

# SUMMARY

## 1H2014 preliminary results

### RADICAL DECISIONS AND SIDE EFFECTS!

*[...] customers continued to buy cheap trusting little. Companies with MTPL tradition persevered to sell more at low rates. Those companies built portfolios 80-90% MTPL based. For several years we are debating about unsustainable low rates for the market. However, for several years, the customer has the option to buy cheap insurance!*

*Persistence in selling cheap led to lower quality of service, unhappy clients and many petitions alleging the companies focused on cheap MTPL rates.*

*Debates about rates based on real costs remained at a theory level for some market players. The market supervision lacked the strength to intervene radically in the market. This led to the recent situation that will turn for the market into a true zero point! From here on, the market supervision cannot make any single step back! We will witness radical decisions whose effect will sooner or later consist in the disappearance of low rates. [...]*

#### **Editorial - INSURANCE Profile 1/2014 - March 2014**

In March 2014 it was quite clear that the Financial Supervisory Authority options were limited. Radical decisions could be anticipated. However, the second part of this year has brought us a shock proposal from the supervisor. The proposal effects are breaking the patterns of stability and predictability that should characterize the regulatory framework of a market.

If we could predict the disappearance of low prices at the beginning of this year, it was unlikely that anyone could anticipate collateral effects of a proposed action such as *restricting insurance broker commissions up to 10% of the premium for the MTPL field.*

Beyond the pros and cons of this measure reality shows that it is going to regulate the distribution and not to correct the essence of MTPL rates. In a market where survival is becoming a success, the side effects of such a measure will hit hard in the brokerage market.

What will happen? Hard to say! Easily found is that the brokers have increased from year to year, as business volume, as number of companies, as a share of the insurance business... and, as number of pages (over 20) assigned to the domain in our review.

Still, from the disappearance of low prices hopefully we won't witness the disappearance of the most of insurance brokerage market in Romania as a side effect.

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