

**PROPERTY INSURANCE OF LEGAL ENTITIES AND
DIRECTIONS FOR ITS DEVELOPMENT IN THE REPUBLIC OF BELARUS**

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Insurance market, being a part of financial system, involves practically all aspects of social activity. It is regarded as one of the most significant national priorities because it is aimed to promote stable development of economy and social sphere.

Insurance coverage is a protective economic mechanism designed to support industry and people’s living standards. Today’s development stage of insurance market in the Republic of Belarus started in 2001 and it is characterized by continuity in the result of national economy stabilization, and also due to quality structural changes, caused by the introduction of new types of mandatory insurance.

As of February 1, 2019 at the insurance market of the Republic of Belarus there were 18 insurance companies conducting business, including 2 – maintaining insurance types that pertain to life insurance.

The insurance companies’ contributions for direct insurance and coinsurance comprised 1 203,3 millions of rubles in the year 2018. The growth rate of insurance contributions over the year 2018 compared with the year 2017 amounted to 112,4%.

The dynamics of insurance premiums and growth rate of insurance contributions is presented in figure 1.

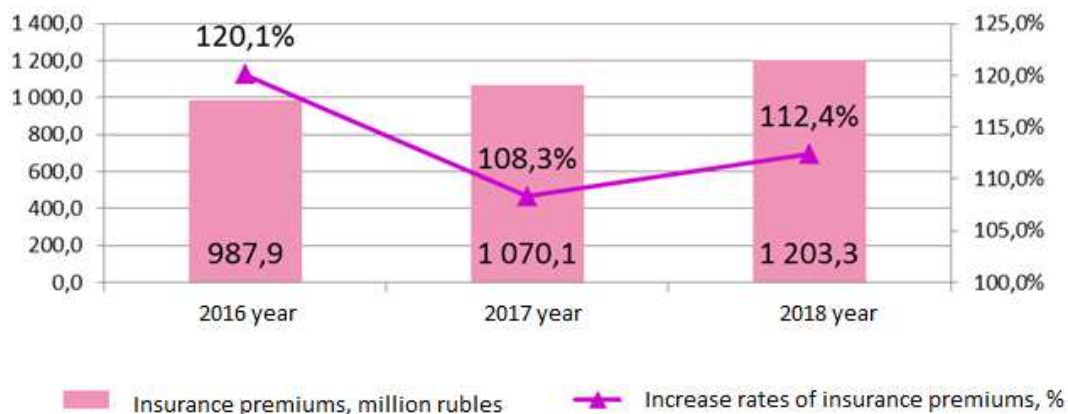


Figure 1. – Dynamics of insurance contributions and growth rate of insurance contributions

Source: personal research based on the data [5].

As for voluntary insurance types, the insurance premiums comprised 715,9 millions of rubles within the year 2018. Recently there has been a remaining tendency of outperforming growth rate of insurance premiums for voluntary insurance, as a result their share in Insurers’ Total Portfolio has amounted to 59,5%, having increased by 2,9 percentage points in comparison with the year of 2017.

The structure of insurance contributions is shown in figure 2.

The share of property insurance amounts 54,8% in the structure of insurance contributions related to voluntary insurance.

The insurance contributions’ structure of voluntary insurance types in the year 2018 in shown in figure 3.

In general, we can observe an increasing amount of insurance contributions for insurance of property interests of legal entities. This is explained by the fact that the level of insurance law awareness of many business owners has risen considerably. The reason for this is very simple. If at the growing market an owner, when he had loss occurrence, could withdraw the funds from turnover and resolve his current financial problems, he could also take a loan at quite a reasonable interest rate, but nowadays both that ways turn out to be extremely complicated. Because that legal entities are particularly concerned about the effectiveness of any

processes, the majority of those who are money conscious looked closely namely at the insurance mechanism—relatively non-expensive and quite comprehensible way of solving complex and unexpected issues.

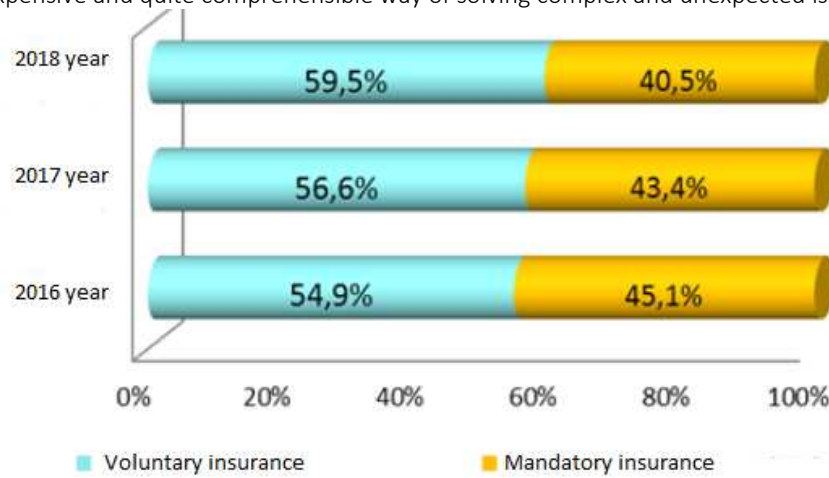


Figure 2. – The structure of insurance contributions

Source: personal research based on the data [5].

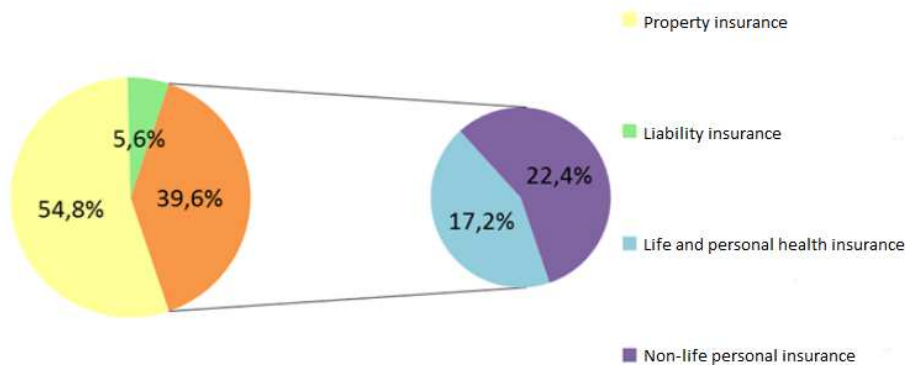


Figure 3. – The insurance contributions' structure of voluntary insurance types in the year 2018

Source: personal research based on the data [5].

The data shows that property insurance portfolio of legal entities in general remains stable, which is determined by a large segment of pledged property insurance (clients have to insure this property as required by bank loan agreements), and also by a definite share of international property insurance programs which continue to operate. While explaining the relative stability of this portfolio, we should note that many large companies have signed long-term loan agreements and therefore continue to take loans actively today, as a result, continue to insure pledged property.

It should be noted that during instability periods the size of the insurance companies has great significance. Roughly generalizing we can say that small firms cut down the property insurance expenses more decisively than large ones. Many clients of insurance companies during the crisis refused insurance services at all, however large business, dealing with the attraction of foreign investments, because of its specificity is not subjected to this tendency. Small companies, which insured office equipment, furniture, infrastructure of occupied areas during prior to the crisis times, at present often refrain from such move, saving funds.

Nevertheless, all this does not mean that small business does not use insurance services at all. Among clients from small business segment there are plenty of those who either have already experienced the consequences of technogenic and natural factors or unlawful acts from third parties, or the such problems were faced by their environment.

Economics

Thus, the analysis of property insurance market in the Republic of Belarus has shown that as a whole we can observe positive dynamics in the development of property insurance types. However, despite this positive dynamics, the real growth of insurance contributions has been effected at insufficiently high rates from the viewpoint of its potential. This growth only to a small extent was determined by objective causes – by awareness of importance of insurance agreement as reliable and non-expensive coverage for financial losses upon occurrence of adverse events in life, by increase of insurance culture and development of the insurance market itself.

The development of insurance business in the Republic of Belarus should be directed towards the increase of the role of insurance in economic social life by achieving the implementation level of insurance functions, corresponding to the social and economic level of the country's development.

The required qualitative and quantitative changes of the condition of the Belarusian insurance market the author recommends to accomplish by achieving the following strategic targets:

- the development of insurance market and enforcement of its continuity;
- increasing confidence to insurance companies from the national and foreign investors;
- maximal approximation to the international standards in fulfilling supervision over insurance companies, defined by International Association of Insurance Supervisors (IAIS).

To achieve the given targets the author suggests to resolve the following major tasks:

1. Increasing the capitalization of insurance companies by means of internal and external sources.

The increase of equity of insurance companies is one of the most important conditions that provide sustainable development and continuity of insurance market, its capacity growth.

The capitalization of insurance companies is recommended to increase by means of internal and external sources. The internal sources of capitalization boost for insurance companies are their profit and investments in insurance business of residents of the Republic of Belarus. The external sources of capitalization boost for national insurance companies – the investments of non-residents of the Republic of Belarus.

2. Providing the stimulation of demand on insurance services, mainly at voluntary insurance types.

The author suggests, on the one hand, to implement a policy aimed at the increase of people's insurance culture and perception of insurance companies as reliable guards in case of emergencies, on the other hand – to provide high quality standards of services offered by insurance companies.

The enhancement of public insurance culture is recommended to carry out by the development of regional insurance network all over the territory of the Republic of Belarus. The success in competition for potential clients depends primarily on the timelines of an insurer to arrange consistent contact with customers.

The availability of branch network will allow an insurance company to build its own regional policy in a more professional way in relation to an insurance coverage customer, since branches provide reliable data on the state of insurance field, on regional specifics.

3. Forming fair competition environment.

The state of competitive environment on insurance market is called to promote to improve the quality of insurance services, to reduce their cost, to actively implement new insurance products. To develop competitive environment on insurance market we offer to take actions towards creation of equal opportunities for state and private insurance companies, also to expand foreign capital representation on national insurance market.

4. Insurance law improvement.

To develop insurance legislation we suggest creating the unified system of law acts in insurance field, defining clear terms for interaction of clients and insurers, providing a possibility for all entities of insurance relations to equally defend their rights.

We recommend the increase of the role of insurance business to accompany with heightening of requirements for reliability and stability of insurance companies. Herewith the main consideration must be paid to the degree of their risk exposure which they face in their business.

5. Transition to risk-oriented supervision and evaluation of capital adequacy level of insurance companies based on principles devised by International Association of Insurance Supervisors.

The main task in the development of insurance supervision, providing the increase of financial stability of insurance market, is the expansion of requirements system, defining admissible risk parameters, accepted by insurance companies.

6. Enhancing the infrastructure of insurance market and information technologies.

The increase of amount of insurance premiums received and the boost of insurance market capitalization are suggested to be accompanied by the relevant development of its infrastructure, by upgrading proficiency of insurance business specialists, also by advancing of information technologies.

The development of information technologies in insurance business must be directed towards the increase of effectiveness of insurance business, also towards expansion of the range of insurance services offered to clients.

From this perspective we suggest the following:

- the development of branch network of insurance companies, selling insurance products directly;
- the enhancement of the training system, retraining and advanced training of staff members of insurance field, and also arrangement of thematic conferences, seminars, aimed at proficiency improvement of insurance market players;
- the creation and development of data analysis systems, providing possibilities to carry out marketing research of insurance companies and market in general, also implementation of modern technologies in promoting insurance products.

The successful fulfillment of given measures will allow:

- to create effective and competitive insurance market, promoting the achievement of goals of social and economic development of the Republic of Belarus;
- to increase demand on insurance services, primarily on voluntary insurance lines;
- to create fair competitive environment on insurance market, to stabilize financial sustainability of insurance companies;
- to form stable, consistently functioning, complying with present-day demands of the society and the state, insurance services market;
- to enhance the role of insurance business in the solution of social and economic tasks of the state.

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