

# INSURANCE, ASSET MNG. & PENSIONS

Helgi's Pocket Guide

January 2013

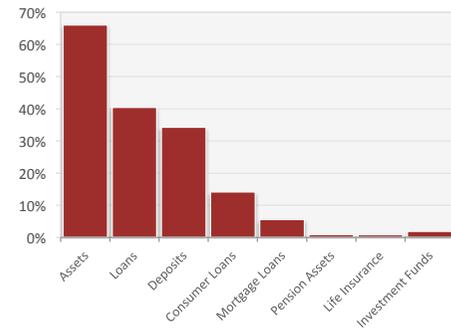
Romania

## ROMANIAN INVESTMENTS AT A GLANCE

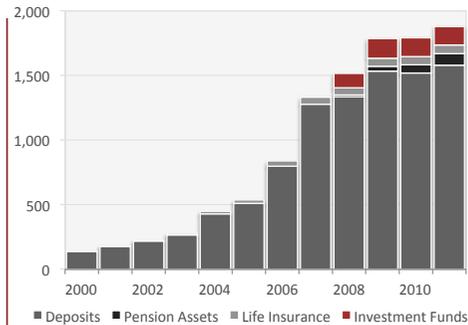
	1995	2000	2005	2010
Life & Non-Life Insurance Premium (USD mil)	143	311	1,509	2,611
Life & Non-Life Insurance Reserves (As Of GDP)		0.5%	1.3%	2.2%
Insurance Net Profit (USD mil)		-45	13	-13
Pension Fund Assets (USD mil), II. Pillar				1,352
Pension Fund Assets (As % Of GDP), II. Pillar				0.9%
Pension Fund Clients, II. Pillar				5.2
Pension Fund Assets Per Client (USD), II. Pillar				261
Institutional Investors' Assets (USD mil)				3,107
Institutional Investors' Assets (As % Of GDP)				1.9%
Households' Dwellings Assets (As % Of GDP)			161%	196%
Dwellings Assets Per Capita (USD)			7,378	14,837
Market Capitalisation Of Listed Companies (USD mil)	100	1,069	20,588	32,385
Market Capitalisation Of Listed Companies (As Of GDP)		0.3%	2.9%	21%



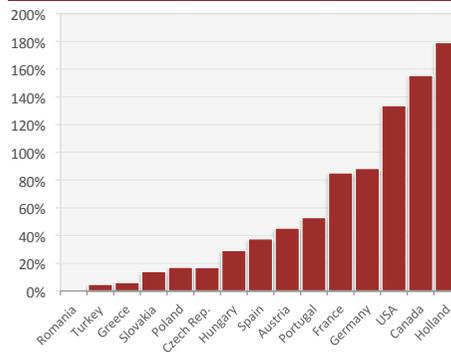
## FINANCIAL PENETRATION (As Of GDP), 2010



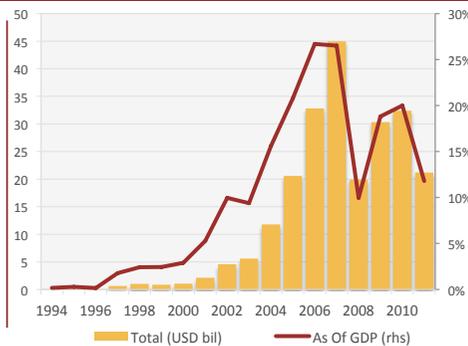
## HOUSEHOLDS' ASSETS PER CAPITA (Current USD)



## HOUSEHOLDS' ASSETS, EXCL. DEPOSITS (As Of GDP), 2009

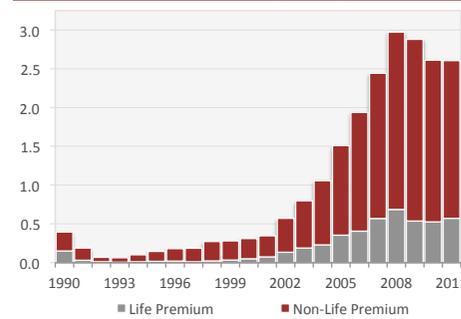


## STOCK MARKET CAPITALISATION

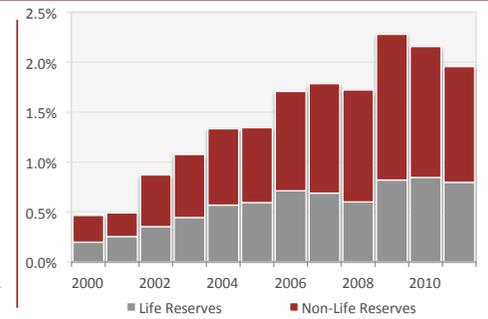


Source: World Bank, National Statistical Office, National Central Bank, United Nations, OECD, Helgi Analytics calculation

## INSURANCE PREMIUM WRITTEN (USD bil)

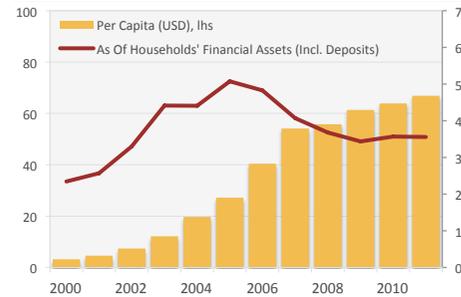


## INSURANCE RESERVES (As Of GDP)

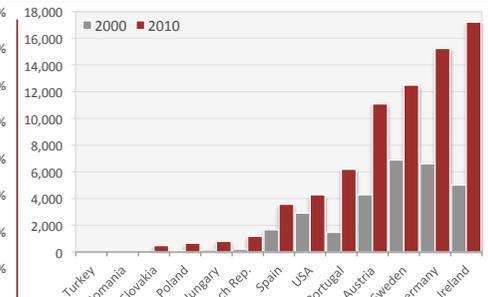


The sales of the insurance sector have increased eightfold over the last 20 years to around USD 2.5 bil a year, but overall penetration of insurance products remains relatively low. Life & non-life insurance reserves account for less than 2% of GDP, compared to 50% in most European countries, 30% in Austria, or 8% of GDP in the Czech Republic, for example.

## LIFE INSURANCE RESERVES PER CAPITA (USD)

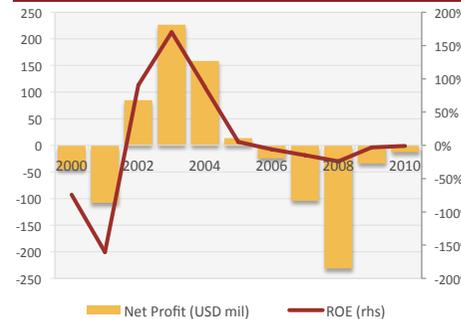


## LIFE INSURANCE RESERVES (As Of GDP), 2009

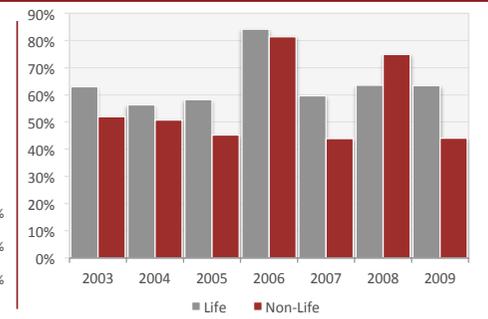


Romanians have less than USD 70 per capita in life insurance products, compared to more than USD 10,000 in the most advanced world economies and USD 1,200 in the Czech Republic. This is very much a result of 40 years of communism, which wiped out households' savings. It also shows how little developed Romanian financial services are and what growth prospects they offer. With nearly USD 1,900 of financial assets per capita, Romanians have invested less than 4% of their assets into life insurance, while nearly 90% of the total is left as bank deposits.

## PROFITABILITY OF INSURANCE COMPANIES

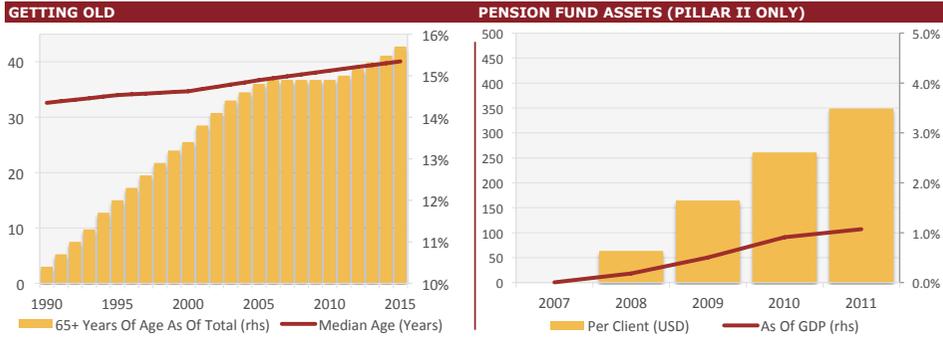


## MARKET SHARE OF 3 LARGEST INSURANCE COMPANIES

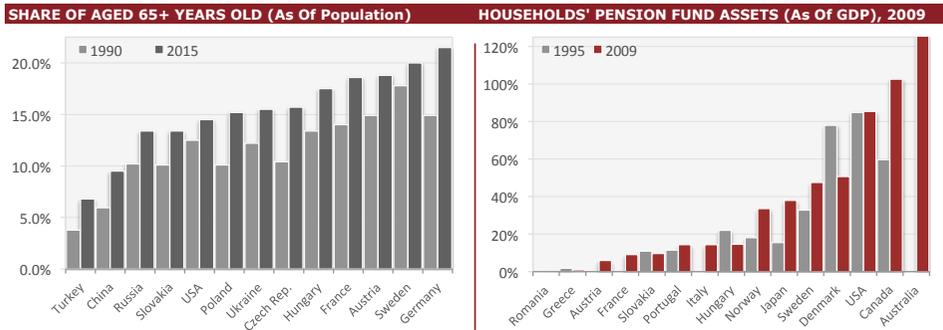


The Romanian insurance sector has been loss-making since 2006. A fierce fight for market share, accompanied by a financial crisis and an overall decline in premiums written since 2009, have all contributed to the negative results of the sector. Austerity measures, together with the renegotiation of rents and various contracts, led to a reduction in operating costs, though the insurance market remains difficult to operate in.

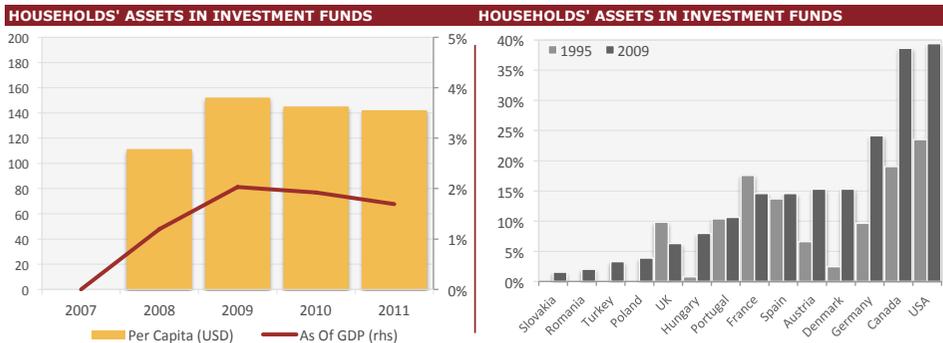
Source: World Bank, National Statistical Office, National Central Bank, United Nations, OECD, Helgi Analytics calculation



The pension system in Romania has undergone numerous reforms in recent years as the number of pensioners increased from 2.5 mil in 1990 to 4.7 mil in 2008. Since 2007, the system has all three components: Pillar I, Pillar II, and Pillar III. Having said that, the role of the second and third pillars remains relatively marginal. The second pillar's assets reached USD 1.9 bil at the end of 2011, or around USD 369 per client. This represents the equivalent of less than two months' worth of average state pensions (USD 253 per month in 2011), or less than 4.8% of households' assets.

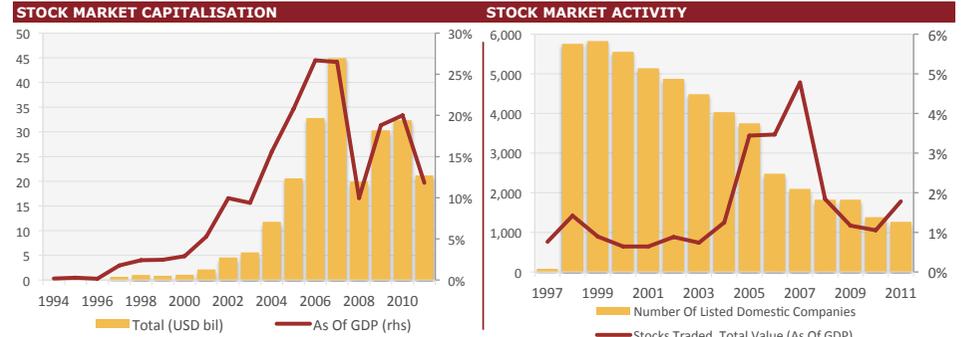


Similarly to other European countries, the need for a change in the pension system remains obvious. If in 1990 more than three employees sustained a pensioner, the relationship has changed to nearly one now (0.98 employees per 1 retired person). Although the deficit of the pay-as-you-go system reached only EUR 1.5 mil in 2009 (compared to USD 2 bil in the Czech Republic, for example), no change in the retirement age and the addition of the second and third pillars could result in a deficit of around 7% of GDP in 2040, according to the World Bank.

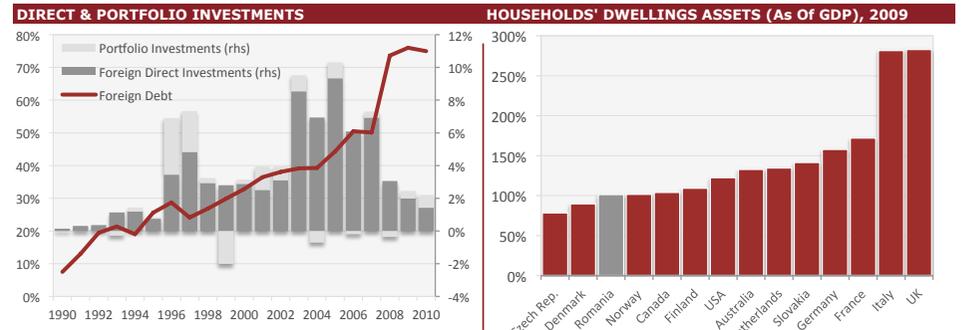


Similarly to life insurance or pension fund assets, Romanians are relatively little exposed to institutional investing. The average Romanian has some USD 142 in investment funds, which represents around 7% of his/her total financial assets. This is around a third of the level in Continental Europe, or a fifth when compared to the US or Canada.

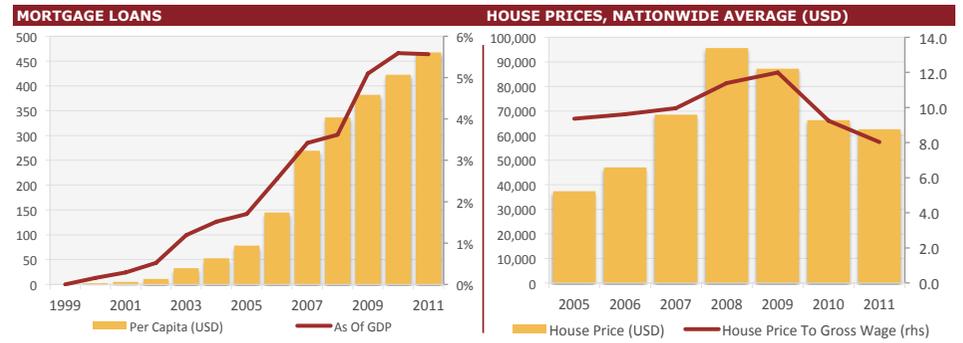
Source: World Bank, National Statistical Office, National Central Bank, United Nations, OECD, Helgi Analytics calculation



Following the coupon privatisation similar to the one in the Czech Republic in the middle of the 1990s, the number of listed companies jumped to more than 5,000 in 1998. The weak regulatory framework and low liquidity on the secondary market both discouraged investors and companies from using the stock market as a tool for raising capital in Romania. Despite the ambitious plans of the government and Romanian Stock Exchange for a further privatisation, few decent and liquid companies remain on the market today and market liquidity remains low.



Romanians had around USD 160 bil in residential dwellings, or over USD 7,000 per capita, in 2009, on the basis of our rough estimates. Although this is not much when compared to the more developed economies (both absolutely as well as relatively), dwellings represent over 80% of Romanian households' total financial assets (incl. deposits).



Romanian real estate prices have tripled over the last decade in USD terms, before they started falling again following the burst of the real estate bubble. The average dwelling cost around USD 60,000 in 2011. In Bucharest, Romania's capital city, however, you would pay over USD 120,000 for a flat of the same size. The affordability of housing has improved greatly in the last three years as prices have declined, though it would still take the average Romanian nine annual gross salaries to buy a flat (compared to nearly 12 in 2009).

Source: World Bank, National Statistical Office, National Central Bank, United Nations, OECD, Helgi Analytics calculation

POPULATION & AGING		2003	2004	2005	2006	2007	2008	2009	2010	2011
Population	mil	21.7	21.7	21.6	21.6	21.5	21.5	21.5	21.4	21.4
Population (As % Of World Population)	%	0.34%	0.34%	0.33%	0.33%	0.32%	0.32%	0.32%	0.31%	0.31%
Persons Per Household	persons	2.98	2.99	2.99	3.00	2.99	3.00	3.01	3.01	3.02
Share Of Population (0-14 Years Of Age)	%	17%	16%	16%	15%	15%	15%	15%	15%	15%
Share Of Population (15-64 Years Of Age)	%	69%	69%	70%	70%	70%	70%	70%	70%	70%
Share Of Population (65+ Years Of Age)	%	14%	15%	15%	15%	15%	15%	15%	15%	15%
Median Age	years	35.9	36.3	36.7	37.0	37.4	37.7	38.1	38.4	38.7
Old Age Dependency Ratio	%	21%	21%	21%	21%	21%	21%	21%	21%	22%
Youth Dependency Ratio	%	24%	23%	22%	22%	22%	22%	22%	22%	22%
Life Expectancy, both sexes	years	71.3	71.6	71.9	72.2	72.6	72.6	73.3	73.5	
Life Expectancy At 65, both sexes	years	14.6	14.9	15.0	15.2	15.6	15.8	15.8	15.8	
Total Fertility Rate	children	1.27	1.29	1.32	1.32	1.30	1.35	1.38	1.38	

HOUSEHOLDS' ASSETS		2003	2004	2005	2006	2007	2008	2009	2010	2011
Households' Pension Fund Assets	USD mil									
Households' Pension Fund Assets (As Of GDP)	%									
Households' Pension Fund Assets Per Capita	USD									
Households' Assets In Investment Funds	USD mil									
Households' Assets In Investment Funds (Of GDP)	%									
Households' Assets In Investment Funds Per Capita	USD									
Households' Assets In Life Insurance	USD mil									
Households' Assets In Life Insurance (As Of GDP)	%									
Households' Assets In Life Insurance Per Capita	USD									
Households' Assets In Dwellings	USD mil		159,355	237,039	316,211	392,749	429,070	317,519		
Households' Dwellings Assets (As Of GDP)	%		161%	193%	187%	196%	266%	196%		
Households' Dwellings Assets (As Of GDP)	%		7,378	10,974	14,708	18,267	19,957	14,837		
Households' Assets In Land	USD mil									
Households' Land Assets (As Of GDP)	%									
Households' Land Assets Per Capita	USD									
Total Household Assets Incl. Deposits	USD mil									
Total Household Assets Incl. Deposits (As Of GDP)	%									
Net Household Assets Incl. Deposits	USD mil									
Net Household Assets Incl. Deposits (As Of GDP)	%									
Net Household Assets Per Capita Incl. Deposits	USD									

INSURANCE		2003	2004	2005	2006	2007	2008	2009	2010	2011
Life Insurance Premium	USD mil	187	229	352	405	569	685	535	524	571
Life Insurance Premium (As Of GDP)	%	0.3%	0.3%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Non-Life Insurance Premium	USD mil	610	827	1,156	1,531	1,872	2,287	2,345	2,087	2,035
Non-Life Insurance Premium (As Of GDP)	%	1.0%	1.1%	1.2%	1.2%	1.1%	1.1%	1.5%	1.3%	1.1%
Life & Non-Life Insurance Premium	USD mil	796	1,056	1,509	1,937	2,441	2,972	2,880	2,611	2,606
Total Insurance Premium (As Of GDP)	%	1.3%	1.4%	1.5%	1.6%	1.4%	1.5%	1.8%	1.6%	1.4%
Insurance Net Profit (Current USD)	USD mil	226	159	13	-24	-104	-231	-34	-13	
Insurance Return On Equity (ROE)	%		87.6%	5.0%	-6.0%	-15.0%	-24.0%	-3.0%	-1.0%	
Insurance Return On Assets (ROA)	%		12.6%	0.7%	-0.9%	-2.8%	-4.9%	-1.1%	-0.4%	
Gross Life Insurance Reserves	USD mil	264	429	588	873	1,164	1,199	1,319	1,367	1,431
Life Insurance Reserves (As Of GDP)	%	0.4%	0.6%	0.6%	0.7%	0.7%	0.6%	0.8%	0.8%	0.8%
Non-Life Insurance Reserves	USD mil	375	577	741	1,221	1,855	2,245	2,351	2,116	2,083
Non-Life Insurance Reserves (As Of GDP)	%	0.6%	0.8%	0.7%	1.0%	1.1%	1.1%	1.5%	1.3%	1.2%
Life & Non-Life Insurance Reserves	USD mil	639	1,006	1,329	2,094	3,019	3,444	3,670	3,483	3,514
Life & Non-Life Insurance Reserves (As Of GDP)	%	1.1%	1.3%	1.3%	1.7%	1.8%	1.7%	2.3%	2.2%	2.0%
Insurance Assets	USD mil	1,076	1,605	2,035	3,275	3,953	4,868	1,890	5,296	5,404
Insurance Assets (As Of GDP)	%	1.8%	2.1%	2.1%	2.7%	2.3%	2.4%	1.2%	3.3%	3.0%
Market Share Of 3 Largest Life Insurers	%		63%	56%	58%	84%	60%	64%	63%	
Market Share Of 5 Largest Life Insurers	%		75%	72%	72%	98%	71%	81%	74%	
Market Share Of 10 Largest Life Insurers	%		92%	94%	95%	100%	94%	94%	93%	
Market Share Of 3 Largest Non-Life Insurers	%		52%	51%	45%	81%	44%	75%	44%	
Market Share Of 5 Largest Non-Life Insurers	%		66%	65%	63%	90%	61%	84%	63%	
Market Share Of 10 Largest Non-Life Insurers	%		87%	90%	89%	98%	89%	97%	90%	
Accident & Health Insurance Premium	USD mil		14		23	21	25	24	20	
Third Party Liability Insurance Premium Per Vehicle	USD		79		254	424	660	746	805	
Fire & Other Damage To Property Insur. Premium	USD mil		106		170	239	298	302	317	
General Liability Insurance Premium	USD mil		15		20	33	74	64	71	

Source: World Bank, National Statistical Office, National Central Bank, United Nations, OECD, Helgi Analytics calculation. For more details, description and explanation of particular indicators, please, visit [www.helgilibrary.com](http://www.helgilibrary.com)

STOCK MARKET & CAPITAL FLOW		2003	2004	2005	2006	2007	2008	2009	2010	2011
Number Of Listed Domestic Companies	companies	4,484	4,030	3,747	2,478	2,096	1,824	1,824	1,383	1,267
Market Capitalisation Of Listed Companies	USD mil	5,584	11,786	20,588	32,784	44,925	19,923	30,325	32,385	21,197
Stock Market Capitalisation (As Of GDP)	%	9.4%	15.6%	20.8%	26.7%	26.5%	10.0%	18.8%	20.0%	11.8%
Stocks Traded, Total Value	USD bil	0.4	0.9	3.4	4.3	8.1	3.7	1.9	1.7	3.2
Stocks Traded (As Of Market Capitalisation)	%	9%	11%	21%	16%	21%	11%	8%	5%	12%
Stocks Traded (As Of GDP)	%	0.7%	1.3%	3.4%	3.5%	4.8%	1.8%	1.2%	1.1%	1.8%
Institutional Investors' Assets (Investment Funds)	USD mil						2,394	3,272	3,107	3,043
Institutional Investors' Assets (As Of GDP)	%						1.2%	2.0%	1.9%	1.7%

MACROECONOMIC ROUND-UP		2003	2004	2005	2006	2007	2008	2009	2010	2011
GDP	USD bil	59.5	75.5	98.9	122.6	169.3	200.1	161.1	161.6	179.8
GDP Growth	%	5.2%	8.4%	4.2%	7.9%	6.0%	9.4%	-8.5%	1.0%	-0.4%
GDP Per Capita	USD	2,737	3,481	4,572	5,681	7,856	9,300	7,500	7,500	8,405
Industrial Production Growth	%	-0.8%	2.7%	-3.1%	9.3%	10.4%	2.6%	-5.5%	5.5%	
Retail Sales Growth	%									
Government Budget Balance (As % Of GDP)	%	-1.5%	-1.2%	-1.2%	-2.2%	-2.5%	-5.4%	-7.4%	-6.8%	
Public Debt (As % Of GDP)	%	21%	19%	18%	13%	13%	14%	24%	31%	33%
Unemployment Rate	%	7.4%	6.3%	5.9%	5.2%	4.0%	4.4%	7.8%	7.0%	5.2%
Gross Average Monthly Wage	USD	200	251	332	408	573	699	606	598	649
Foreign Debt (As % Of GDP)	%	38%	39%	39%	44%	50%	50%	74%	76%	
Imports (As % Of GDP)	%	42%	45%	43%	39%	43%	44%	40%	30%	29%
Exports (As % Of GDP)	%	35%	36%	33%	30%	31%	31%	33%	24%	22%
Current Account Balance (As % Of GDP)	%	-5.6%	-8.5%	-8.6%	-10.4%	-13.4%	-11.6%	-4.2%	-4.5%	-4.4%
Foreign Exchange Reserves (Including Gold)	USD bil	9.4	16.1	21.6	30.2	40.0	39.8	44.4	48.0	48.0
Foreign Exchange Reserves (As % Of Imports)	%	38%	47%	50%	64%	55%	45%	69%	100%	92%
Foreign Direct Investments	USD bil	1.8	6.4	6.9	11.5	10.3	13.8	4.9	3.2	2.6
Foreign Direct Investments (As % Of GDP)	%	3.1%	8.5%	6.9%	9.3%	6.1%	6.9%	3.1%	2.0%	1.4%
Foreign Direct Investments (As % Of CA Deficit)	%	56%	101%	81%	90%	45%	59%	73%	45%	32%
Workers' Remittances, Received (As % Of GDP)	%	0.2%	0.2%	4.8%	5.4%	5.0%	4.6%	3.0%	2.4%	2.2%
Portfolio Investments (As % Of GDP)	%	1.0%	-0.7%	1.0%	-0.2%	0.4%	-0.4%	0.5%	0.8%	1.4%
Development Assistance (As % Of GDP)	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

INFLATION, FOREX & INTEREST RATES		2003	2004	2005	2006	2007	2008	2009	2010	2011
Inflation, CPI (Average)	%	15.3%	11.9%	9.0%	6.6%	4.8%	7.8%	5.6%	6.1%	5.8%
Long-Term Interest Rate (10-Year Gov. Bond Yield)	%				7.2%	7.1%	7.7%	9.7%	7.3%	7.2%
Short-Term Interbank Interest Rate (3-Month)	%	17.7%	19.1%	8.4%	8.1%	7.2%	12.3%	11.3%	6.5%	
Interest Spread To USD, 10-Year Gov. Bond	%	-4.0%	-4.3%	-4.3%	2.4%	2.5%	4.0%	6.4%	4.1%	4.4%
Interest Spread To USD, 3M IBOR	%	16.6%	17.6%	4.8%	2.9%	2.0%	9.1%	10.4%	6.0%	-0.4%
FX Rate To USD (Average)	per USD	3.32	3.26	2.91	2.81	2.44	2.52	3.05	3.18	3.05
FX Rate To EUR (Average)	per EUR	3.75	4.05	3.62	3.52	3.34	3.68	4.24	4.21	4.24

Source: World Bank, National Statistical Office, National Central Bank, United Nations, OECD, Helgi Analytics calculation. For more details, description and explanation of particular indicators, please, visit [www.helgilibrary.com](http://www.helgilibrary.com)

## ABOUT HELGI ANALYTICS

Helgi Analytics is a consulting company based in the Czech Republic. The company mainly provides consultancy in the area of financial services and real estate and focuses primarily on the region of Central and Eastern Europe.

Helgi Analytics also runs a web application called Helgi Library, which is a database/library offering data and analyses on more than 95% of the world's economy and population. The Library aims to bring interesting statistical data and analyses to a wide audience under affordable conditions. If you wish to get more details, please visit [www.helgilibrary.com](http://www.helgilibrary.com) or contact us at [info@helgianalytics.com](mailto:info@helgianalytics.com).

### Helgi Analytics

Eliasova 38, Prague 6  
160 00, Czech Republic  
[www.helgianalytics.com](http://www.helgianalytics.com)

## DISCLAIMER

© 2012, HELGI ANALYTICS LTD. ALL RIGHTS RESERVED. All information contained herein is protected by Copyright Law and no such information may be copied or otherwise reproduced, in whole or in part, in any form or manner, by any Person or Company without Helgi Analytics' prior written consent. All information contained herein is obtained by Helgi Analytics from sources believed by it to be accurate and reliable. Because of the possibility of human and mechanical error, as well as other factors, however, all information contained herein is provided without warranty of any kind. Under no circumstances is Helgi Analytics under any liability to any person or entity for any loss or damage caused by any error, or other circumstance or contingency within or beyond the control of Helgi Analytics or any of its directors, employees, or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication, or delivery of any such information, or any direct or indirect damages whatsoever. The financial reporting, analysis, projections, observations, and other information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell, or hold any securities.