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**The Financial Market of the Cross and  
Up-Selling Insurers from Romania**

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**Abstract:** The biggest threat for the worldwide financial system is the recession at global level, which would have a major impact on the insurance industry. The differences between the results of European companies during the crisis, had a close connection with the aggressive or defensive investment strategies. Although the bank assurance agreements exist and they are developing further, the partnerships of this type didn't have the expected success in Romania, so far. Once with the market penetration from Romania of some insurers of European size, more specialized companies have launched bank assurance partnerships with banks, especially in the view of distribution of life insurances, and more recently, of the promoting the package of current account, products of savings – credit in the housing domain, pension funds, credits for small companies, mortgages and the one of personal needs. The success of this type of sale is still to come and put in doubt, at this point, the efficiency of promoting the banking products by insurers.

**Keywords:** insurers; banks; bank assurance partnerships; cross-selling; up-selling

**JEL Classification:** G2

## 1. Introduction

The overall economy and industry of insurances if found in a relation of mutual influence, bidirectional, a negative or positive evolution of one of them, having effect on the other (Prof. Fuat ERDAL, Director, The Insurance Training Center, IMC – The International Insurance Mediation Conference, Istanbul, 2010). An increases with 1% of the subscription made by the insurance companies has as effect, according to the studies of Prof Erdal, a GDP growth of 0,5%. Also, an additional of 1% in the GDP evolution is reflected in an increase of 1, 5 – 2,5% of subscription of the profile companies.

The concept of bank assurance marked a change of course within the financial sector, the bank assurance services becoming a tool increasingly used in the distribution of financial protection through insurance. According to a study<sup>4</sup>, made in 2008 by Swiss Re, Europe is present at the highest level of penetration of the bank assurance segment, at the opposite pole being the North American continent, as a result of more restrictive regulations in the field.

The development of the Romanian banking system fits the globalization trend that has dominated the world economy in recent decades, especially as the financial services are one of the areas with the most intense expression of this phenomenon.

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<sup>4</sup> Media XPrimm – FIAR, 2009.

The trends of European financial system put its mark on the Romanian banking evolution through the fusion process and acquisitions, leading to the increase of customer's exigency and implicitly at the development of approximation strategy to the customer. The interface of banking system with the other segments of financial market and, even with the space of real economy imposed the apparition of new products and services<sup>1</sup>, such as:

- Services concerning the capital market or in connection with it;
- Bank assurance products and related to the funds of pensions;
- Business advice and support.

"The main objective of the management relation with the customers (CRM) improvement is the quality of information about the customer in order to identify them, to adapt to their needs and efficient managing the customer relationship. Other objectives are: the improvement the customer service through continuous adaptation to its requirements; increase of the commercial efficiency through the achievement of cross selling and re-sales towards the customer segment that want such acquisitions; the increase of the profit rate through the proper management of the profit per customer, channel of distribution, branch, and product." (Deaconu 2008)

## 2. The Research Methodology

The research methodology consisted of collecting data by documenting on the Annual Reports of the most representative societies of insurance from Romania, Annual Reports of CSA (Insures Supervisory Commission), Insurance Yearbooks, magazines and specialty publications, Annual Reports of Banks, other documents and official publications, press and the achievement of a comparative result concerning the efficiency and leverage effect at the level of financial banking institutions after the implementation of the strategy and techniques of cross selling and up-selling.

## 3. Results and Discussion

Romania is found in the emerging market status (80% agents and 20% brokers), at the beginning of the diversification cycle of the distribution in insurances. For the development and fructification of the cross selling and up-selling opportunities, which derives from the diversification of the distribution channels especially on the segment of life insurances, Romania still has to overcome some thresholds, says Bernhard Kotango, Financial Services Partner, Oliver Wyman, member of the Marsh& McLennan group. Passing to the mature market stage or super mature assumes "*the increase up to 70% of the alternative channels and an increasingly accentuated control on the direct sales through brokers, bank assurance, contracts of affinity and platforms of distribution*".

However, it must be noted that, the financial crisis at the level of emergent markets represented an excellent opportunity to recover a part of the advance gained over time by the mature markets. The main challenge of the leaders from insurance is regaining the confidence of customers in the financial institutions. Capitalization of the offers from these institutions market and rapid identification of ways of selling to a potential client or company is based on a coherent communication strategy, generating sales, in order to achieve clear and measurable objectives. On the basis of each successful business is the number of clients and the fidelity degree of those. In drawing up the loyalty process, to obtain optimal results knowledge about consumer behavior are required. Upselling would not be complete if the sellers would not model sales strategies on current customer needs, trying to find the budget available to a particular customer.

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In Romania the increased interest of the investors and the need to differentiate the banking products, had determined the insurance companies to initiate bank assurance type partnerships with banking institutions . Designing CRM as a workflow, customer →insurer→ customer → bank , allows tracking results of marketing campaigns and their impact on sales. Within CRM in the banking system sales techniques as: cross-selling, up-selling, product and bank services are promoted.

**Table 1. Top 10 Insurance companies in 2010 and 2009**

Nr.	Company	Subscribed gross primes						Market share (%)	
		2010		2009		Nominal evolution in Euro	Real evolution in Ron	2010	2009
		mil. EUR	mil. RON	mil. EUR	mil. RON	%	%		
1	Astra	263.81	1,110.63	191.03	809.47	38.10	29.33	13.26	9.13
2	Allianz-Tiriatic	245.14	1,032.00	303.47	1,285.88	-19.22	-24.35	12.33	14.50
3	Omniasig	217.61	916.12	263.00	1,114.41	-17.26	-22.51	10.94	12.56
4	Groupama	191.43	805.91	210.63	892.50	-9.11	-14.89	9.63	10.06
5	Asirom	135.58	570.76	152.43	645.89	-11.06	-16.70	6.82	7.28
6	Bcr Insurances	135.55	570.63	135.95	576.06	-0.30	-6.63	6.82	6.49
7	ING Life Insurance	129.08	543.41	124.39	527.06	3.77	-2.82	6.49	5.94
8	Generali	104.09	438.21	119.64	506.95	-13.00	-18.52	5.23	5.72
9	UNIQA	102.71	432.39	117.22	496.70	-12.38	-17.94	5.16	5.60
10	BCR Life Insurance	73.01	307.35	60.21	255.13	21.25	13.55	3.67	2.88
Total Top 10		1,598.00	6,727.41	1,677.97	7,110.05	-4.77	-10.81	80.35	80.16
Total		1,988.89	8,373.05	8,869.75	8,869.75	-4.99	-11.02	100.00	100.00

Source: [www.primm.ro](http://www.primm.ro)

Regarding the evolution of companies and their hierarchy, the year 2010 brought two premieres. ASTRA Insurance became the market leader since the first quarter, keeping this position at the close of the year also. Another first is the entry in TOP 10 of BCR Life Insurance, such as two of the top 10 companies in the market are specialized in life insurance.

Romania is the fifth largest market for Vienna Insurance Group (VIG), after Austria, Czech Republic, Slovakia and Poland, in terms of subscriptions, and the fourth most profitable market, according to the 2010 report published by the Austrian group. Business in Romania related to the four member companies VIG - OMNIASIG, ASIROM, BCR Insurance and BCR Life Insurance - represented 6.1% of the total subscriptions of the group late last year, up slightly from 6% in 2009, in despite the reduction recorded in 2010. Concerning the life insurances, these registered an advance of 6.8%, mainly due to the bank assurance activity promoted by BCR Life Insurances, VIG occupying the second place on the profile market after the Dutch from ING, with a share of 24.3%.

BCR Insurances<sup>1</sup>, one of the biggest companies on the local profile market, closed 2010 with a loss of 55 million lei(about13 million euro) of almost ten times higher than in 2008(provided in the years before 2008 had a profit), according to the company's annual report. In 2009 BCR Insurance generated

<sup>1</sup> BCR Insurances is one of the largest companies on the profile market, acquired by Vienna Insurance Group from the ERSTE group in 2008, together with BCR Life Insurances; the total value of the transaction was 244 million euro.

revenue from insurance premiums of 594.1 million lei (140.8 million) in increase with 7%, but the society has a prudent investment policy, mainly due to the important volume of payments regarding the reinsurance program. Aiming the achievement of profitability and ability to cover its liabilities to ensures (and not the market share), one of the aimed objectives by the BCR Insurances VIG SA is the improvement of collaboration with profitable intermediaries and strengthening the cross selling activity.

Within Vienna Insurance group it has been implemented through BCR Life Insurance a business model based on the distribution of life insurance through bank assurance under the cooperation agreement signed for a period of 15 years between the two entities. VIG agents in Romania promote BCR portfolio of products and services, including current account package, savings and loan products for housing, pension funds and loans to small businesses. The financial institution informs that in the next stage, financial consultants of VIG will include in the offer mortgage and personal loans.

Successful partnerships have been developed. As an example, UNIQA and Raiffeisen Bank Group support and complete each other within a "Preferential Partnership" in the bank assurance area.

**Table 2. Gross subscribed premium and paid claims of UNIQA Romania during 2009**

	Gross subscribed premiums	Claims paid
	RON	
Direct insurances:		
Civil liability insurances for vehicles	168,167.929	159,130.925
Land vehicles insurance (CASCO)	271,112.411	251,476.999
Fire and natural causes insurances	47,711.338	6,113.937
Other types of insurances	9,673.136	5,230.649
	496,664.814	412,952.510
Acceptation in reinsurance	36.824	760
Total	496,701.638	412,953.270

*Source: Annual Report of UNIQA Romania 2010*

The two classes of car insurances, respectively the Casco insurances and civil liability insurances for vehicles, have in 2010 a share of 74.64% in total gross subscribed premiums for the activity of general insurances, in decrease with 2.46 percentage points compared to the share from 2009.

Within the class of civil liability insurances for vehicles, the compulsory insurances of auto civil liability (RCA) generated gross subscribed premiums of 2,464.204.165 lei.

**Table 3. Gross subscribed premiums on classes of General Insurances (Lei)**

<b>Gross subscribed premiums on classes of General Insurances(lei)</b>			
<b>Insurance class</b>	<b>12/31/2009</b>	<b>12/31/2010</b>	<b>Nominal Increase (%)</b>
1 - accidents	62.929.358	57.830.376	-8,10%
2 - health	24.859.868	21.121.874	-15,04%
3 - land means of transport (Casco)	3.330.988.688	2.494.164.019	-25,12%
4 – railway means of transport	5.566.689	4.335.964	-22,11%
5 – air means of transport	21.262.074	20.540.173	-3,40%
6 – naval means of transport	30.160.705	23.777.836	-21,16%
7 – goods in transit	40.898.248	42.548.333	4,03%
8 - fire	934.738.928	971.181.606	3,90%
9 – claims to properties	163.733.629	129.575.466	-20,86%
10 – auto civil liability	2.252.065.897	2.505.704.913	11,26%
11 – civil liability for means of air transport	24.200.074	16.424.395	-32,13%
12 - civil liability for means of naval transport	10.593.396	14.870.542	40,38%
13 – general civil liability	135.785.975	145.811.936	7,38%
14 – credits	115.619.772	118.772.957	2,73%
15 - guarantees	29.973.022	66.427.629	121,62%
16 – financial losses	15.666.826	14.291.404	-8,78%
17 – juridical protection	6.591	6.267	-4,92%
18 – assistance of persons in difficulty	42.534.582	51.125.560	20,20%
<b>TOTAL</b>	<b>7.241.584.322</b>	<b>6.698.511.250</b>	<b>-7,50%</b>

Source: Insurance Supervisory Commission

Concerning the life insurance activity in terms of class structure, the gross subscribed premiums related to class 1 – traditional insurances and class 3 insurances related to investment funds – have been cumulative worth 1,625,423.460 lei, representing 97.57% of the total of subscribes of life insurances.

**Table 4. Gross subscribed premiums on classes of life insurances**

<b>Insurance classes</b>	<b>30.12.2009</b>	<b>31.12.2010</b>	<b>Nominal increase %</b>
Traditional	1.030.051.349	1.007.696.588	-2,17%
Marriage and birth	1.790.341	1.790.616	0,02%
Unit linked	565.774.631	617.726.872	9,18%
Permanente of health	318.293	234.317	-26,38%
Accidents	25.825.944	29.316.546	13,52%
Health	4.402.078	9.218.281	109,41%
<b>Total</b>	<b>1.628.162.635</b>	<b>1.665.983.220</b>	<b>2,32%</b>

Source: Insurance Supervisory Commission

#### 4. Conclusions

The development of bank assurance sector on the retail markets with a low penetrating rate of insurances is a business opportunity with great potential and financial benefits both for banks, and for the insurances companies.

Approaching the bank assurance segment on the emergent market from Central and East Europe is relatively difficult, since the most companies from the region still put more accents on commissions and immediate gains, then on the long term relation with the customers. These markets concentrate more on the class of non-life insurances, the bank assurance agreements for this segment not being profitable on long term for a banking entity, according to some specialists in the field from the West countries. The experiences of emergent markets have shown that the cross-selling process and distribution of banking products and insurances together, at package, don't bring always the expected results, the key of success in this domain being a good relation between all actors involved.

##### *Some causes of the failure*

- *Focusing on the products and not on the customer's needs* determine some sales agents to overcome the research stage of customer's needs and to present them directly the offer, the customer hesitating to buy the products, convinced of its uselessness. In addition, most cases occur price objections;
- *Non-customized cross-selling* generates high costs, sales below expectations, customers bothered by the offers;
- *Following a predetermined script scenario*, by the sales agents at the beginning of careers, which becomes boring and generates a reluctant of potential customer, customer that share to other acquaintances the discussion, considering it as an abuse to its precious time;
- *The attempt to make cross-selling before purchasing by the customer the product*, which generates a reserved attitude concerning the product and objections, on the total price, which includes additional products of which the client is not interested at that time.

##### *Some successful solutions*

- Due to the fact that many opportunities of cross selling arise naturally, is necessary the *identification of customer's needs and offering some accessories related to the purchased base product*. This type of cross-selling can be a very effective tool for a small business.
- The importance given to timing through *promoting the right product at the right time* to encourage the clients to buy more, from an extensive range of products;
- *Providing of recommendations from professionals, experts or other customers, through the building of a flexible approach concerning the customer's servicing* and describing to him the way in which the supplementary products or services would complement the initial purchase and to further resolve the issue, is characteristic to some cross-selling techniques in chain and of the up-selling technique derived from the inducing fear (influencing the emotional factor) as the product/service will lose the durability, the client being immediately exposed to a choice that usually he cannot refuse;
- *Offering a range of prices*, on levels or offering a mix of price points, adapted to customer's wishes and his available financial potential to purchase the respective one;
- Products individualized accompanied by optimal counseling services through the *promotion of some package of products to promote family type*, adapted to the number of family members, their ages, requested products and available financial threshold;
- *Centralization on customer's feedback* to modify or launch new services and products on the market.

Given that the insurance market is closely connected to other markets and the evolution of business in other sectors, is very difficult advanced a more realistic forecast. The economic and social context is the one that will significantly influence the market, insurers having the difficult mission to:

- *maintain* a balance between the financial capacity and consumption priorities of the consumers;
- *educate* people about the usefulness of a life insurance in life of each one, by strengthening the people's confidence in the insurance services and offering services of a better quality;
- *work* more to develop and other business lines with high growth potential

“Changes in the social, economic and financial environment ,involve important challenges and opportunities for insurance companies The negative registered evolution by the insurance markets from several countries highlighted the necessity of a coherent and consistent approach, of regulation, which to offer real benefits to customers, profile industry and to society”, said Mick McAteer, Director, The Financial Inclusion Center and President, European Commission Financial Services User Group.

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