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RECOMMENDATIONS FOR IMPROVING PLANNING IN AN INSURANCE ORGANIZATION

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Currently, planning and forecasting are the most effective ways to minimize insurance risk. In the framework of this article, an analysis of the organization of planning and forecasting in insurance is performed. As a result, some weaknesses in organization were revealed and ways to improve the situation were found.

The market is a complex economy mechanism, including a system of economic relations, the participants of which can make decisions and act in conditions of considerable uncertainty and various economic risks. The insurance market is not an exception: uncertainty is caused not only by unpredictability of common risks inherent in the economy, but also by particular ones, such as the occurrence of insured events and their consequences. One of the most effective ways to minimize uncertainty is planning.

Planning in insurance is an attempt to predict the formation of insurance reserves as an indirect indicator of the economy effectiveness in the country, the source of insurance payments.

Planning in an insurance company can be divided into several stages which are shown in the following diagram.

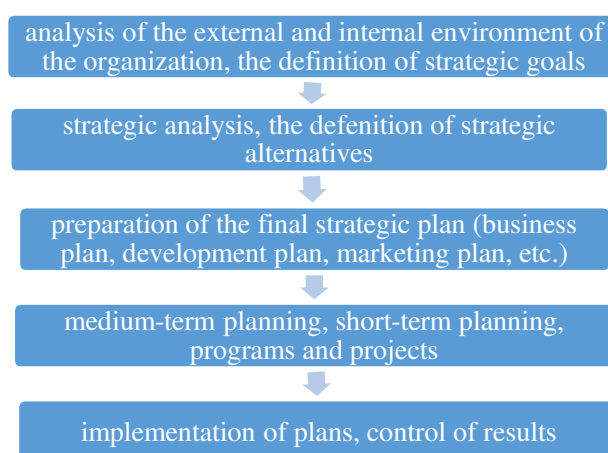


Figure 1. – Stages of planning the activities of the insurance organization

Currently, the following methods can be used in insurance: balance sheet, normative, target-oriented, economic and mathematical modelling. The plan of the insurance organization is a planned balance of income and expenses (financial results and their planning).

Financial planning in an insurance organization is a set of measures for the analysis, evaluation, forecasting of the results of direct insurance, reinsurance; forecasting of the activities, connected with temporarily free funds of insurance reserves management operations; and other activities not prohibited by law.

The results of financial planning are: a system of strategy, tactics, politics, rules, procedures, budgets; socio-economical, technical forecasts of the control object developing and external environment; short, medium and long termed targeted programs. The specifics of financial planning are determined by the following factors: the formation and usage of insurance funds; planning the amount of insurance premiums and payments based on the uncertainty of concluding insurance contracts and possibility of insurance events; reinsurance activities due to the application of variability of plans and their developing methods.

Operational planning in the insurance organization should be aimed to ensure comprehensive regulation of financial and economic activities and is identified with financial planning for a certain period.

Forecasting the activities of insurance organization is as important as its planning. With the developing of market economy in our country, forecasting the development of insurance operation becomes especially relevant.

Economics

A forecast is a probabilistic, but highly certain assessment of the future of the insurance organization, based on a priori information on its development and conditions.

The main regulatory document governing the planning of the insurance organization in the Republic of Belarus is the Order of the Ministry of Finance of the Republic of Belarus of December 19, 2006 No. 450 "On approval of the Recommendations for the development of forecasts for the development of insurance organizations for five years and Recommendations for the development of business plans for the development of insurance organizations for a year" (As amended on December 29, 2012, No. 414).

The organization of planning and forecasting was analysed according to the Belarusian Republican Unitary Insurance Company «Belgosstrakh». The analysis showed that the organization of planning in this insurance company is well developed. Nevertheless, there are some disadvantages.

One of them is including retired insurance contracts in the base for bringing planned and forecasted indicators. Retired insurance contracts are prematurely terminated insurance contracts and contracts with a validity period other than 1 year.

One more disadvantage is failure to meet planned and forecasted indicators of insurance premium income. This is the result of using divided system of including accrued and actually received insurance premiums in the entire amount of indicators.

And the last disadvantage which was found during the analysis is the failure to fulfil the plan for the receipt of insurance premiums on voluntary property insurance of legal entities and voluntary medical insurance.

Thus, the analysed insurance organization needs to address the weaknesses of planning and forecasting.

In order to improve the planning and forecasting process, «Belgosstrakh» can do the following:

1. Exclude retired insurance contracts from the base for planned indicators. Retired insurance contracts are prematurely terminated insurance contracts and contracts with a validity period other than 1 year.

2. Replace the fragmented system of inclusion of accrued and actually received insurance premiums in the base of the performance of the reported indicators. It is necessary to bring forecasting indicators to insurance agents, as well as for the entire separate division, i.e. accrual basis.

This would let the administration of a separate division solve the problem of managing and controlling the implementation of forecast indicators in general for separate divisions of «Belgosstrakh» and for the whole organization, because in this case the planned indicators, forecast indicators in general for separate divisions are reached.

3. In order to stimulate the sale of insurance services and fulfil the sales plan in the representative offices of «Belgosstrakh» we propose to draw. After this, the percentage of fulfilling the plan for insurance premiums should increase, which will allow representative offices to carry out the assigned tasks for contributions.

4. Improvement in bringing the plan in terms of the number of insurance contracts concluded due to exclusion of retired insurance contracts with a validity period other than 1 year from the base for calculating.

5. Improving the methodology for bringing forward-looking indicators in terms of bringing the assignment under insurance contracts to separate units in the planning period. Based on the analogy, taking into account the amount of accrued insurance premiums in the reporting period, it is necessary to exclude from the base the actual number of insurance contracts that will be taken as the basis for bringing the assignment for contracts in the planning period, contracts with a validity period other than 1 year, as well as terminated ahead of schedule and terminated insurance contracts.

The proposed planning methodology will show the real, rather than artificially overestimated, number of insurance contracts for the period taken into account to achieve the planned indicators, thereby tracking the reliable growth of insurance contracts, and will also help to achieve the forecast growth rates of the republic's insurance market.

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