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Insurance and Reinsurance from Theory to Practice

Revisited and Translated Edition



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Chapter I. Brief history of the emergence and evolution of insurance

I.1. The insurance activity at the word level

Although the exact identification of the moment of occurrence of the first activities in the insurance sphere is difficult to achieve, this one is deemed to have its roots since antiquity, around 4500 b.c.e., when the stone carving craftsmen from the ancient Egypt were putting altogether everything necessary, creating what we call nowadays „a mutual fund”, in order to help the members of the collectivity affected by different misfortunes.

Other documents relate the origin of insurance to the manifestation of the first forms of trade. An initial aspect evidencing the same, although it cannot be considered as an effective form of insurance against risks, but rather as a modality of dispersion thereof, is noticed in China, around 3000 b.c.e., where merchants, trying to avoid the integral loss of their merchandise, in case of occurrence of a

Respectively, in the case of a maritime incident, they were transporting their products by distributing them on several vessels.

In the same period of time, we assist to the practicing, by Babylonians, of a specific system of “maritime loans”, by which the merchants could finance the transportation of their merchandise on water. Such loans allowed creditors to subsequently receive, beside the related principal, of an additional payment of about 20% of the transport value and, in certain cases, even a share of the profit got as result of the merchandise trading, but, at the same time, allowed debtors to cover themselves against the merchandise damage or theft, in such case the latter having no obligation any longer before the creditor, being, therefore, insured, in exchange of an amount of money, against such possible loss. In fact, this issue is revealed by the Code of Hammurabi, drawn up in 1760 b.c.e., and deemed to be the first document legislating and regulating the insurance statute. The previously mentioned maritime loan contracts are taken over by Phoenicians and developed, thereafter, by Greeks and, finally, by Romans, who, in 300 b.c.e., mark their terminus point.

The 900s b.c.e. are representative for the emergence of the maritime laws of the Rhodes Island, stipulating the

full solidarity of the participants to maritime expeditions as for the loss suffered as result of the measures taken to save the expedition subject to an imminent danger, such as storm or shipwreck. This gave birth to the principle of common damage, taken over by Romans, and also encountered in the current legislation.

An important moment is represented by the 650s b.c.e., when the famous Greek legislator Solon imposes to the associations of merchants, going in line with the ideas of the ancient Egyptians, to monthly feed with money a fund destined for insuring the losses suffered by their members, due to miscellaneous causes, therefore marking the effective emergence of the compulsory insurance. This is also the time when we talk about the organisation of the “society benevolents”, guilds established in order to financially support the families the members of whom were getting ill or died. As for death, the Romans took over the mutual principle established by Greeks.

In 215 b.c.e., we assist to the direct involvement of the authorities in the insurance field. It is about the taken over by the same, in exchange for a share of the merchandise destined for the Roman army, of the risks to which the products, transported by the particular merchants

via the maritime way, were subject. The same happened in the 58s b.c.e., when, in order to stimulate imports for counter-attacking the famine, the population was dealing with, the emperor assumed the responsibility for fully covering the potential damages caused by storms to the said merchandise during the transportation on water.

Therefore, we assist, even before our era, to the laying out of the basis of both the property insurance and the personal insurance, as well as to the creation of the common funds destined for covering the losses suffered by the members of different collectivities, via the involvement of individuals and state, elements which, under various forms, continue to be approached in our times.

In the current era, we also encounter key moments in the evolution of insurance, such as the establishment, in the 1100s, in Iceland, of the first mutual associations, protecting the households affected by the illness or death of their domestic animals.

The 1300s come up with the emergence, in the North of Italy, of the individual insurance policies against the maritime risks, thereafter also adopted by England and the Low Countries, in 1310 being established, in Belgium, at Bruges, a Chamber of Insurance, having as purpose to cover

the losses arising from the occurrence of maritime risks, and in 1601 being issued, by the Parliament of England, a law regarding the insurance policies used in this respect. The Renaissance period goes on with the development of the maritime insurance, but also with the popularisation, among the upper social classes, of the life insurance.

During the 1600s, we assist both to the launching, in France, of a system for granting life annuities relating to the insured amounts, quickly extended in Holland, England and, later on, Germany, and to the development of the property insurance against some specific risks like fire or flood, the Insurance Office, set up in 1666, in England, or the Insurance House, opened in 1678, in Germany, being evidencing examples in the matter. The following century comes up with the extension of the categories of risks covered by the property insurance, also considering the losses caused by hail, such risk related insurance being encountered for the first time in Scotland, in the 1700s.

The 1800s reveal various events in the insurance sphere, like the taking over and particularisation of the mutual insurance for households, as in the case of the Insurance Society for cattle, established in England, in 1832, the emergence and development of the railways

transportation insurance, supported by the first society of this type set up in England, or the creation of the civil liability insurance regarding the covering of the losses suffered by the owners of horses and carriages, found in the France of those times, subsequently extended at the level of the owners of factories in relation to their own employees or to third parties, for losses caused by the former to the latter.

The same century marks the development of insurance on the territory of the United States of America, at the beginning, by the domination of the English insurance companies, thereafter, by the establishment of their own companies, the number of the same increasing, step by step, subsequently expanding all over the globe.

Thus, since the beginning of the 1800s until the beginning of the 1900s, the number of insurance companies has augmented about 40 times, reaching almost 1300 such units, the following half of century their rate increasing seven more times, up to about 9100 specific houses, most of them acting in the life insurance field, then in the property insurance one, and, at distance, in other types of insurance.

As society evolves, individuals become increasingly conscious about the importance of insurance, this activity getting notoriety at a large scale.