

UDC 368

THE PROBLEMS OF PROPERTY INSURANCE AND THE WAYS TO SOLVE THEM

DARIYA TALOCHKO, SVETLANA IZMAYLOVICH
Polotsk State University, Belarus

The comprehensive study of the property insurance problems has been conducted. The ways of the insurance activity development have been studied and systematized.

The transition to the market economy contributes to the emergence of a great amount of economic entities that are interested in protection of their business, their property and their income from a variety of natural disasters, from mistakes in their commercial activity or commercial activities of their partners [1].

In these conditions, the government is quite naturally losing its traditional function of the indemnity. This role assumes unfolded and stable insurance system. Today it is difficult to offer a more effective protection mechanism.

Property insurance is one of the types of insurance that never loses its relevance and is always in demand at the insurance market. Lots of Belarusian insurance companies have the license for this type of service. Its economic purpose is to compensate the damage caused by an insured event, and to protect the property interests related to the possession, use or disposal of the property. However, the level of insurance protection of the property of citizens and organizations in the Republic of Belarus is still very low.

The main problems of the property insurance in the Republic of Belarus are [2]:

- a low degree of coverage of the Belarusian insurance market (less than 1% of GDP);
- the absence of free competition between state and private insurance companies (including foreign capital), the insufficient use of market principles and approaches, which leads to an overestimation of insurance rates, the absence of incentives for the development of innovative insurance products, poor quality and efficiency of service;
- the priority to the development of compulsory insurance (more than a half in the structure of premiums collected), the absence of the insurance culture;
- the limit of the opportunities in state organizations to choose insurers, they must insure their risks in the state insurance companies;
- the insufficient capitalization of the insurance market, which limits the possibility of insurance companies to take risks, resulting in instability in the sector;
- the inability to include the expenses for lots of the voluntary insurance services in the cost, which sets back the development of these types of insurance, deprives economic entities of the opportunity to work in accordance with the international standards;
- the concentration and monopolization of reinsurance within the country, which is a risky deal for the economy;
- the underdeveloped segment of the long-term insurance (life insurance), which can be an important source of the inward investment for the economy.

According to economists, the following changes can bring the positive effect in the property insurance [3]:

- the alignment of the conditions for business management of state and private companies (including foreign capital), which will lead to the increased competition in the sector and increased efficiency of the insurers work, the growth of the overall market;
- the elimination for government organizations of the requirements to buy insurance services only in state-owned insurance companies, the choice of an insurer should be carried out on the basis of economic calculations, but not the form of ownership;
- the expansion of the list of the voluntary insurance services, which may be included in the cost (for example, the insurance of business risks, professional liability), their clear definition, which will allow private insurance companies to develop, and which will contribute to the creation of the insurance culture in the country;
- the creation of incentives for increasing the capitalization of the insurance sector;
- the removal of obstacles for the arrival of the foreign capital in the insurance sector (in particular, life insurance, risky types of insurance), which will increase capitalization and bring new technologies and progressive experience in the market;

Economics

- the elimination of the isolation of Belarusian insurers from the international insurance market, because the lack of competition reduces the efficiency of local insurers work and sets back the introduction of new insurance services and technologies;
- the de-monopolization of the national reinsurance system, as the reinsurance for its intended purpose must be international (risk dispersion), providing to insurers the possibility of making decisions about their reinsurance risks involving BNRO based on the market factors by themselves.

Let us comment on the proposed directions for the development of the Belarusian insurance market. Certainly, the alignment of the conditions for state and private companies doesn't exclude a control over the quality and financial stability of the insurance operations. During the process of creation of incentives to increase the capitalization of the insurance sector, first of all, it is necessary to determine the composition of the insurer capital elements which should be increased. The removal of obstacles to the arrival of foreign capital to the insurance sector should be done thoughtfully and carefully. The foreign experience of the attempts to liberalize the insurance market have shown its unviability and many modern practitioners agree on the necessity of protection of the national insurance market from foreign competitors. Moreover, the level of the capitalization of the Belarusian insurance companies will not sustain the onslaught of the foreign competition and at best, there will be only state-owned insurance companies with the Belarusian capital at the Belarusian insurance market. It is necessary to increase the capitalization significantly to enter the international insurance market. It is rather a strategic than a tactical goal of the Belarusian insurance market. Finally, speaking of the de-monopolization of the national reinsurance system, it should be noted that Belarusian insurance companies cope well with the performance of the reinsurance functions in modern conditions of the national insurance market development. Here we are talking about significant investment resources, which will remain in the Belarusian financial market; at least it is not effectively to give them at the disposal of other countries. The active development of the international reinsurance operations will have to take place only in the case of a risk of the default of the accepted insurance obligations by the Belarusian reinsurance companies.

The achieving of the positive effect of property insurance is regulated at the state level by the Republican program of insurance activities. Its main priorities are to raise the level of the insurance operation of the market by responding to the needs of the insurance protection of people, organizations and the state, the growth of the efficiency and stability of insurance companies, the strengthening of their competitiveness.

According to the program, by 2020 the insurance market of the Republic of Belarus must have a degree of the financial stability and competitiveness enabling to confront the challenges associated with the penetration of financial services of global players with great potential at the Belarusian market.

The aim of the insurance business development is the construction of the insurance market in the Republic of Belarus, which would obtain a sufficient level of capitalization and financial stability and would be capable of competing in the open financial market.

The main directions of the development of the insurance business in Belarus [4] are:

1. Improving of financial stability at the insurance market:

- it is planned to determine the minimum size of the authorized capital of insurance companies in the national currency (with an annual adjustment for inflation), which will allow to implement the prudential requirements by the insurance companies;
- improvement in insurers activities monitoring on the basis of assessment of the indicators characterizing the financial position of insurance companies and their resistance to internal and external risk factors;
- a change in approaches to the calculation of the insurance company capital on the basis of the international standard Solvency II.

2. Improving of the insurance activity efficiency:

- it is planned to abolish unnecessary administrative barriers, i.e. to move from mediation to the notification procedure of the insurance rules submission, to cancel the obligation for insurance companies to place and take into an account the money of the insurance reserves on the special accounts, to abolish the norm of doing business expenses;
- it is planned to reform the conditions for the insurance activities management in the voluntary insurance segment related to life insurance;
- the possibility of abolishment of the restrictions on the certain types of compulsory insurance will be considered, first of all for the insurance companies of the state ownership of more than 50%. Another thing that will be considered is the insurance responsibilities by the state departments and legal

entities when the state owns their controlling stake, their property interests only in insurance companies with state ownership of more than 50%.

3. Increasing of the automation level of the insurance services and business processes of the insurance companies: it is planned to improve the system of registration and storage of the information about the concluded insurance contracts, insurance cases, and payments on them in a single information center.

Thus, the insurance contributes to both technological and economic development and at the same time stabilizes the social situation, because reducing the dependence of the property position of participants of economic and other social life from all kinds of accidents makes their social and economic situation more stable.

On the other hand, insurance companies collect large amounts of capital and invest them in the banking and other sectors of the economy that contributes to the development of the economy as a whole. Insurance business is the most important sphere of business and it is going to become more widespread and varied in the process of development of the market economy. It is necessary to encourage the emergence of new types of insurance at the insurance market, which can be restricted only by general principles in the case of getting out of law restrictions. Complex systematic reforms are required for the development of the Belarusian insurance market.

REFERENCES

1. Воробьёв, М.К. Страхование дело : учебно-методический комплекс / М.К. Воробьев, И.А. Осипов. – Минск : МИУ, 2009. – 284 с.
2. Гламбоцкая, А.А. Основные проблемы страхового рынка Беларуси в контексте либерализации экономики: анализ и рекомендации / А.А. Гламбоцкая // Страхование в Беларуси. – 2009. – №5 – С. 21–22.
3. Гламбоцкая, А.А. Основные проблемы страхового рынка Беларуси в контексте либерализации экономики: анализ и рекомендации / А.А. Гламбоцкая // Страхование в Беларуси. – 2009. – № 4. – С. 20–24.
4. Республиканская программа развития страховой деятельности на 2016 – 2020 годы [Электронный ресурс]. – 2017. – Режим доступа: <http://www.government.by/upload/docs/iled82d61bf349c0a5e.PDF>. – Дата доступа: 10.02.2018.