a profitable one, even on the Romanian market;
- life insurances are necessary for the population and the potential market in Romania is big and offers a frame for the insurers, but lacks information and knowledge.

Tabel 25 The main operators on the Romanian life insurance market in 2001-2009 based on subscriptions amount (mil lei)

Insurance company	2001	2002	2003	2004	2005	2006	2007	2008	2009
ING. Asigurari Viata	108,8	245,63	272,0	302,9	392,9	435,8	501,1	668,2	527,0
A.I. G. Life	19,1	34,98	52,0	75,8	103,5	138,1	219,7	266,0	-
ASIROM SA	36,1	47,74	79,3	89,0	82,54	88,0	93,0	93,0	88,9
OMNIASIG V.I.G		15,54	54,7	50,9	55,3	48,8	45,4	50,7	
ASIBAN SA	3,6	-	38,5	37,5	88,2	61,3	111,7	108,3	
AVIVA	-	16,58	22,7	33,8	48,9	63,9	83,2	107,6	101,9
Interamerican	4,1	10,11	19,7				-	-	
ALLIANZTIRIAC	-	6,2	17,7	39,0	65,3	87,2	96,8	105,6	87,6
BCR ASIGURARI SA	-	-	-	19,1	77,6	50,3	82,2	160,1	255,1
Lukoil Asito	13,0	17,89							
UNITA	7,5	14,14							
Sara Mercur	6,9	8,1							
ALICO									191,5
GRAWE									74,0
Generali									84,3
Total 1 - 8	198,15	416,7	556,6	648,0	914,4	973,7	1.233,2	1.559,7	1.410,3
Total general	211,4	439,4	619,9	746,0	1.038,0	1.138,3	1.449,0	1.868,1	1628,16
10/ 11 %	93,7	94,8	89,8	86,9	88,1	85,6	85,1	83,5	86,6

Source: Data used from the Yearly Reviews of CSA

The data presented show the following:

- the main operators on the market are ING Life Insurance and A.I.G Life, followed by BCR Asigurari; Allianz Tiriac, Generali in the last few years;
- a tendency to consolidate the market is strongly present in the life insurances;
- Romanian companies show insufficient knowledge of the life;
- on a personal level, I think the life insurances will have a significant increase in the future.

Reinsurance activity on the national market in the given period was very little done by Romanian companies, Allianz Tiriac SA; Omniasig SA, Asiom, Astra Uniqa and Asiban, which generally placed the risks on the international reinsurance market.

Cession in reinsurance was vastly used and was well-understood and done by companies such as Allianz Tiriac, BCR Asigurari, Garanta, Generali which had over 50% in subscriptions, ASIBAN and UNITA, over 30%, which also meant dispersal of risks.

The conclusions that can be drawn from the insurance activity on the national market are:

- Government Decree 1279/1990, was the starting point to privatization of the Romanian insurance industry and entering the European and world market;
- up to 2000, many companies were established and various insurance sectors emerged; after 2000 the necessary legal frame was created to get to the European standards; the companies grew financially as well and professionalism in the branch increased;
- continuous increase of subscriptions year after year, which improved the penetration and density of insurances. Still, the results are far from those in the Western European countries.

Reviews of "Insurance Figures 2009" published at the end of 2009 said that Romania

had a density per total insurances of 90 euro/ individual, compared to the European average 1800 euro/individual, for life insurances this was only 11 euro/individual, compared to the European average of 1.100 euro/individual.

2 Management in the current economic and social environment

Chapter 2 comes to underline the importance of the management activity, the incredible development on the management as a “science of sciences” in the last few decades, the need to implement the new management ideas in all fields of activity, given the rapidly changing economic environment and the urge for efficient actions.

Management has proven to be indispensable to the development of society and according to Peter Drucker, “it will remain the dominant institution as long as the Western civilisation survives, with a good prognosis of enhancing its role in the future. (Peter Drucker, *The New Realities*, 1990).⁹

Modern approach defines management as “a complex and dynamic system”, explained in more detail by the systems and the contingency theories.¹⁰

a) *Systems theory* defines “System”, a set of components linked which function as a whole to reach a mutual goal, which takes resources (inputs) from outside, transforms them in a way (outputs) and gives them back to the environment¹¹

On the whole, the system’s theory says that management, at any level, must be sensitive to the complexity of the organisations, to project or accept the system which will allow the organisation to work efficiently. In this system, scientists have defined:

- *economic entity* as an open or closed system, depending on how it interacts with the environment;

- *entropy*, a universal property of the systems which function as a result of the interference organization – environment;

- *Sinergy*, a feature of systems which defines the possibility that the organization units will achieve more if they work together rather than separately;

- *subsystems*, as parts of a system which are closely linked to each other in the running of the;

- *fluxes*, an ensemble of information, materials and humans energy, which are used and transformed in time;

- *feedback*, as a process of monitoring information on the system;

b) *Contingency theory*¹² states that the successful resolve of the organization’s problems depends on managers capabilities and their experience in assessing the situation and establishing the correct approach to function in specific conditions. This introduces the “case management” concept, as each situation is unique.

Some new approaches in the speciality literature, like the Z theory by William Ouchi,

⁹ Drucker, F.P., *Management: Tasks, Responsibilities, Practices*, HarperBusiness, New York 1992

¹⁰ Harrington, H. J. – *Total Management and the 21st Century Company* Ed. Teora, Bucuresti, 1997

¹¹ Iancu St. “*Life cycle of knowledge*”, *Invention and economy*, nr 10/2004

¹² Iancu St., „*Society of knowledge, European Integration and scientific research in Romania* Bucharest 26 May 2006

which combines the positive aspects of the Japanese and American management, include: certainty of employment for the employees, involving employees in the decision-making, group responsibility, improve quality, set policies for gradual promotion. What influences management nowadays is the international competition, globalisation, which has made trade possible between complex systems, increase of quality standards, costs, productivity and response time, a need to innovate and serve consumers.

There are 4 major challenges these days: In perioda actuala exista 4 provocari majore pentru manageri: establish a competitive advantage; maintain ethics standards; management of labour managementul fortei de munca; use of new information systems and technologies;

- *Competitive advantage*: is the ability of an organisation to be better than others and it's built on efficiency, quality, innovation and special sensibility to customers.

- *Maintaining ethics standards*, compels top managers to put enough pressure on the middle and lower managers in order to achieve performance, at the same time avoiding unethical behaviour towards individuals and groups inside and outside the organisation.

- *Labour management*, makes managers treat the labour force in an ethical manner, with no discrimination, offering the same promotion and performance enhancement opportunities.

- *Using the new systems and information technologies*, is a major challenge for managers, ensuring increase of efficiency and sensibility to customers.

Managers use economic strategies to reach the goals; the strategies are based on prognosis and economic policies, whcihc ensure a blending of interests (individual, collective and antional ones).

As a result, the speciality literature speaks of neomanager¹³, for those who promote professional competition, offericn resourses, ideas, motivations..

According to Thomas Peters and Nancy Austin, in their books “*A passion for excellency*” and *Le prix de l'excellence*”, Thomas Peters and R. Waterman 1983¹⁴, managers aim to excellency by:

- revolutionizing quality and transforming the production process into a marketing tool;

- the manager is totally committed to the job and to fulfilling their responsibilities;

- the manager is totally committed to customers', suppliers' and sellers' needs;

- the manager is unique and develops an innovative strategy; they never use the phrase” it's not been invented yet”

- overinvests in people, giving priority to salaries, services and their distribution;

- measures the progress resulted from each and every training;

- the most inventive become the “comany heroes”;

- invests time in recruiting human resources and ensures positions are dedicated the proper people;

- encourages team work and gets rid of incompetent people adn those resilient to

¹³ Nica PanaiteC., Company Management, Editura Condor SRL, Chisinau 1994

¹⁴ Peters J. Thomas, Putting Excellence into Management Business Weck, July21,p,196,1980

change.

The manager will be a “visible manager”, using simple methods to encourage others’ participation, will demand loyalty and integrity when acting in the company’s name, will stress on the role of the team and the employees’ personal contribution within the team; the control procedures will be simple and efficient..

The manager and the employees will combine vertical and horizontal communication, having compact teams with clear goals; the leadership being centred on communication and feedback. Warren Bennis, in *Why Leaders Can’t Lead*, a study based on interviews with 90 de leaders in business and other sectors, has identified the main features of the leader of the future:

- diversified training; endless curiosity; personal and team work appreciation; will to take risks; focused on long term; focused on excellency; virtuous; visionary.

Also, four *mutual competencies* are identified: leader’s capacity to offer vision and own examples in reaching goals, give sense to objectives, direction of action; inspire confidence through their actions, through keeping their promises and maintaining a set of institutional values, self-acknowledgement and self-understanding.

Modern management actions are defined by modern management functions: *planning, organizing; busying; managing; coordinating; reporting; budgeting and controlling financial resources.*

Romanian specialists in the field¹⁵, define the following management functions:

- *planning, organising, coordinating, training and controlling* -, others reduce the number of functions to four, by associating the coordination and the training functions.

About the role of the manager inside an economic entity, research shows (Henry Mintzberg, Rosemary Stewart)¹⁶ three types of roles:

- *interpersonal roles, informational roles and decision-making roles* -, each being divided in subroles: monitoring, dissemination and decision making.

Managers have a complex job, which involves them in a lot of activities, which are grouped as:

a) *Strategical abilities*, which generate economic value for the company by adapting to the environment; a vision of the business; customer focused, decision making, management of resources.

b) *Organisational abilities*, which facilitate the development of employees and a good collaboration:

(communication; team work; coaching; negotiating; organising; relationship);

c) *Personal efficiency abilities*, which facilitate management of self in an efficient manner: care facilitateza conducerea propriei persoane intr-o maniera eficace: self-knowing; initiatives, motivations; learning; self-control; selfcriticism; management of time, stress and emotions; optimism; integrity; emotional intelligence).

3. Particularities of the management activity in a n insurance company

¹⁵ Nicolescu Ovidiu Verboncu Ion, Management, Editura Economica 1996

¹⁶ Henry Mintzberg, The Nature of Managerial Work, Englewood Cliffs, NJ: Prentice Hall 1980.

Chapter III comes to explain in more details the functional and organisational particularities and their influence on management requirements: get profit and share holder satisfaction; satisfy policy holders needs; follow the legal requirements and social obligations.

A good knowledge of the management particularities and of the factors that influence insurance management offers the management team the possibility to respond to management, adapting to market requirements and getting profit.

a) *Particularities of planning activity*

In an insurance company, these are determined by: general strategy, long and short term objectives; budget and resource allocation; company policies for each sector and procedures.

“*The plan*” is the main planning tool; its efficiency is determined by simplicity, pragmatism, flexibility and its divisibility.

Planning results in a “*plan*”. There’s the strategy plan and the action plan. There are also organisational plans, with the objective to stay on the market and maintain company’s public image; *functional plans*, which aim to actions to develop the company, product portfolio and the profile.

Planning stages inside a company: establishing the mission; developing strategies; establishing short and long term objective; setting the budgets; establishing politics and operational procedures.

- *The strategy*, defines the direction of action and this should be compatible from one period to the other, put in writing and should get all involved.

- *Predictability*, establishes strategic objectives, by assessing the present situation and projecting the future one in the same terms; it *expresses hypothesis* based on information from both external and internal environment of the company.

- *Budget allocation*, is remuneration of those involved in carrying out actions, and establish policies and procedures to get those actions done.

Implementing the plan is the managers responsibility; the control of the planning activity is done on the analysis of reports on plan implementation.

The budget as a planning tool in an insurance company starts with the amount of income from bonuses (sales budget), estimate of expenses (expense budget) based on type and amount of insurance policies, the period for the estimate.

b) *Particularities of the organising activity of the insurance companies* are defined as: *organisation structure, define relations within the company, qualifications required for each position.*

Organisation structure is done as per Peter Druker concepts: analysis of activities, decision analysis and relations analysis.

Depending on the complexity of the activities, there will be a delegation of responsibilities, establishing a functional hierarchy of the company.

- *hierarchy structure* is simple, hence its advantage; easy to evaluate performance and ensures enhancement of decision;

- *functional structure*, the advantage here is that it is organised around specialists on different fields of activity; it does have a great need for very good;

- *functional hierarhic structure*, has the advantage of both structures, but also the

disadvantage of that specialista tend take over leadership or are neglected by their superiors.

c) *Management particularities in managing human resources*, are defined by the personnel and involves: planning the necessary, recruiting and training the people.

d) *Particularities of the running of activity*, involve guiding and supervising employees to ensure they fulfill objectives, and also delegate authority, motivate, coordinate activities, negotiate conflicts. Managers have an important role in the training and promotion employees.

Analysis of results is based on indicators on the insurance sector and the financial indicators compared to those from the budget. Generating clauses and methods to correct exceptions are defined. Responsibilities are for each employees, with a self-evaluation and one made by the manager.

Rewards come in different forms depending on company and can take the form of salary or commission increase, public recognition of merits and other.

e) *The influence of risk on management activity in an insurance company*

C. Marmuse and X. Montagne¹⁷ say that the risk is a part of economic and social life and comes as commercial risks, financial risks, social risks, and production risks. Risks and their actions are influenced by subjective factors and objective factors (pure factors), which do not depend on the human will and their actions. These actions have had 3 trends in the last decades: increase of the risk situations and uncertainty; intensive use of the science resources in the study of the risks in the economic – social activity; enhance and diversify consequences that the risk analysis applications and techniques generated inside the social environment, nature and for each company.

Evaluation of risks in insurances is closely related to identifying the risk exposure and involves: identifying the possible assets; identifying risks that could cause damages; evaluate and commensurate effects of risks, which can be of a functional nature or financial one.

Insurance companies are using modern methods to identify risks:

Risk map drawing method: based on process analysis within the company

Map of processes, is a diagram showing the exposure to risk factors for the production means, assets and people, which need to be protected by insurance

Diagram to define processes: inputs and outputs, restrictions, resources.

Evaluation of risk priorities, based on their importance and the probability of having incidents which serious consequences.

This technique involves: identifying the event, probability of it to take place; how it affects; number of affected individuals; evaluation of risks; classification and review of solutions.

Evaluation of risks for life insurances has a special role as it will be the starting point to establish insured risks and the amount of bonuses. Evaluation means obligation of the insured to advise insurer of any previous health problem, age, physical condition at the time the insurance is done.

Management of the risk, means knowing the sector, macro or micro economic, the role

¹⁷ Constantinescu, D.A., Dobrin, M., Galea, M., Bejenaru, A., Nastase, A., *Management of insurance companies*, Colecția Națională 1988

of the risk in the economic-social life.

Practical methods to reduce risks: reinsurancel; hedging strategies; transfer of part of the risk to other business partners.

Management of risk in insurance companies is an identification process, analysis and responds to: avoid risk; lessen the impact; or transfr of risk.

The risk management plan involves: *identifying risks, evaluate them, classify them, set up a responseto risk plan; monitoring and control of risk.*

Implementation of risk management techniques involves making decisions to cover the risk, whether is maintained inside the company or if self-insurance is needed or if the risk remains uncovered and damages will go as activity expenses.

Reglulation of the risk management in the insurance companies is made by *orders and rules* se face prin *ordine si norme* of the Insurance Supervision Commission and asks for decision making to cover risks, thw aim being to optimize the economic activity of the company.

The fundamental risk principles in a company are based on the mutual understanding of the risk and define: top manager's responsibility for the company risk strategy; separation of the risk management and the control job from the business management; define organisation structure and responsibilities; use a single method to measure and evaluate risks; consistent and efficient monitoring of all risks within the company; constant reporting and communication of risk to all relevant levels of management; create a base for a functional management; comprehensive and on time research to ensure clarity and transparency.

An important risk is the *liquidation risks*, where an insurer cannot pay due to lack of cash resources. Identifying and evaluating it requires a good knowledge of the quality assets, of changes in the financing strategy and the state of the national and international insurance market.

Insurance, as an economic phenomenon, means taking the risk from the insured by the insurer at a certain price. There are:

- *objective exogenetic risks*, which can be easily predicted
- *objective risks with private information*, where the procreate problems for the insurance company. *objective endogenous risks*, their manifestation comes as a consequence of known facgtors, which can be controlled by each individual and *moral risks*, caused by cases where the insured can enhance the medium risk calculated to the insurance bonus.

There is another clasification of risk: *speculative risks*, which normally rule out the probability of insurance (risk of stock holding); *pure risks*, their manifestation may or may not cause damages to the indured; *haphazard risks*, defined as an unpredictable cause, the probability and frequency can be determined by statistics and calculation of probability; *moral risk* is created by the insured by reducing their worry over preventing haphazard risk..

Fraud and the risk for fraud in insuraces.

Fraud is defined by the International Supervision Association as: "action or omission by will, in order to gain advantages dishonestly or illegally by any of the". Preventing fraud is done by *regulations, procedures and preventing checking*, by a management suitable to fraud risk for the insurance activity.

3.1. Particularities of financial management in an insurance compay

Financial management can be analysed on three coordinates: *purpose, area of manifestation and leverages to carrying it out*. These particularities in the insurance companies are determined by the organisation particularities and their functions, which define *the purpose* as a protective activity of the insured by, risk community as well as profit gain.

Financial management in insurances is represented by the cycle: **B – P – B**, and is manifested by: stock management; management of exploitation cycle; management of reserves; management of investments cycle; management of financial results and is obtained by: methods of information, running and decision making methods.

3.2. Particularities of sales management in insurances, can be defined as an application of the management in sales and is comprised of bonus sales and offering services to clients.

The sales management systems in an insurance company are determined by the way the sales programme is imposed: top-down or bottom-up.

These activities are similar as the long term planning and measuring results are done at top management level, the difference being the way objectives are set for the insurance agent, both generally and individually.

The insurance agents are the main object of the sales management, with an auxiliary staff and technical staff of the company.

Planning of the sales activity comprises: establish the mission, strategy, general objectives, regulations and sales procedures as well as the budget of the sales activity.

Organising the sales activity is done based on company's structure, and relations between the positions if determined.

Control of the sales activity seeks to check the quantity results, methods used or causes for non-compliance with the agreed plan and will have sales reports made by the sales agencies, which will then be analysed and evaluated by the sales managers.

3.3. Financial results, reflection of the management activity in an insurance company

Economic efficiency of the activity of an insurance company is a reflection of the quality of management in that company.

Indicators that define efficiency of activity in an insurance company are chosen on criteria such as: intended objectives; level of assessment; judicial regulations for the type of insurances; insurance sector.

a) *Indicators for analysis of the insurance activity* are represented by: damage rate; relative costs for the insurance activity; net income rate; expenses for 1 u.m. net income; degree of coverage for the insurance; average insured amount; average cashed amount; average productivity of an insurance worker.

Efficiency of the insured can be assessed by some indicators: average length of damage liquidation, degree of damage coverage by insurance.

b) *Indicators to analyse allowance of insurers*, are defined by: allowance; liquidation; patrimonial solvency; earning performance; degree of duty and degree of interest coverage.

The conclusion that can be drawn from this chapter can be expressed as follows:

- management is „ the science and art of running all human activities, on specific fields, profiles, types, areas of activity, under the fundamental economic laws, the laws of the whole and components;

-insurance/reinsurance companies are parts of national financial systems, of a national economy which tend more and more towards globalisation, meeting the requirements and opportunities that go beyond national scope;

- the role of the financial component, which is the insurances too, has significantly increased in the present economic and social activity and will continue to follow this increasing trend in the near future;

-all major problems the economic entities have to face today, which require management involvement are the same for insurance companies, with the characteristics and particularities for these;

-in order to ensure the developement set by economic requirements of the third millennia, all parties must come with offers prior to requests.

Fullfilling these requirements asks from insurance companies' managers: keeping updated, receptivity and introducing new concepts to ensure the required rythm for the future.

4. Using modern methods in running insurance companies

Practising modern methods easily applicable in the running of an insurance company is the author's contribution to improving management activity in these companies and it is presented in chapter IV.

The need for economic entities to implement new ideas in the science is linked to the economic, social and political requirements as they are nowadays.

The speciality literature for economy and management, underlines the fact that “mankind is rapidly heading towards a new type of economy, that some scientists call the new economy and others call it economy based on knowledge, and towards a new type of management called “ management based on knowledge”.

The fundamental changes from the economy based mostly on phisycal resources to the economy based mostly on knowledge have ensured the realization of modern economy, based on *the technology of information; of the economical processes; of the human capital; of the potential and competences of the organization.*

The link between these factors is represented by the knowledge, the factors being their ways of individualization and operating.

The knowledge, the main element of the economy based on knowledge impose for their approach to be made in relation with the data and the information, concepts that Alan Burton Jones¹⁸ defines as being:

- *Data*, a signal that can be transmitted from the transmitter to the receiver through a linking channel;

- *Information*, an eligibile data for the receiver, perceived by the later as entrances - for the development of knowledge – and as shapes through which the knoeldge circulates.

- *Knowledge*, cumulative stocks of information and abilities, generated by the use of

¹⁸ Alan Burton-Jones “Knowledge Capitalism”Business, Work, and Learning in the New Economy, 2001.

information. T.Peters and R. Waterman in the paper „The price of excellence”¹⁹ emphasize the secret of success and the traits that have to characterize the excellence in the activity undertaken, establishing as managerial priorities: the undertaking of some activities that should meet consumer’s demands; the subordination of the activity to market’s requests; the active participation of the entire community for accomplishing the actions; the insurance of an organizational culture in that society;

Among the decisive factors that have imposed the using of some modern management measures we ought to mention the globalization of the financial markets and the risk’s impact on the financial market that impose a new approach of the economical entities and their management.

The European globalization phenomenon has been also stimulated by the discrepancies between the economic growth rhythm in the West European area and the Central and East European ones.

a) The globalization impact on the insurance market has been presented by the economic analysis division of KPMG International, called “The globalization of risk industry” published in august 2006.

The study defines the impact through:

- the increase of marketing’s importance for the insurance industry and the importance of alternative distribution channels (the Internet and other forms of direct communication with the insured persons);

- re-shaping the business strategy by focusing on the customer relationship services;

Romania’s adhesion to the European Union opened the gates for the manifestation of the economic phenomena specific to the european and worldwide markets, including the romanian insurance industry. The information technology increases the productivity, the need of a dynamic capital market, of a human resources market that would offer qualified and flexible personnel.

Summarising, we could say that the productive system enters the world where the logic of coproduction (the integration client/consumer) dominates, where the importance of the degree of interaction and integration of the knowledge process, founded on the basis of cognitive interaction is increasing.

From the perspective of the information society, there is no dimension of our daily life that would not be affected by the virtualization process, dictated by the technological boom within the last decade. The electronic information and the knowledge spread via the computers network became the main elements around which the society is organized according to new rules and organization methods, new ways of thinking for those that govern.

The TIC implementation in Romania raises a series of barriers determined by factors such as: the lack of a specific TIC infrastructure; poorly developed communication networks; high costs for the communication services; weak technologization of the economic organisations; the lack of a targeted culture regarding the employees; the reluctance towards hiring new employees.

As trumps the achievements of using TIC within city halls and prefectures, financial

¹⁹ T Peters, R Waterman, „Pretul Excelentei „

administrations, banks and insurance companies and other institutions can be presented, an action supported also by the current legislation regarding TIC, the law of digital signature, the law of electronic commerce, the law regarding the protection of personal data, the law regarding the protection of personal data in telecommunications, the anti-fraud law, the law of the electronic public notary, the law of electronic auctions and its actual functioning.

b) The risks' impact upon the insurance societies

The insurances represent, according to some authors, an instrument through which the risks are identified and they are transformed into economic opportunities on a „risk market”, the risk management performing the evaluation of the probabilities and the dimensions of risk manifestation and also the managing of the undesired effects in a way that ensures the accomplishment of the organizational culture objectives.

Within the insurance companies the following can be observed: the signature risk and the signature management; the credit risk and the re-insurance risk; the operational and investment risk; the lack of liquidity and that of an uneven proportion risk between the assets and the cash flow; the risk of exceeding the expenses and create insufficient deposits. Within the insurance industry as a whole we can find: the jurisdictional and legislative risks and the market exchange risk.

Aside these factors, the management of the insurance companies is also influenced by the economic crisis (the crisis that has been made official in september 2008 by the bankruptcy of LEHMAN Brothers), crisis that has reduced the subscriptions in the life insurance field with 11% in actual terms, the Internet and the electronic commerce that manifested by the fact that the businessmen acknowledged the Internet as a substance, the symbol and the main instrument that ensures the common evolution of technology and trust, its effect in the insurance companies being emphasized through: the implementation of the informatic systems of on-line sales, the activity reorganization, flexibility in the product structure, in applying the management risk or in reducing the costs and improving the services.

The disadvantages of the Internet in insurance are represented by the increase of the probability of some technical errors that might appear (power break downs, system errors, the danger represented by the viruses and hackers, the accentuation of the financial risks that might put at risk trusting the society.

4.1. Applicable management methods within the insurance companies

Putting into practice „The navigation method” in leading an insurance company

The navigation²⁰ represents a group of activities led by the management of the insurance company in order to accomplish the established mission.

Starting from the opportunity that the navigation must ensure the achievement of greater performances than those registered so far, its projection and its use will be made upon a correspondent strategic vision of management and organization of the entire personnel and of the collaborators with a special focus on ensuring an equilibrium between the changing process imposed, the modifications of the environment and the preservation and capitalization

²⁰ Marie – Jose Arenier, Le pilotage strategique de l'entreprise

process of the existing managerial values.

1. *The projection of a navigation system*, in an insurance company calls for the respect of the following basic principles:

- *the decentralization of the strategic reflexion in professional inclinations and the carrying out of the strategic decoupage within each inclination* by designing some decision axle trees for each type of the established decision;

- *adopting a strategic structure*, organized by professional inclination (general and life insurances), by an organizational structure of the activity (central, territorial sub-units); activity domains: sales, damages, investments, personal, financial accounting.

Because each insurance company has its own strategic structure, the use of „navigation” will take into consideration the adoption of that structure, that will better answer the society’s organizational and functional peculiarities, that can be easily adopted and that will perfectly answer the established objectives the navigation system adopted.

1.1. *The projection stages of a navigation system* within an insurance company:

a) the elaboration of the strategic structure on the basis of the strategic fragmentation of activities;

b) the adopting of a methodological global frame, determined by the general constraints (*the hard nucleus of the navigation system*) and the unstable characteristics of the insurance company studied (the multi-annual planning; the BVC elaboration; the control; the emergency procedures; the staff shaping and motivation and the information system.

c) the analysis of the methods used for realising the strategic options adopted within the frame of the strategic reflexion previously made and their predictions for the period ahead;

- *The elaboration of the strategic structure* will include: the organization and development of the strategic reflexion process in which the following will be mentioned: the time-frame, the information degree and level, the frequency of reports and the data volume for each information.

- *The activity planning* will include the period planning, the annual planning, the elaboration of the income and expenses budget and will have as an objective the strategy’s transformation into a system of quality and quantity indicators at the company’s level and those of the branches also.

- *The projecting of the method through which the control will be made* will include *the previous control* and the *later control*; these controls will be included in the global methodological frame of the navigation system.

- *The staff shaping and motivation* has a decisive role will definitely include shaping and improvement techniques regarding the employees, actual methods and the funds that will be allotted.

- *The adoption of an efficient information system* will include programmes and efficient information methods comprising data from within or from outside the society regarding the insurance activity.

2. *The use of the navigation system* implies knowing the factors that that contribute to it being put into practice, namely: the establishment of the strategic objectives and the necessary politics for their realization.

- *the strategic objectives* in an insurance society include: the occupation of a higher hierarchical position than the current one, obtaining a greater profit than the one obtained the

moment the navigation was introduced.

- *The politics for accomplishing the strategic objectives* will be established for each and every year for each particular branch of the institution and will include activities that will be performed at the level of the insurance company as a whole (centralized) and the branches management level, focused on: the increase of the sales force, the development of the sales network, the improvement of the products portfolio, the use of the advantages and the legislative opportunities and in the end the registration of a greater profit than the one registered during the starting period.

- *Objectives specific for the departments, for the realization of the established objectives through the navigation system*, make specific allusions for each department, namely: the economic department, the planning and organizational department, the investments and placement department, other departments or directions that already exist in the organizational structure of the society.

The management's duties in an insurance company regarding the projecting and the application of the navigation system. The executive branch of the management has the duty to perform the internal and external diagnosis of the company and starting from it, the harsh nucleus of the insurance company will establish: the objectives and the strategies for the company and also for the branches; the multi annual planning²¹; the drawing up of the incomes and expenses budget; the drawing up of a control program; the staff's preparation and motivation; organizing the activity of gathering information from the environment.

The branch director's duties in projecting and implementing the navigation system refers to the presentation of characteristics that define the branch (the environment's turbulence degree; the current situation of the branch's activity; navigation systems of other surrounding companies).

At the level of each branch the impact of the matrix of the navigation system will be monitored and the director of the branch will inform the company's management if any modifications are due.

Persuading the insurance company staff regarding the necessity of adopting a performant navigation system is a request that bears an important role, taking into consideration the fact that the insurance companies, the person, the employee represents the decisive factor in accomplishing the company's activities and objectives. The advantages are determined by: it eliminates the withstanding risk of some employees when introducing the navigation; it ensures the early knowledge of the new navigation system and thus the step towards its actual use can be made; by participating in the elaboration of the navigation system, the employees get to know the advantages this system brings along and are consciously participating in its usage.

4.2. The application of mathematical shaping in adopting the decisions of the navigation system

Being exposed to a competitive environment, an insurance company must sometimes adopt complex decisions that can have different dimensions and that impose the adoption of methods and techniques in order to obtain the best decision in that particular moment.

²¹ J.A.F. and Freeman, R.E. and Gilbert, D.R. 1995 Management 6thed. London Pearson Education Ltd

In this sense, modern methods and techniques can be used, such as: the use of mathematical shaping; the use of the activities simulation; the computer use in shaping and simulating the different aspects before taking a decision.

The appreciations of some renowned mathematicians are significant in defining the importance of mathematical sciences when making a decision.

- G. Moisil “The mathematics stands on an algebra basis today (the interrupted science) and the topology (the continuous science), this being an answer to the continuous and interrupted character of reality.”

-Bellman, “the proof for the phenomena knowledge is made up by the measure in which the prediction of their development succeeds or if this requires quantitative measures who’s formulas and satisfying explanation implies the use of a mathematical model.”

-Mircea Malita, the mathematical model, “a mental or written qualitative representation or a mathematical one, of a part of a reality that constitutes a system, it (the model) selects the most representative parts of the system and describes the relations that link.”

In the summary the “mathematical model” can be defined as “a group of one or more mathematical relations between variables, numerically expressed and one or more accepted situations regarding the development of the phenomenon”.

The advantages of using the mathematical shaping are defined by: it allows a general encryption of each phenomenon; the use of numerical measures in describing the apparition and development laws of a phenomenon, without conditioning the interpretation methods of the results; it is a summarising agent for the past and a research tool for the future and the results of using the mathematical shaping had, have and will have a big utility; basically, there is no activity field that has not been conquered by the informational methods and alongside them the computer, that is basically another model.

In analysing the economic situations, the linear models are frequently used, models that ensure the optimal use, from an economic point of view, of some material and human resources.

Within the paper, we have presented actual examples of using the mathematical shaping, in the activities developed by the insurance companies, namely:

- *mathematical methods of establishing the minimum limit of rentability;*
- *the use of algebraically methods in choosing the most favorable strategy;*
- *the selection of the best candidate for a management position, by applying „The ELECTRE Method”;*
- *The applying of the linear programming method in optimizing the structure on insurance classes;*

Without making a detailed description of the application „of the linear programming in optimizing the structure on insurance classes” I will present the mathematical formula elements of the standard problem, that includes both the objective function as well as the necessary restrictions.

a) *The standard formula that contains equation type restrictions.*

- optimum $z = (c_1x_1 + c_2x_2 + c_3x_3 \dots + c_nx_n)$

The restrictive conditions are also called the restrictions of the linear program.

In the case of an insurance company, in which an optimal structure on general insurance classes is desired, the economic formula of the problem will imply:

- the incomes' maximization from bonuses: the sum (the policy number for each class multiplied by the average bonus on that class) for each class among the 18 classes of general insurance should be maximum;
- minimization implies that: the sum (the number of purchased policies / class multiplied by the average expenses on that class) should be minimum.
- the objective function: maximum gross profit (the difference between incomes and expenses)

The key-factor is the selection of the policy number for each class, that meet the requirements of the efficiency function, namely: maximum incomes and minimum incomes, in the conditions of respecting the defined restrictions, conditions that refer to the weight of one or the other class and that of non-nullity.

4.3. Other modern methods that can be applied in the activity of the insurance companies

- „just-in-time” method;
- the use of a “cause-effect” diagram in establishing the causes that led to the registration of some shortcomings in the activity of an insurance society;
- the process or activity costs estimation method;

5. Chapter V, that includes “The case study”, The analysis of the management activity in the insurance re-insurance company SC ARDAF SA, between 2000-2009.

Data regarding the founding and evolution of society

The insurance company ARDAF SA has been founded in 1992, under the name of the Insurance Re-insurance Company Dacia Felix ARDAF S.A., name that later changed as a consequence of the decision made by the General Meeting of the Shareholders dated 30.06.1996 and that has been preserved until now; it was the first insurance company with a pure native private capital on the national market after 1989.

The company's purpose was the development of some insurance and re-insurance activities and its activity object was closing insurance policies according to the law, optional insurances and civil rights insurance for damages caused to third parties through car accidents on Romania's territory (RCA).

Along the years and until 2009, the contributed capital registered an evolution determined both by the development of the company's activity as well as by the respect of some dispositions implemented by the Commission of Insurance Surveillance.

The shareholding registered various modifications, the most important being:

- the shareholding change and the company's name change as a consequence of the Shareholders General Meeting dated 30.06.1996 when it was basically separated from the Dacia Felix Bank;
- december 2002 when SC Tender SA became the main shareholder;
- february 2007, when the Czech Investment Fund (P.P.F. INVESTMENTS) became the main shareholder through the company SABILILE LTD.;
- the end of 2008 by the entrance of P.P.F. Investments in the Generali P.P.H.

Investment Group of holding and IBERIAN STRUCTURED INVESTMENT I.B.V. became the main shareholder

1. ARDAF's evolution on Romania's insurance market between 1997-2009

S.C. ARDAF S.A. represents a component of the national insurance market, its registered results being a reflection of the socio-economic factors impact at a national and international level and of the activity's decisive factors within the society.

Methodological remarks

- in order to be able to ensure a chronological analysis of the results, all data related to cashing and payments are expressed in *lei (ron)*;

- the volume of the insurance bonuses registered by the company until 2000 are „*cash*ed bonuses” and starting with the year 2001 they are „*subscribed* bonuses”

- the information source relating to the insurance national market has been mainly represented by the Annual Reports of CSA and the annual reports presented by ARDAF on its web page.

- the reference periods for the estimation of the main indicators evolution and that correspond to the end of activity of the 4 management teams are 31.12.2000; 31.12.2004; 31.12.2006; 31.12.2008; 31.12. 2009, the last year being taken under analysis.

- the evolution of the main indicators has been analysed after the year 2000, when the data was made available.

a) the territorial network was organically linked at the beginning with Dacia Felix Bank; in 1993 6 branches were activating, namely: Cluj-Napoca, București, Iași, Timișoara, Constanța and Brașov, some of them in the bank's headquarters. The favorable results registered and the will to extend their activity led towards the setting up of new branches and agencies, their number reaching 200 at the end of 2009. We need to mention the fact that between 1994-1997 a branch activated in Chisinau and in 1998 and 1999 other branches activated in Dijon – France and Caracas – Venezuela.

b) The main indicators registered by ARDAF

ARDAF's evolution within the context of the national insurance market, can be summarized through the presentation of the main indicators: the turnover, the amount of subscribed bonuses, the number of insurance contracts closed and the amount of paid damages and in order to ensure a pertinent analysis, without burdening the paper with too many dates, the indicators evolution has been observed only at the end of the 4 periods of management activity as compared to the average registered on the national insurance market.

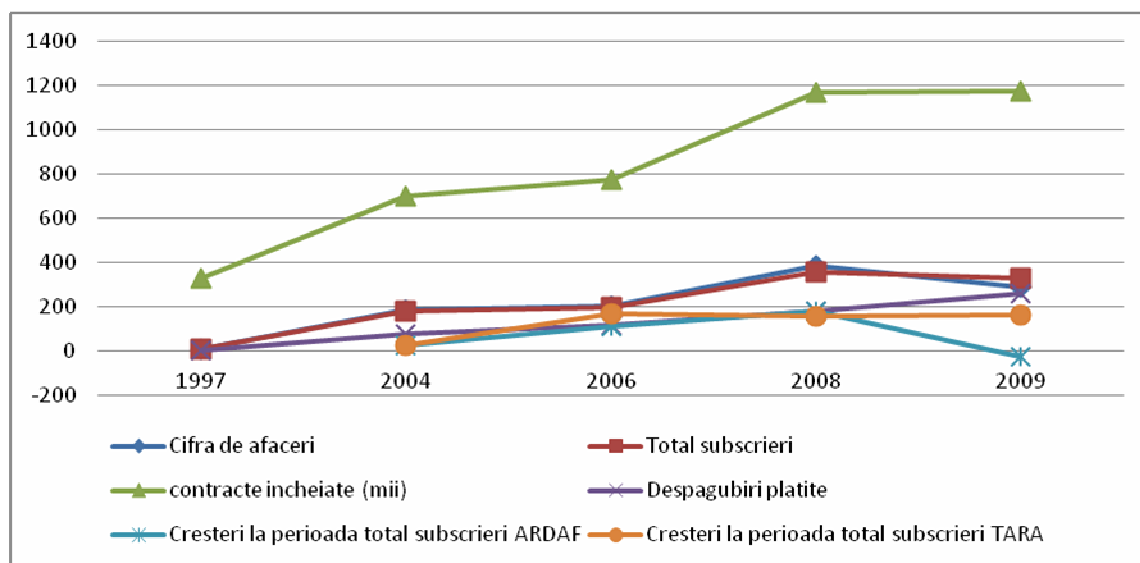
The evolution of these indicators is presented in Table 39 and graphic 21

Table n. 39. The evolution of the main indicators registered on the national market accomplished by ARDAF (turnover, total subscriptions, paid damages and the place occupied by ARDAF) between 1997 - 2009

Year	Remarks	Turnover mil lei	Total subscriptions mil lei	Contracts closed mii buc	Paid damages mil lei	% from the market share
1997	Per country	-	130,4	-	69,9	-
	ARDAF	8,5	6,87	328,5	2,9	6,43
2000	Per country	-	673,9	7.856,9	248,9	-
	ARDAF	45,4	35,9	418,7	20,6	6,3
	Nominal increase per country	-	416,8	-	256,0	-
	ARDAF	x	422,5	27,4	610,3	-
2004	Per country	-	3476,1	10762,6	1150,5	-
	Realizat ARDAF	186,5	180,9	698,2	74,7	6,48
	Nominal increase per country	-	415,8	36,9	362,2	-
	ARDAF	84,2	403,8	66,7	182,9	-
2006	Per country	-	5729,3	13.008,5	2622,8	-
	Realizat ARDAF	201,3	196,5	775,3	117,6	3,41
	Nominal increase per country	-	64,8	47,2	127,9	-
	ARDAF	7,9	8,6	11,0	57,4	-
2008	Per country	-	8936,2	14852,5	4363,5	-
	ARDAF	385,4	356,1	1170,3	178,9	3,2
	Nominal increase per country	-	55,9	14,2	66,3	-
	ARDAF	91,4	81,2	50,9	39,8	-
2009	Per country	-	8869,7	16307,8	5435,5	-
	Realizat ARDAF	288,7	327,6	1178,3	261,2	5,04
	Nominal increase per country	-	-0,75	9,8	24,6	-
	ARDAF	-25,1	-8,0	0,7	46,0	-

Source: the annual CSA & ARDAF reports used by the author

Graphic n. 21 The dynamics of the main indicators realized by ARDAF between 1997 – 2009



Source: the annual CSA & ARDAF reports used by the author

b.1. The subscriptions evolution

The subscriptions represent the main source of income, determined mainly by the damage amount and they reflect accurately the management activity.

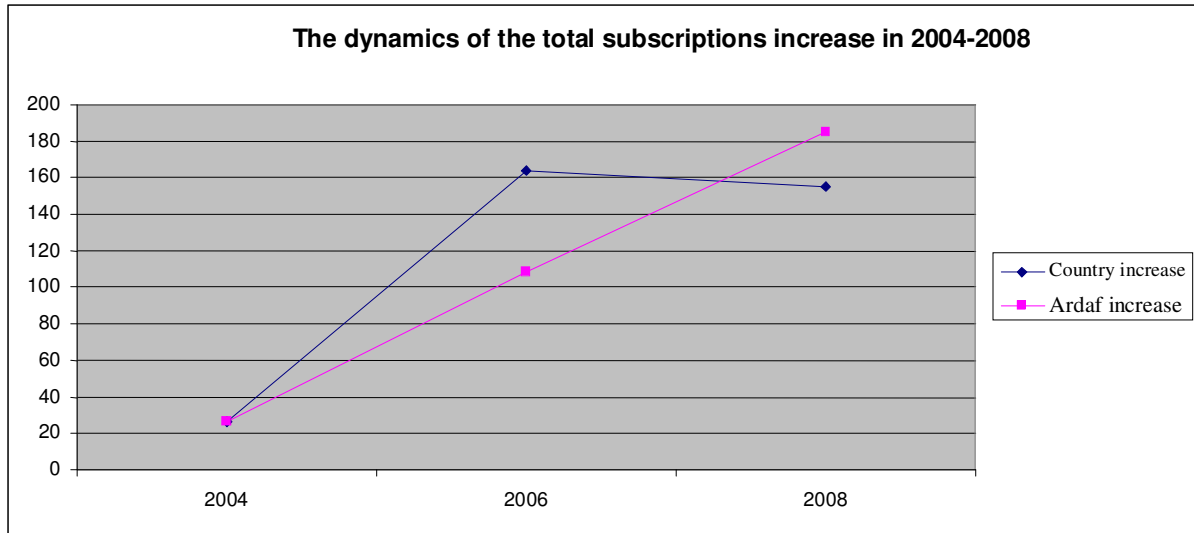
The evolution of the subscriptions registered by ARDAF SA is presented in table n. 40 and in the graphic n. 22. In order to avoid to misshape the situation of the increase by not acknowledging the inflation rate for the analyzed periods we have calculated the nominal increases.

Table n. 40 Total of gross prescribed bonuses per country and by ARDAF between 2000-2009 (mil lei) (the increase are not real but nominal)

Remarks	Total insurance	d.c. General insurance	% from total	Life insurance	% from total	Car insurance	% from general insurance	Other general insurance	% from general insurance
1997 made per country	130,4	122,3	93,8	7,7	6,2	105,0	80,5	23,8	19,5
ARDAF	6,8	6,6	96,0	0,27	4,0	5,9	90,0	6,6	10,0
2000 made per country	673,9	567,2	84,2	106,6	15,8	420,3	78,8	146,9	25,9
ARDAF	35,9	35,6	99,1	0,3	0,9	30,5	85,6	5,1	14,4
Increase per country	416,8	363,7	-9,6	1284,4	9,6	300,2	5,1	517,2	6,4
pe ARDAF	422,5	439,3	-10,4	11,1	-3,2	412,9	-4,4	-22,2	4,4
2004 made per country	3476,1	2967,5	77,6	779,0	22,4	1801,9	66,7	898,2	33,3
ARDAF	180,9	174,7	96,6	6,2	3,4	131,1	75,0	43,6	25,0
Increase per country	415,8	22,0	-8,0	97,3	+6,6	17,1	-28,6	37,7	7,4
per ARDAF	403,8	26,4	11,0	23,0	0,27	22,1	-15,6	66,0	10,6
2006 made per country	5729,3	4591,0	80,1	1138,0	19,9	3098,9	67,5	1492,5	32,5
ARDAF	196,5	191,8	97,6	4,67	2,3	153,9	80,8	36,7	19,3
Increase per country	164,8	70,2	2,5	46,0	-2,5	71,9	1,1	-0,1	-0,5
per ARDAF	8,6	9,8	1,0	-1,5	-3,2	17,4	7,7	-45,4	-5,7
2008 made per country	8936,2	7068,1	79,1	1868,1	20,9	5402,2	76,4	1668,1	23,6
ARDAF	356,1	355,1	99,7	1,0	0,28	320,6	90,3	34,4	9,7
Increase per country	155,9	153,0	-1,0	164,0	1,0	174,0	8,9	1,1	-8,9
Per ARDAF	181,2	185,0	2,1	79,1	-2,0	2,1	8,5	0,7	-9,6
2009 made per country	8869,7	7241,5	81,6	1628,1	18,3	5583,2	77,1	1658,3	22,9
ARDAF	327,6	327,4	99,99	0,2	0,01	298,1	91,0	29,3	8,9
Increase per country	-0,75	2,45	2,5	0,12	-2,6	3,3	0,7	-0,5	-0,7
per ARDAF	-8,0	-7,8	-0,8	-0,8	-0,3	-7,0	0,8	-14,8	-0,8

Source: the annual CSA & ARDAF reports used by the author

Graphic n. 22 The dynamics of the subscriptions on the whole country and ARDAF between 2000-2009



Source: the annual CSA & ARDAF reports used by the author

By analysing the presented data, the following can be concluded:

- the amount of subscriptions realized by ARDAF has been influenced both by the external environment factors as well as by the 4 management teams, by the politics and managerial strategies applied by the 4 teams of managers that led the society into the analyzed period.

- at the end of 1997 ARDAF subscribed 6.87 mil. Ron, from which 96% represented subscriptions for general insurance, exceeding the market average of 93.8%,

The 1998-2004 period can be considered the beginning of the international market growth and of the insurers activating on the market. The average of the subscriptions registered by the market at the end of 2004 have exceeded by 26.6 times those that have been realized in 1997 and in ARDAF the increase were bigger by 26.3 times.

From the 2 vocations, the general insurance represented 96.57% in ARDAF from a total of subscriptions and the average of the national market was 77.6%; life insurance held 3.4% in ARDAF as compared to 22.4% the country average.

The 2005-2006 period meant a hard period for ARDAF SA in which the company registered the smallest increase, just 108% as compared to 164% the country average; the weight of the general insurance increased to 97.6% compared to 80.1% the country average; car insurances reached 80.87% compared to 67.49% the country average and life insurances diminished to 2.3% compared to 19.9% the country average.

Between 2007-2008 ARDAF tried to re-gain the market lost in 2006, by giving up life insurances that have been taken over by the Generali company, the amount of subscriptions in the car field growing significantly, reaching 90.3% from the total subscriptions compared to 76.4% the country average. 2009 meant a stagnation of the subscriptions rhythm, their volume being diminished to 2.18% on the whole market; a significant decrease was registered by the life insurances (16.78%). The new team of managers that took over ARDAF SA manifested a constant preoccupation for the financial improvement of the institution and they managed to

reduce the 2008 losses to just a half.

The analysis of the subscription activity practiced by ARDAF SA between 2000-2009, emphasises in the author's opinion the following aspects:

- the amount of subscriptions and especially the structure of the insurance portfolio that has not been established through a market research or through managerial principles, the marketing activity being completely absent.

- the economic efficiency criterium has not been used in the managerial activity, the realizations registered representing the chase for subscriptions, regardless of the portfolio structure.

- the participation of the economic compartment in making the decisions regarding the company's activity has not been significant or was completely missing alike the marketing activity.

- just one insurance indicator has been taken into consideration "the market share" regardless the costs.

b.2) The direct insurance costs

The costs represent the second element of economic analysis of the activity of an insurance society and which reflects the managers work. In this sense, in the analysis we have included both total costs as well as their structure, namely: aquisition costs with the damages and the costs related to the management and administration activity as compared to the average of the insurance national market.

Table n. 43 The dynamics of the costs related to the direct general insurances, registered at the country level and ARDAF, between 1997-2009 (mil lei)

Crt. No.	Indicator	2000		2004		2006		2008		2009	
		Country	Ardaf	Country	Ardaf	Country	Ardaf	Country	Ardaf	Country	Ardaf
1	Subscribed bonuses	567,6	35,4	2697,5	174,7	4591,0	198,2	7068,1	355,1	7241,6	327,3
2	The weight of	340,1	29,9	2054,2	147,6	3899,4	216,4	6399,4	367,1	7922,5	405,0
	Total costs(2/1)	59,99	84,46	76,15	84,4	84,93	109,1	90,5	103,3	109,4	123,5
2.1.	Aquisition costs	67,5	5,3	343,8	35,1	698,3	64,1	1335,4	135,9	1365,2	93,16
	weight (2.1./1)	11,8	14,9	12,6	20,0	15,2	32,3	18,8	38,2	18,9	28,4
	weight (2.1/2)	19,8	17,7	13,3	23,8	17,9	29,6	20,8	37,0	26,3	23,0
2.2.	Damage expenses	209,5	20,4	1236,5	73,7	2481,9	116,36	4143,7	186,1	5187,5	261,2
	weight (2.2./ 1)	36,9	57,6	45,8	42,1	54,0	58,7	58,6	52,4	71,6	79, 8
	weight(2.2./ 2)	61,5	68,2	60,1	49,9	63,6	53,7	64,7	50,7	68,35	64,4
2.3.	Management+adm. costs	63,1	4,2	473,9	38,8	719,2	35,9	920,3	45,1	1369,8	50,6
	weight (2.3./ 1)	11,1	11,86	17,56	22,2	15,66	18,1	13,0	12,7	13,6	15,4
	weight (2.2./ 2)	18,5	14,0	23,8	26,3	18,4	16,6	14,3	12,3	17,28	12,5

Source: the annual CSA & ARDAF reports used by the author

Weight 2/1 = the installment of total expenses

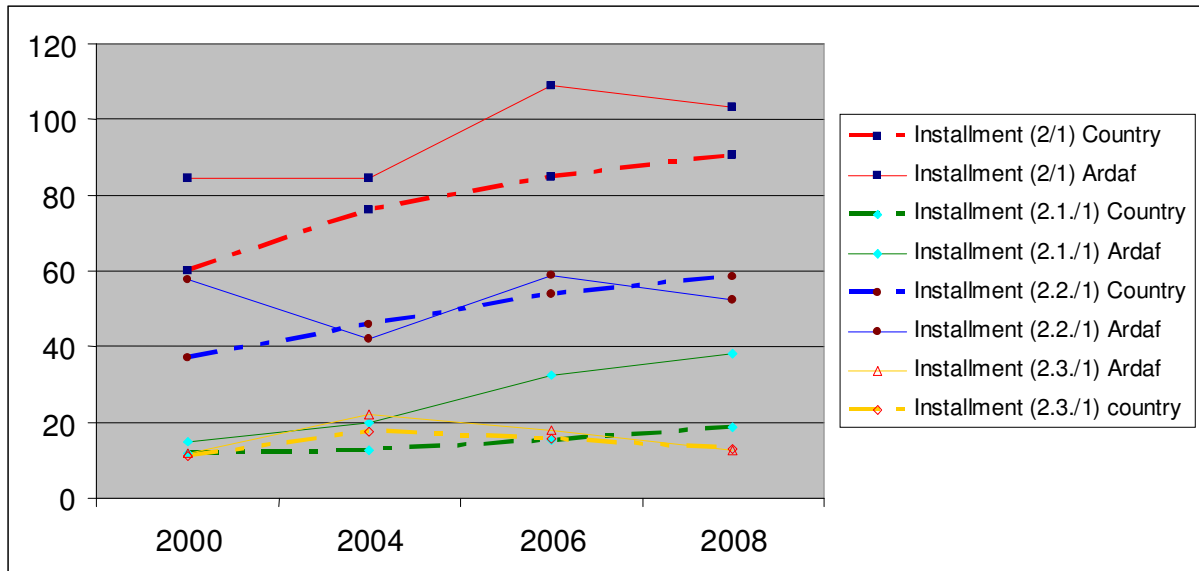
Weight 2.1./1 = the installment of the RCA aquisitions expenses

Weight 2.2./1 = the expense installment with paying the damages: the Rd damage installment

Weight 2.3./1 = the installment of the management and administrative Rcca insurances

Combines installment = Rca + Rd + Rcca

Graficul nr. 28. Graphic n. 28 The dynamics of the expenses made by the whole market and ARDAF between 2000-2009 on general insurances



Source: the annual CSA & ARDAF reports used by the author

The data presented in the table and showed in the graphic emphasize the following aspects:

- the expenses registered by ARDAF for general insurances have followed a similar increase to the one registered on the market, but starting from a percentage of 84.46% in 2000 and reaching 109.1% in 2006 and to 103.3% in 2008, exceeding each year the average market percentage by at least 10-12%.

- the weight in the general insurance portfolio has been the pioneer in the expenses volume;

- the amount of damage expenses has been mainly determined by the increase of the auto field subscriptions weight, by the increase of the damage rate and especially by the value increase per damage.

- the acquisition expenses have been bigger each year by 10-12% than the market average, reaching 38.2% of subscriptions in 2008; in 2006 the acquisition expenses doubled compared to 2004, while the subscriptions increased with only 8%. In 2008 the acquisition expenses doubled compared to 2006, although the subscriptions have increased by 85%.

- the systematic exceeding of the market average until 2006 for the management and administration expenses is a proof of the applied management; this proves that the 2 categories of expenses, of acquisitions and those of management-administration have not enjoyed too much attention from the management part.

Table 44. The dynamics of the expenses related to the direct life insurances, registered at the country and ARDAF level, between 1997-2009 (mil lei)

Crt No	Indicator	2000		2004		2006		2008		2009	
		Country	Ardaf	Country	Ardaf	Country	Ardaf	Country	Ardaf	Country	Ardaf
1	Subscribed bonuses	106,6	0,5	779,0	6,2	1138,0	4,67	1868,1	1,0	1628,1	0,37
2	The weight of	64,0	0,5	332,8	3,96	563,9	4,9	962,9	7,06	924,6	1,63
	Total costs(2/1)	60,0	76,0	42,7	63,8	49,55	103,1	51,5	706,0	56,8	440,5
2.1.	Aquisition costs	14,6	0,1	111,0	1,8	238,5	1,7	446,6	0,26	344,9	0,43
	weight (2.1/ 1)	13,7	20,0	15,2	29,0	20,95	36,4	23,9	26,0	21,2	116,2
	weight (2.1/2)	22,8	20,0	33,3	45,0	42,3	21,0	46,3	28,3	37,3	26,4
2.2.	Damage costs	39,4	0,2	75,2	0,96	140,8	1,4	219,8	5,8	248,0	0,86
	weight (2.2/ 1)	36,9	40,0	9,85	15,4	12,4	29,2	11,8	580,0	15,2	232,4
	weight (2.2./ 2)	61,5	40,0	22,5	24,2	24,9	28,5	22,8	82,1	26,8	52,8
2.3.	Management costs	10,1	0,08	138,0	1,2	184,6	1,8	296,5	1,0	331,7	0,34
	weight (2.3./ 1)	9,3	16,0	17,7	19,35	16,2	37,5	15,8	100,0	20,3	91,9
	weight (2.2./ 2)	15,6	16,0	41,4	0,3	32,7	36,7	30,8	14,1	35,9	20,9

Source: the annual CSA & ARDAF reports used by the author

* the data for the year 2009 are not conclusive because the life insurance activity has been dumped during the year by SC ARDAF SA to the Generali company.

Weight 2/1 = the installment of total expenses

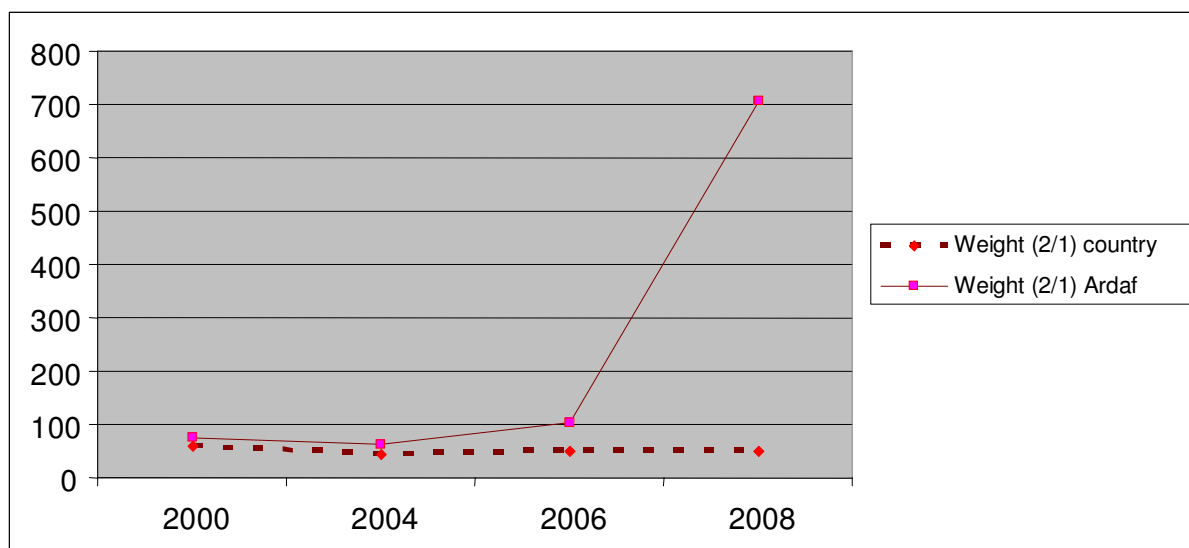
Weight 2.1./1 = the installment of the RCA aquisitions expenses

Weight 2.2. / 1 = the expense installment with paying the damages: the Rd damage installment

Weight 2.3. / 1 = the installment of the management and administrative Rcca insurances

Combined installment = Rca + Rd + Rcca

Graphic n. 29. The dynamics of the weight of the costs related to life insurances, on the whole country and ARDAF, between 2000-2009



Source: the annual CSA & ARDAF reports used by the author

For the life insurances loses have been registered throughout the entire period that has been analysed, a situation that has been enhanced by the anonymous corner in which ARDAF entered after 2005, fact that determined a massive increase of the withdrawals and redemptions and led to the portfolio's yielding to the Generali company in 2008.

- the costs way above the country average registered for life insurances, both for the total expenses as well as for the other 3 categories: acquisitions, damages and management-administration, that are the proof of a very weak knowledge of the life insurance activity, both for subscriptions as well as for damage estimation, administration and management. It is through this that we can explain the fact that ING Insurance makes profit and ARDAF only registers losses.

b.3.) The economic activity

The activity of an insurance society is reflected by the indicators of economic performance, calculated on the basis of the data included in the balance sheet and in the profit and loss account: the actives situation, the solvency rate, the liquidity installments, the profitability installments, the profit's volume.

For a more suggestive approach, the indicators realized by ARDAF SA have been compared to the values registered by the same indicators, on the average of the national insurance market (table 48).

Table n. 48 The main economic indicators realized at the level of national market and ARDAF between 2000-2009 (mil lei)

Crt No	Indicator	2000		2004		2006		2008		2009	
		Country	Ardaf	Country	Ardaf	Country	Ardaf	Country	Ardaf	Country	Ardaf
1	Total actives	1171,6	21,3	4678,7	157,1	8396,6	262,7	14982,8	312,8	16398,5	440,7
	Increases (%)	-	-	399,3	367,5	179,4	167,2	178,4	119,0	44,9	40,8
1.1.	Liquid actives	605,3	9,4	2114,5	73,7	3761,3	118,5	7967,9	138,5	9174,2	207,9
	% (1.1./1)	51,7	44,1	45,2	46,9	44,8	45,1	53,18	44,3	55,9	47,17
1.2.	Other actives (%)	48,3	53,9	54,8	53,1	55,2	54,9	46,82	55,7	44,1	52,83
2	Total incomes	-	47,4	-	160,4	-	202,8	-	417,5	-	372,8
2.1.	d.c. from bonuses	673,8	45,4	3216,3	154,2	5729,2	196,4	8936,2	356,1	8869,7	327,6
	Nominal increases (%)	-	-	477,4	339,6	178,1	127,3	155,9	181,3	-0,75	4,7
3	Total costs	537,5	47,2	2383,7	160,1	4604,1	221,3	7582,1	602,6	8764,2	406,5
	Weight (3 /2.1.)	79,7	99,9	74,1	99,9	80,4	109,0	84,8	143,4	98,8	124,0
3.1.	d.c.- damages	248,9	28,6	1311,8	87,1	2622,7	117,7	4143,7	305,5	5435,5	261,2
	Nominal increases (%)	-	-	527,0	304,5	199,9	135,1	157,9	259,1	31,1	-16,9
	% 3.1./2.1	36,9	62,9	40,4	56,4	45,7	59,9	46,3	85,79	61,2	79,8
4	Profit Gross profit mil lei	+56,1	+0,1	+121,3	+0,84	+175,4	-122,2	+266,5	-184,9	+105,7	-78,9

Source: the annual CSA & ARDAF reports used by the author

The actives of the ARDAF company have registered an evolution close to the national market average, both for total of actives as well as the liquid actives are concerned, except 2008 and 2009 when the weight held by the liquid actives in total actives on ARDAF exceeded the market average by some units.

The income from bonuses have registered some increases, proof of the already existent reserves on the national market, excepting 2004 and 2006, when the increase registered by

ARDAF have been smaller than the average growths on the market; it was basically the financial decrease period.

The total costs reported to the subscribed bonuses registered by ARDAF have been bigger each year with over 20% compared to the market average, 2008 registering a peak of almost 60%. The damage costs hold the weight in the cost structure, decisively determined by the portfolio's structure but the growths over the average of the national market have been registered to the acquisition and management-administration costs.

The gross profit confirms all the aspects pointed out regarding the incomes and the costs registered by the company. The comparison of this indicator with the country average is insignificant but the profit registered by many companies that have activated under the frame of the same external environmental factors is the proof of the decisive role that the management has in the activity of an insurance company.

The shortcomings registered by ARDAF since 2000, amplified within the next period led to the registration of losses starting with 2006 with the highest peak in 2008, of almost 185 billions of lei, losses that have been reduced to half in 2009. The summary of the performance indicators is presented in table 49; these represent in the author's opinion fine elements of economic analysis, ensuring sensitive, analytical and deep differentiations of the activity.

Table n. 49 The performance indicators evolution registered by ARDAF in 2000-2009

Crt No	Indicator	Year 2000	Year 2004	Year 2006	Year 2008	Year 2009
1	Solvency rate	1,36	1,29	0,48	1,47	1,52
2	Costs rate	26,8	32,7	41,4	41,8	39,8
3	Activity costs	99,5	99,8	109,1	144,2	127,6
4	The flat income rate	0,42	0,18	-9,1	-44,2	-23,7

Source: the annual ARDAF reports used by the author

During the period considered in the study, ARDAF SA recorded at the end of the first semester of 2005 and in the second half of the second semester of 2006 negative values for the solvency margin, which led to the two interventions made by the Commission for Insurance Surveillance that caused the capital increase to reach the calculated limit.

The realized expense rate shows an increasing rise from 26,8% in 2000 to 41,8% in 2008, as a result of an increase in acquisition expenses, as well as in management and administration expenses, having negative effects for the financial statement.

The relative cost of the insurance activity, in ARDAF case, shows the economic recession the society has been confronted with since 2000, recession that evolved until 2008, when expenses were higher with 44% than revenues.

The net revenue rate recorded by ARDAF SA shows once again the inadequate evolution of the society which, during 2000-2004, although there were not recorded losses, it had insignificant profits, which, according to the author, seems slightly overreached, profits that evolved from 2006 in significant losses, reaching the maximum point in 2008.

6. Chapter VI contains the author's conclusions regarding the insurance in Romania, the managerial activity of the insurance companies and improving suggestions.

6.1. Conclusions

- insurances are an important part in the financial area, a necessity for the economic and social development of a modern society;

- the main characteristics that define the current economic development and the future development trends are found also in the insurance industry with their peculiarities, both at the global and national level;

- the consolidation of the brand identity and marketing will acquire a great importance in the insurance industry in the next years, and the market players who will succeed in reshaping their business strategy, focusing on the direct customer service, on the usage of alternative distribution channels, such as Internet, will be tomorrow's winners on the global insurance market;

- the achievements made on the Romanian market in the last 20 years, although significant at a national level, are far from those of other countries, even far from our neighbors (Hungary, Poland, Check Republic, Slovakia). They reflect the economic, social and cultural evolution of the country, the well-being of the population with all the lacks they suffered;

- some factors and unfavorable conditions for the development of insurances still prevail: lack of interest for insurances, determined by the misapprehension of the importance and necessity of insurance, lack of financial support, the practice of unprofessional management, slightly inspired and efficient in some insurance companies; unjustified lack of maintenance from the state;

- the managerial activity is vital for every economic area, the human manager still cannot be replaced by robots, his way of thinking, acting and giving feedback is decisive for the success or failure of a firm, from every field of activity, the giants of the world economy are the living proof of the role and importance of the manager, of the need to invest a lot of effort in the selection, education and training of managers, an investment unanimously seen as a very profitable one.

- the national insurance market recorded in the first part of the analysis a crisis of managers

Defined by: managers appointed by the major stockholder, unfamiliar with the domain, with no experience and managerial knowledge, who practiced management with a focus only on the subscriptions volume and on the market position, with no economic background, with no control, no market studies, no marketing studies, no knowledge of the laws of the market economy, which resulted in the lay off of several managers of this kind from the insurance companies and the takeover of those companies by other firms or foreign financial groups with professional managers.

6.2. Suggestions

In order to reduce the delays and align the Romanian insurances with the standards of the European Insurance Market, according to the author, the following are requested:

- more initiatives from the government and from the insurance companies, to inform the population on the necessity and importance of the insurance activity;
- the usage of governmental subsidies for the policyholders (the deduction of all the insurance expenses from the gross revenues, the improvement and insurance of a real transparency for the legal provisions that foster certain activities, provided that the

insurances are made, for example, the revision of Law no. 381/2002, the allowance of building materials at discount, provided that the new building is insured);

- the grant of subsidies for the insurers that practice insurance activities meant to relieve the state budget (private health insurance, natural disasters insurance for goods and population);
- the involvement of the insurers in increasing the insurance offer, which should answer the current needs of the business organizations and those of the population;
- the update of the “Conditions” and “Norms” for the insurance, to the exclusion of such offers “if you want to buy a life insurance, in case of death you will receive a compensation...”, similar to the offer of the tobacco seller “whoever smokes tobacco from me, never grows old”(dies young)
- the acceptance and introduction in the insurance activity in Romania of the techniques and experience used in the major European insurance companies, including the extension of the concession and reception for the reinsurance;
- a greater involvement of the Commission for the Insurance Surveillance in the activity of the insurance companies, in what concerns the rapid implementation of the European and international legislation, the preventing of drawbacks in the insurers’ activity, in their relationship with the Parliament and Government, in order to prove itself as a lucrative institution, and not one of statistical recordings;
- Having no intention to minimize or underestimate the managerial activity deployed in some insurance companies (AllianzTiriac, ING Life insurances), I assess that in the managerial activity of the insurance companies that perform on the national market, the following are requested:
 - extensive knowledge of the insurance market, correlated to the economic and social development of the country, which can serve as a basis to underlie the activity;
 - the application of some management methods, techniques and policies, adequate for the present and with intuition for the future, developed on an information, knowledge and studying basis, on the newest managerial knowledge in all fields of activity and fulfilled through the knowledge and art of managers.;
 - the managers of the insurance companies that will perform in the future have to understand that the future is closer than it seems, that the insurances have to undertake a series of risks to which the man of the 3rd Millennium is exposed as a human being, as an entrepreneur, to be a gifted leader, surrounded by a team of specialists in various fields, being able to exploit the human capital at his disposal and to stimulate it, to show his concern for: making loyal customers, practicing new ways of the relationship consultant, insured, insurer, “to insure prolific relationships on his own territory and the implementation of information and internet in the society.

6.3. Conclusions and suggestions regarding the presented case study

The analysis of the economic results and insurances recorded in the society, the evolution of which is only a partial match with the symbol of the “mighty tree”, “the growth of the treetop recorded several times significant stagnations and that truthfully reflects the managerial activity of the three teams that led the society from 1997 till the end of 2008, shows, according to the author, the following:

- the managerial teams that led the society in the analyzed period did not show enough

knowledge and managerial experience in the insurance field, aspects reflected by:

- the setting of basic objectives of the activity was made more from inertia rather than based on economic principles, on marketing studies, on an analysis of the insurance market;
- the management style practiced was not a participatory one, which began from the headquarters and was mathematically distributed, without training the branch managers, without involving the economic compartment from the headquarters, without ensuring a managerial control, with no feedback at all.
- The relationship with the insurance brokers did not have a strong juridical and economic background, as a result the damage caused by the broker “Luiza Casa de Moda”, the high acquisition expenses, above the market value, although 80% of the portfolio structure was focused on the auto segment;
- the financial swoons were solved by the stockholders through a capital increase, without any managerial or organizational measures;
- there was little investment made in the education and training of middle management, no managers from outside the company were invited to have a job, no management and marketing specialists were consulted, leaving room for routine practice.
- Personal suggestions regarding the requirements that had to be fulfilled by the management team that has managed ARDAF since 2009:
- Appoint to decision-making positions personnel with experience in the management of insurance companies, who were not involved in the company’s activity during the analyzed period;
- Usage of up to date management methods and techniques, the main objective being to make profit, a participatory management, focused on initiative and openness to new ideas, on involving the branch managers in both the decision-making process and the ownership of the company, offering them shares at a discount and as incentives.
- Involvement in the decision-making process of the economic, marketing and risk management departments that will be created in the company, asking specialists for advice to a larger extent than they previously did, in the substantiation of the activity and furthermore, in the training of middle management.
- Periodic update of the “Work norms” and “insurance condition”, align them to the current practices for insurances and to the legislative requirements of the Commission for the Insurance Surveillance;
- Brand development and increase in the subscriptions’ volume as a result of the professionalism of sales representatives, of the implementation of the “Push” management method and of some incentives in the subscription activity, of the precision and promptness in damage settlement, and effective advertising; outsourcing the activities as an incentive, from subscriptions, damage expertise, accounts receivables, internal financial and managerial control.
- Human resources will be focused on promoting competence, loyalty to the company and on delivering results.

Having no claim to having presented all the solutions that can sort out the problems the society currently faces, I assess that the above could be a good starting point, which obviously should be permanently improved.

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