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The Evolution and Efficiency of the Insurance Sector in the Republic of Moldova in the Context of Ensuring Citizens' Security and Well-Being

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Abstract: Objectives: This paper examines the evolution and efficiency of the insurance sector in the Republic of Moldova, with a focus on its contribution to strengthening citizens' economic security and overall well-being. **Prior Work:** The study builds on existing literature on insurance markets in emerging economies and complements the authors' previous research regarding the role of innovation and digitalization in increasing access to financial protection. The research is conducted within the project "Strengthening socio-economic and legal mechanisms to ensure the well-being and security of the citizens" (COUNCIL 01.05.02). **Approach:** The analysis is based on economic and financial indicators of the Moldovan insurance market during the period 2018–2023, supplemented by data on insurance penetration rate, gross premiums written, claims ratio, and the level of digitalization. **Results:** The insurance sector in the Republic of Moldova shows modest but consistent growth, with significant potential for development through innovation and well-adapted public policies. **Implications:** The findings highlight the need for proactive policies to build public trust and improve access to relevant insurance products. **Value:** The study offers a comprehensive overview of sectoral performance and proposes strategic directions for transforming the industry into a pillar of sustainable financial security.

Keywords: insurance sector; economic efficiency; well-being; financial security; Republic of Moldova

JEL Classification: G22; O16; H55, I31.

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1. Introduction

In a period marked by economic instability, demographic changes and increased systemic risks, the concept of citizens' well-being takes on new meanings. The Republic of Moldova, as an economy in transition, is simultaneously faced with challenges related to poverty, social inequality and limited access to effective financial protection mechanisms. In this context, the insurance system should play a strategic role, contributing not only to risk transfer, but also to strengthening social and economic resilience. However, the statistical reality reveals a low degree of insurance penetration, a modest density of policies and a low level of trust on the part of the population in classic protection instruments.

The present study aims to analyze both the evolution of accessibility and economic integration indicators of the insurance sector in the Republic of Moldova over the last five years, as well as its systemic financial performance – reflected by the volume of gross written premiums, claims rate, return on assets, liquidity and solvency. The general objective is to assess the real contribution of this sector to ensuring the economic security of citizens and supporting sustainable well-being. The study is based on the theoretical premises of the interdependence between well-being and financial security, being carried out within the institutional research project “*Strengthening socio-economic and legal mechanisms for ensuring the well-being and security of citizens*” (CONSEJ 01.05.02).

By correlatively approaching the financial indicators of the insurance market and data on the standard of living (disposable income, subsistence minimum, cost of policies), the paper explores not only the economic but also the social dimension of the functioning of the sector. Thus, the analysis fits into the broader approach of identifying mechanisms capable of supporting the financial balance of households in the face of uncertainty.

2. Related Work

The local literature on the insurance sector in the Republic of Moldova, although still in its infancy, reflects an increasingly clear concern for understanding the systemic challenges, internal functioning mechanisms and social potential of this field. In this context, the contributions signed by Oleg Verejan, Stanislav Fotescu and Vladimir Dolghi outline a valuable theoretical and analytical basis for the present research.

Oleg Verejan's study offers one of the most structural approaches to the insurance market in the Republic of Moldova, highlighting the low level of development, low penetration and lack of product diversification, with a dominant concentration of gross written premiums in the general insurance sector. In his opinion, the development of the sector is affected by the lack of confidence in financial protection

instruments and the lack of a stimulating fiscal environment. At the same time, the author highlights the lack of life insurance in the portfolio structure and the modest performance of companies in terms of profitability and financial stability.

In turn, Stanislav Fotescu addresses the operational and commercial dimension of the market, focusing on the insurance product distribution system. He points out the market's excessive dependence on traditional channels (agents and brokers), to the detriment of the digitalization and automation of the relationship with the client. Fotescu emphasizes that access to insurance products is limited not only by economic factors, but also by the weakness of the distribution infrastructure, the lack of transparency in the offering and the insufficiency of financial culture. His paper highlights the fact that the development of a modern distribution network, including through digital tools, could significantly stimulate the accessibility and attractiveness of insurance services among the population.

Vladimir Dolghi, in a complementary approach, analyzes the insurance system from the perspective of internal accounting organization and the managerial decision-making process. In his doctoral thesis, the author argues that the lack of high-performance accounting information systems limits the reaction and adaptation capacity of insurance entities. He proposes the reconceptualization of managerial accounting as an autonomous system, integrated into business processes, focused on generating both financial and non-financial information, necessary for decision-making. Dolghi argues that the reconfiguration of accounting on processes specific to underwriting, claims settlement and technical reserve investment activities is essential for the modernization and financial stabilization of the market. His research proposes internal reporting models practically tested within local companies, with positive effects on transparency, solvency and capital growth.

Through these contributions, the specialized literature outlines a critical but coherent image of the sector: a functional but fragmented system, with latent and untapped potential in relation to the well-being of the population. The present research is part of this direction of analysis, aiming to correlate the financial performance of the sector with its real capacity to support the economic security and resilience of households in the Republic of Moldova.

3. Problem Statement

In the context of recent economic and social transformations, the population's access to financial protection instruments is becoming a defining element of resilience and well-being. Although statistical data indicate a positive evolution of disposable incomes in the Republic of Moldova during the period 2019-2024, this increase was not accompanied by a commensurate participation in formal insurance mechanisms. According to the data reflected in Table 1, the average monthly disposable income

per person increased from 2880.6 lei in 2019 to 5283.8 lei in 2024, significantly exceeding the subsistence minimum and generating a theoretical surplus of over 2300 lei per month.

Table 1. Dynamics of the main socio-economic indicators of the standard of living in the Republic of Moldova, 2019-2024

	2019	2020	2021	2022	2023	2024
Average monthly disposable income per person	2880.6	3096.6	3510.1	4252.6	4915.6	5283.8
The subsistence minimum	2031.2	2088.4	2154.0	2628.4	2877.1	2963.8
Size of the average grocery basket	966.9	998.3	1044.7	1298.4	1383.9	1381.1
Disposable income above the subsistence minimum	849.4	1008.2	1356.1	1624.2	2038.5	2320.0

However, the degree of insurance coverage remains low, which raises questions about the efficiency of the financial intermediation system and the degree of trust of the population in the services offered.

This dissonance between the economic capacity of the population and the low use of insurance protection mechanisms is also highlighted by the evolution of the structural indicators of the profile market. As can be seen in Table 2, the insurance penetration rate in GDP – expressed as the share of gross written premiums (GWP) in gross domestic product – registered a slow but steady increase in the period 2020–2024, from 0.73% to 1.00%. Although for the first time in recent years the symbolic threshold of 1% is exceeded, this level remains modest compared to the average of emerging countries and reflects a partial integration of the insurance system in the dynamics of the national economy.

The table also highlights the disproportionate contribution of non-life insurance in the total structure, while life insurance remains at marginal levels, at around 0.03% of GDP, which confirms the unbalanced profile and predominantly technical orientation of the local insurance market.

Table 2. Evolution of the penetration rate of insurance classes in GDP, 2020-2024

	2020	2021	2022	2023	2024
Gross domestic product, million lei	199733.7	242078.6	274488.1	303554.0	323817.0
General insurance	0.68	0.75	0.86	0.93	0.97
Health insurance	0.04	0.05	0.05	0.04	0.05
Land vehicle insurance (other than railway) (CASCO)	0.17	0.17	0.17	0.18	0.19
Fire and other natural disaster insurance	0.06	0.09	0.11	0.10	0.12

Auto liability insurance	0.33	0.36	0.42	0.51	0.52
Other general insurance	0.08	0.08	0.11	0.10	0.09
Life insurance	0.05	0.04	0.04	0.04	0.03
Life insurance (excluding pension insurance and annuities)	0.05	0.04	0.04	0.03	0.03
Other life insurance	0.00	0.00	0.00	0.00	0.00
Total	0.73	0.80	0.90	0.97	1.00

In parallel, insurance density (PBS per capita), shown in Table 3, has evolved from USD 32.4 in 2019 to USD 64.8 in 2023, but remains significantly lower than the values recorded in emerging countries (over USD 400) and far from the standards in developed countries (approximately USD 4700).

Table 3. Evolution of non-life insurance density in the Republic of Moldova compared to other groups of countries, 2019-2023

	2019	2020	2021	2022	2023
Written premiums - General insurance	1523.7	1352.0	1825.2	2364.3	2828.4
Population, million	2684772.0	2643675.0	2626588.0	2565030.0	2492278.0
Insurance density in the Republic of Moldova (general insurance), lei	567.5	511.4	694.9	921.7	1134.9
Insurance density of the Republic of Moldova (general insurance), USD	32.4	29.2	39.7	52.7	64.8
Insurance density in developed countries, USD	4300	4420	4540	4660	4780
Insurance density in emerging countries, USD	325	350	375	400	425
Insurance density in poor countries, USD	25	27	29	31	33

Moreover, the data on the relative cost of policies highlight another essential aspect: despite the existence of a net disposable income after covering the subsistence minimum, insurance products remain perceived as inaccessible for a part of the population. For example, the average annual cost of a health policy (600 lei) or a real estate policy (3900 lei) represents a considerable effort for households with below-average incomes, especially in the absence of tax incentives or state co-participation. In this regard, the continuous pressure exerted by the food basket and other basic expenses on family budgets is highlighted, which diminishes the real capacity to invest in financial protection.

In addition to economic constraints, a closer look at the sector's internal performance also reveals structural vulnerabilities. The ratio of claims paid to PBS, return on assets (ROA), solvency and liquidity – indicators that will be analyzed in detail in the next section – show significant variations between years and between companies, signaling a lack of stability and homogeneity within the market. Thus, the financial performance of insurance providers is not always able to support the responsible expansion of portfolios nor to inspire the trust necessary for a sustainable relationship with the consumer.

In light of these findings, the problem investigated in the paper takes on a multidimensional nature: it is not just about income levels or product prices, but a complex equation between economic availability, trust in the system, the relevance of the offer and the financial and operational capacity of insurance companies to deliver real value. In other words, the tension between the objective possibility of accessing insurance and its effective use reflects a structural dysfunction that cannot be explained exclusively by the lack of resources, but especially by the absence of a functional ecosystem around insurance protection.

Therefore, this research aims to address this issue through an integrative analysis that combines socio-economic indicators with financial performance indicators, in order to understand to what extent the insurance sector is prepared to truly support the well-being and economic security of citizens under current conditions.

4. Concept and Terms

In the context of assessing the performance of the insurance sector in the Republic of Moldova, it is necessary to clarify several reference indicators that allow for the comparative and correlative interpretation of the data. One of the most widely used parameters is the penetration rate, calculated as the ratio between gross written premiums and gross domestic product, expressed as a percentage. This ratio provides a general picture of the extent to which insurance is integrated into the economic life of a country and reveals the sector's share in national economic activity. When this indicator increases, we can assume a tendency to consolidate the role of the insurance sector in the financial architecture of the economy.

Insurance density, expressed as the value of gross premiums reported to the number of inhabitants, offers a complementary, social perspective. It allows the assessment of the population's involvement in insurance protection mechanisms and, indirectly, reflects the level of financial education, trust in institutions and the willingness to plan for financial risks. The evolution of this indicator can be correlated with changes in the population's real income, standard of living or exposure to systemic risks.

The loss ratio is another key indicator, defined as the ratio between claims paid and gross premiums written. Its value is interpreted in close connection with the structure of the insurance portfolio and the risk-taking policy. A stable and balanced ratio can be a sign of a mature and adequately regulated market, while sudden fluctuations can indicate imbalances in risk management or a lack of predictability in the behavior of policyholders or insurers.

In addition to these structural and operational indicators, the values related to the economic performance of companies are also relevant: gross profit and return on assets (ROA). ROA, in particular, is useful for assessing the efficiency of asset use and the ability to generate profit from available resources. Equally important are the levels of solvency and liquidity, which indicate the extent to which insurance companies are able to honor their obligations to policyholders. In a sector where trust is essential, these two values act as benchmarks for the sustainability of the system.

In the present analysis, these indicators are treated not in isolation, but in correlation with the dynamics of the population's disposable income and other socio-economic factors, in order to identify whether and to what extent the insurance sector contributes to the economic security of citizens and, more broadly, to the consolidation of social well-being. This approach does not only follow financial performance, but also seeks to capture the public dimension of the role that insurance plays in a transition economy, subject to multiple pressures, both internal and external.

5. Solution Approach

The research adopts a quantitative-descriptive methodology, based on the analysis of statistical data series for the period 2019-2024, with a focus on the correlated evolution of economic, social and insurance sector-specific indicators in the Republic of Moldova. The analyzed data come from official sources, mainly from the reports of the National Bank of Moldova (NBM) and the National Bureau of Statistics (NBS).

The investigation is structured around two complementary analytical axes. The first one focuses on the indicators of accessibility and economic integration of the insurance system, in particular: the degree of insurance penetration (expressed as the share of PBS in GDP), the density of insurance (expressed in lei and USD per capita), the relative cost of insurance products, as well as the ratio between the population's disposable income and the subsistence minimum. The second axis analyzes the financial performance of insurance companies, through the following indicators: the volume of gross premiums written, claims paid, and the loss ratio.

To contextualize these data, a correlation was also made between the evolution of the insurance market and the dynamics of the population's standard of living. This approach allows examining a possible causal relationship between the increase in disposable income and the degree of participation in insurance, given that incomes have consistently exceeded the subsistence minimum since 2019 (see Table 1). At the same time, for the penetration and density indicators, external comparisons were made with countries in the Central and Eastern European region, but also with the average of states in the "emerging economies" and "developed countries" categories, according to international classifications (see Tables 2 and 3).

Finally, the analysis was completed by integrating structural data on the internal segmentation of the market (general vs. life insurance), the distribution of premiums by risk class, and the relative costs of key products. This complex approach allows not only to describe trends, but also to assess the capacity of the current system to support the research objective – the contribution of the insurance sector to the financial security and well-being of the population.

6. Analysis of Results

The analysis of the evolution of the insurance sector in the Republic of Moldova in the period 2020–2024 reveals a slow but relatively constant growth trend, both in terms of the volume of gross written premiums and in the stabilization of certain financial performance indicators. PBS almost doubled between 2020 and 2024, which indicates a consolidation of the market in nominal terms. However, the growth was not accompanied by a proportional expansion of the degree of coverage among the population or a substantial diversification of insurance products.

Table 4. Gross written premiums by insurance classes, 2020-2024 (million lei)

	2020	2021	2022	2023	2024
Total	1453.5	1926.3	2471.5	2936.0	3251.6
General insurance	1352.0	1825.2	2364.3	2828.4	3143.9
Health insurance	71.5	128.4	123.9	136.5	155.4
Land vehicle insurance (other than railway) (CASCO)	339.1	417.8	473.3	556.5	627.3
Fire and other natural disaster insurance	121.0	209.2	309.4	306.1	382.7
Auto liability insurance	654.8	866.5	1151.1	1537.6	1680.3
Other general insurance	165.6	203.3	306.6	291.7	298.2
Life insurance	101.6	101.1	107.2	107.6	107.7
Life insurance (excluding pension insurance and annuities)	96.8	96.4	102.6	103.2	103.4

Other life insurance	4.8	4.7	4.6	4.5	4.3
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Regarding operational performance, one of the most relevant indicators analyzed is the claims ratio, which provides an insight into the efficiency with which companies honor their contractual commitments.

The data presented in Table 5 show a significant variation in this indicator between different product classes.

Table 5. Evolution of the damage rate in the Republic of Moldova, 2020-2024

	2020	2021	2022	2023	2024	Rmed*	CV**
TOTAL	0.42	0.34	0.39	0.35	0.39	-0.014	0.086
GENERAL INSURANCE	0.43	0.34	0.38	0.34	0.39	-0.022	0.098
Health insurance	0.37	0.26	0.40	0.52	0.55	0.100	0.276
Land vehicle insurance (CASCO)	0.54	0.53	0.56	0.54	0.52	-0.010	0.028
Fire and other natural disaster insurance	0.34	0.13	0.25	0.23	0.45	0.071	0.425
Auto liability insurance	0.42	0.37	0.35	0.33	0.38	-0.029	0.092
Other general insurance	0.30	0.07	0.35	0.06	0.05	-0.360	0.892
LIFE INSURANCE	0.29	0.37	0.52	0.54	0.52	0.152	0.244
Life insurance (excluding pension and annuity insurance)	0.29	0.36	0.52	0.54	0.53	0.165	0.261
Other life insurance	0.40	0.55	0.48	0.36	0.21	-0.147	0.327

*-average growth rate, ** - coefficient of variation

At the aggregate level, the loss ratio ranged between 34% and 42% in the period 2020-2024, with significant fluctuations between years. For example, in health insurance it increased significantly, from 26% in 2021 to 55% in 2024, signaling an increase in the use of these products or, alternatively, a deterioration in the risk profile. Also, in the CASCO segment, the ratio remained relatively constant, above 50%, reflecting a balance between product price and claim frequency. In contrast, for fire and disaster insurance, the volatility of the ratio – from 13% in 2021 to 45% in 2024 – can be associated with one-off events and the lack of a broad portfolio base.

These developments should be analyzed in correlation with the level of disposable income, which has increased significantly, exceeding the subsistence minimum by over 2300 lei per month in 2024 (see Table 1). This suggests the existence of real economic space for expanding insurance coverage. However, despite this financial potential, the degree of use of insurance products remains low, signaling the

existence of non-economic barriers: lack of trust, insufficient financial education, products not adapted to the consumer profile or inefficient distribution.

The conclusion that emerges is that the insurance system in the Republic of Moldova operates on a relatively stable financial basis, but still underdeveloped in terms of social impact. Aggregate market indicators – including the loss ratio – provide signals of balance, but insufficient to transform the sector into a genuine instrument of economic protection for the population. This reality calls for strategically oriented measures: strengthening regulatory mechanisms, fiscal support for access to essential products, stimulating innovation in the offer and strengthening modern distribution channels, in parallel with promoting financial education among consumers. Only through an integrated approach will the sector be able to evolve from its current technical-financial function to a truly social and systemic protection one.

7. Conclusions

The study demonstrated that, despite a constant increase in the disposable income of the population of the Republic of Moldova and an upward dynamic in terms of the volume of gross premiums written, the insurance sector remains partially integrated into the financial architecture of the economy and insufficiently exploited as an instrument of social and economic protection. The key indicators analyzed – penetration rate, insurance density, loss ratio and relative product costs – outline a functional but fragmented system, still in transition towards maturity.

On the one hand, the financial base of insurance companies is being strengthened, with an almost double increase in PBS between 2020 and 2024 and a maintenance of solvency and liquidity at regulated levels. On the other hand, social indicators – such as the low degree of penetration in GDP (only 1% in 2024) or the density of 64.8 USD per capita (compared to 425 USD in emerging countries) – highlight a low participation of the population in formal insurance mechanisms, despite a real “financial cushion” of over 2300 lei per month in 2024.

The loss ratio analysis highlighted imbalances between market segments, with heightened volatility in health and natural disaster insurance, but also stable performance in mature areas (CASCO, RCA). This asymmetric behavior indicates a lack of homogeneity in risk management and an urgent need to recalibrate products and underwriting processes.

Another important result of the research is the identification of non-economic barriers that limit access to insurance products: the lack of financial education, lack of trust in companies, insufficient digital distribution channels and limited offer adapted to the real risk profile of the population.

Therefore, the general conclusion is that the insurance sector in the Republic of Moldova is in a stage of financial consolidation, but with a still low social impact. In order for it to become a real pillar of the well-being and economic resilience of the population, strategic interventions are needed in four major directions: (1) development and personalization of insurance products, (2) digitalization of distribution and modernization of commercial infrastructure, (3) support through public policies (including tax deductibility), and (4) systematic promotion of financial education. Only through such an integrated approach will the insurance system be able to move from a technical-financial function to an active and sustainable social role.

Following on from this analysis, future research should prioritize assessing the effects of financial education on people's insurance behavior, including by measuring the impact of information and training campaigns on purchasing decisions. Another essential direction is to investigate innovations in insurance products – especially those personalized and accessible to middle-income households – as well as the potential for expanding insurance with a social or community component. It is also worth exploring the mechanisms through which public-private partnerships can contribute to expanding insurance coverage among the under-insured.

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