

Insurance Accounting in Romania

Vârteiu Daniel Petru, Vilijencova Nicoleta, Daian Daniela
University 1st of December 1918, Alba Iulia, Romania

The permanent existence of risks under all forms and in all domains of activity, supposes the closing of insurance policies between natural and legal persons, having the quality of insurant respectively specialized institutions, having the quality of insurer, which assumes the risk production in return for the payment of some insurance premiums from the beneficiaries of the insurance policies. Underlying the development of the insurance policies in Romania is Law No. 32/2000 concerning the insurance activity and surveying insurances with their subsequent modifications and completions. Insurance companies keep a double-entry accounting with the help of specific accounts to the insurance activities and draw up annual financial reports which include balance sheet, profit and loss account, the report of own capital modifications, the report of treasury flux, and the explanatory notes to financial reports.

Keywords: accounting, insurances, insurant, insurer

Introduction

Along with the evolution of modern society, the risks take different forms being thus present in all domains of activity, and the ones that do not want to assume them, may transfer these risks to the insurance companies, which assume the risk of production of an unwanted event, in return for an insurance premium from the policy's beneficiary. The insurance is based on the principle of mutuality, according to which, each insurant contributes to creating the insurance fund from which the damages are paid off, with the amount of the insurance premium paid to the insurer. Therefore, if the risk produced, the damage is borne from the insurance fund to which all the insurants have contributed, so it is not borne only by one natural or legal person. The insurance market is based on supply and demand specific to this domain, the main role being played by insurers and insurants (Badea & Ionescu, 2001). The insurer is the one who brings into vogue the insurance offer, based on law in the case of mandatory insurances or based on certain predetermined conditions in the case of optional assurance¹. The insurant is the one who manifests the assurance demand in accordance with the interest that he has, with the financial potential or based on the law in the case of mandatory insurances². The insurance companies are under the duty to register in to accounting all the operations they make, based on the justifying documents made by the development of activity, and at the end of each financial exercise they must make financial reports which include the balance sheet, the losses, and profit account, the report of own capitals

Vârteiu Daniel Petru, Ph.D. student, Department of Finance-Accounting, University 1st of December 1918, Alba Iulia, Romania.

Vilijencova Nicoleta, student, Department of Finance-Accounting, University 1st of December 1918, Alba Iulia, Romania.

Daian Daniela, student, Department of Finance-Accounting, University 1st of December 1918, Alba Iulia, Romania.

Correspondence concerning this article should be addressed to Vârteiu Daniel Petru, Faculty of Economics, University 1st of December 1918, Alba Iulia, Street of Union, No. 15-17, Romania.

¹ Badea D., Ionescu L., *Personal Insurances and Their Rumination in Accounting*, Economical Publishing, Bucharest, 2001, p. 16

² Idem.

modifications, the report of treasury flux, and the explanatory notes to the financial reports.

Methodology

Our research has as objectives, both presenting the theoretical aspects as well as presenting practical aspects referring to insurance accounting in Romania.

As methods and research techniques, in our study we have appealed to theoretical research, synthesis, and practical research. The theoretical research consists of studying the specialty literature. The synthesis was used in presenting the theoretical aspects, because accounting presumes a vast study domain, and we have used practical research in getting information concerning the activities developed by the entities which activate in the insurance sector.

National Legislation Specific to Insurance Activities

In Romania there is a very well outlined legislation referring to insurance activity, which includes³:

- Law No. 32/2000 concerning insurance activity and insurance surveying, with the subsequent modifications and completions, published in the Official Monitory of Romania No.148 from the 10th of April 2000;
- Accounting law No. 82/1991 with the subsequent modifications and completions, published in the Official Monitory of Romania No. 454 from the 18th of June 2008, with the subsequent modifications and completions;
- Order No. 8 from the 29th of April 2011 for applying the Norms concerning the technical reserves for life insurances, the allowed assets to cover and the dispersion of the allowed assets to cover the brut technical reserves, published in the Official Monitory of Romania No. 325 from the 11th of May 2011;
- Accounting regulations from the 30th of December 2015 concerning the individual annual financial reports and the consolidated annual financial reports of the entities which develop insurance and/or reinsurance activities, published in the Official Monitory of Romania No. 2 bis from the 4th of January 2016;
- Norm No. 41 from the 30th of December 2015 for approving accounting regulations concerning the individual annual financial reports and the consolidated annual financial reports of the entities which develop activities of insurance and/or reinsurance, published in the Official Monitory of Romania No. 2 from the 4th of January 2016.

Insurance and Insurance Companies in Romania

The activity of insurance in Romania is brought under regulation by Law No. 32/2000 concerning the insurance activity and surveying insurances with the subsequent modifications and completions, law which at the second article defines the insurance activity as being

The activity exerted in or from Romania, which mainly designates the offering, intermediation, negotiation and closing insurance and reinsurance contracts, cashing premiums, liquidates damages, regress and recovery activity, as well as investment and capitalizing own funds attracted through the developed activity⁴.

Insurances may take different forms; that is why we consider their classification necessary, as follows⁵:

³ Cenar I., Cioca I., *Accounting in Insurances*, Risoprint Publishing, Cluj Napoca, 2016, p. 9.

⁴ Law No. 32/2000 concerning insurance activity and surveying insurances, with the subsequent modifications and completions, art. 2¹.

⁵ Badea D., Ionescu L., *Personall Insurances and Their Ruminaton in Accounting*, Economical Publishing, Bucharest, 2001, pp. 30-32.

(1) According to the way of making the insurance juridical reports, there are:

- insurance through law's effect (mandatory);
- contractual insurance (optional).

(2) According to the insurance domain, there are:

- goods insurance;
- personal insurance;
- insurance of civil responsibility.

(3) According to the insured object, there are:

- fixed assets production insurance;
- insurance of circulating production funds;
- insurance for the citizens' household items;
- insurance for agricultural cultures and animals;
- personal insurance etc.

(4) According to the insured risk, there are:

• insurances for floods, lightning, explosions, earthquakes referring to buildings, constructions, machineries and installations, means of transport, household items;

• insurances for downpours, hailstones, floods, storms, hurricanes, earth flow or landfall at agricultural cultures;

- insurances for animal diseases and accidents;
- insurances for slide slips, overturning, collisions and crashes or other accident of meand of transport;
- insurances for decays and deaths of people;
- civil liability insurance.

(5) According to the territory on which the remedy through insurance is given, there are:

- internal insurances;
- external insurances.

(6) According to the nature of rapport which is established between insurant and insurer, there are:

- direct insurance;
- Indirect insurance.

Annual Financial Reports of the Companies Which Activate in the Insurance Domain

Insurance companies annually present a series of financial reports which include⁶:

(1) Balance sheet which is a synthesis accounting document through which certain assets, liabilities, and own capitals of the insurance companies are presented.

(2) Profit and loss account is a document which presents the insurance companies' financial performance, based on the incomes and expenses generated by the development of the society's activity.

(3) Treasury flux report is a component of the financial reports which present the treasury fluxes of the period for all the three categories of activities, namely: exploitation activities, investment activities, and financing activities.

(4) Own capital modifications report is that component of the financial reports which reflects the growth

⁶ Accounting regulations from the 30th of December 2015 concerning individual annual financial reports and the consolidated annual financial reports in Romania's Official Monitory No. 2 bis from the 4th of January 2016.

or reducing of the entity's net asset between the beginning and the end of the financial exercise.

(5) Explanatory notes to the annual financial reports, represent that component of the financial reports through which the followings are presented: the applied accounting regulations, the used accounting policies, and the additional information which are useful for the financial reports' users, but which are not reflected in the balance sheet, in the profit and loss account, in own capital modifications report, respectively in the cash flow report.

Practical Study Concerning Romania's Insurance Accounting

(1) ASIG entity constitutes its social capital by input to bank account of 3,000,000 Ron for life insurances and of 1,500,000 Ron for general insurances.

- Constitution of social capital for life insurances

4561	=	10111	3,000,000
Shareholders settlements concerning capital—life insurances		Unpaid issued share capital	
- Constitution of social capital for general insurances

4562	=	10121	1,500,000
Shareholders settlements concerning capital—general insurances		Unpaid issued share capital	
- Paying the issued share capital for life insurances

54411	=	4561	3,000,000
Ron bank accounts		Shareholders settlements concerning capital—life insurances	
- Paying the issued share capital for general insurances

54421	=	4562	1,500,000
Ron bank accounts		Shareholders settlements concerning capital—general insurances	
- Passing the unpaid issued social capital for life insurances

10111	=	10112	3,000,000
Unpaid issued share capital		Paid issued share capital	

(2) ASIG entity receives investment grants in the life insurance bank account in the tune of 50,000 Ron and 65,000 Ron for general insurances.

- Registering the to be received grant for life insurances

4451	=	1311	50,000
Grants concerning life insurances		Investment grants afferent to life insurances	
- Registering the to be received grant for general insurances

4452	=	1311	65,000
Grants concerning general insurances		Investment grants afferent to general insurances	
- Cashing the investment grant afferent to life insurances

54411	=	4451	50,000
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Ron bank accounts		Grants concerning life insurances	
• Cashing the investment grant afferent to general insurances			
54421	=	4452	65,000
Ron bank accounts		Grants concerning general insurances	

(3) ASIG entity constitutes litigation provisions in the tune of 15,000 Ron for life insurances and 7,500 Ron for general insurances.

• Registering the litigation provisions afferent to life insurances			
68113	=	15111	15,000
Exploitation expenses concerning provisions		Litigation provisions	
• Registering the litigation provisions afferent to general insurances			
68123	=	15121	7,500
Exploitation expenses concerning provisions		Litigation provisions	

(4) ASIG entity subscribes bonuses afferent to direct insurances for life insurances of 20,000 Ron and for general insurances of 25,000 Ron.

• Registering the subscribed bonuses for life insurances			
4011	=	701	20,000
Settlements concerning insurance premiums afferent to life insurances		Incomes from subscribed brut bonuses concerning direct life insurances	
• Registering the subscribed bonuses for general insurances			
4012	=	702	25,000
Settlements concerning insurance premiums afferent to general insurances		Incomes from subscribed brut bonuses concerning direct general insurances	

(5) ASIG entity registers the commission owed to the reinsurer for life insurances in the tune of 2,500 Ron for life insurances and 4,000 Ron for general insurances.

• Registering the life insurances commission			
6511	=	4111	2,500
Expenses concerning reinsurance commissions concerning life insurances		Settlements concerning reinsurance operations acceptances afferent to life insurances	
• Registering the commission for general insurances			
6512	=	4111	4,000
Expenses concerning reinsurance commissions concerning general insurances		Settlements concerning reinsurance operations acceptances afferent to general insurances	

(6) ASIG entity registers the amounts owed to the insurance intermediaries, 23,800 Ron for life insurances

and 24,200 Ron for general insurances

- Registering the amount owed to the intermediaries for life insurances

65611	=	4221	23,800
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Expenses with		Amounts owed to intermediaries	
co-operators		in insurances concerning life insurances	

- Registering the amount owed to the intermediaries for general insurances

65621	=	4222	24,200
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Expenses with		Amounts owed to intermediaries	
co-operators		in insurances concerning general insurances	

Conclusions

In modern society the risks take different forms being present in all domains of activity, and those who do not want to assume them, may transfer these risks to the insurance companies, who take the risk of an unwanted event occurrence in exchange for the payment of an insurance premium by the policy's beneficiary. The insurances take different forms, thus being more classification criteria for them, according to the way of making the juridical insurance reports, according to the insurance's domain, according to the insured item, according to the insured risk, to the territory on which the remedy is given. In Romania the insurance domain has a well defined juridical frame, being based on the Law No. 32/2000 concerning insurance activity and surveying insurances, Order No. 8/2011, Accounting Law No. 82/1991. Insurance companies organize and keep own accounting in accordance with the Accounting Law No. 82/1991, they keep a double-entry bookkeeping with the help of the accounts specific to this type of activity, and at the end of the financial exercise they make a complex series of financial reports which include the balance sheet, profit, and loss account, the own capital modification report, treasury flux report, explanatory notes to the financial reports.

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