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EVOLUTIONARY CHANGES IN THE RUSSIAN PERSONAL INSURANCE MARKET

ABSTRACT. This article deals with the current features of the Russian personal insurance market. Personal insurance is regarded as an institution of the implementation of the state's functions for social protection of the population. The article describes the main evolutionary changes in personal insurance and identifies the zone of maximum mutual interest of the state and insurers in pension and health insurance. There is a fear of social tension in the society if pension reform goes the way of increasing the retirement age and social taxes. The current domestic modernization of compulsory health insurance has led to the centralization of resources and the loss of their insurance statute. The article contains an assessment of the availability of health services and the development of corporate voluntary medical insurance, as well as experts' evaluations of risks connected with Russia's accession to the WTO, which is considered as an institution to promote competition. The given empirical data testify to the absence of foreign insurers' high ranking in the Russian market.

The author's special expectations are related to the inclusion of a mega-regulator in the financial management area and empowering the Bank of Russia with this function, which will increase insurers' «stress resistance».

KEY WORDS. Insurance, personal insurance, social commodity, insurance protection.

In the context of world globalization and financial crises, governments face difficulties connected with implementing social protection and resort to consolidation with the insurance business. Personal insurance as a social commodity provides the protection of risks associated with the health and socio-economic status of individuals in certain circumstances: disability, damage to life and health, survival to a certain age, etc. Personal insurance as an institution is able to take on some of the state's functions for social protection of the population.

When protecting citizens' social interests, an insurer can act on their own initiative, as a business unit, as well as due to the enforcement of the state as a mediator and a representative of public interest. On the one hand, when an insurance company spends money on charity, provides grants to schools, helps vulnerable segments of the population, etc. it increases its credibility, becomes more recognizable and creates the image of a reliable partner. On the other hand, the company is interested in a favorable social and economic climate in the area of its operation: the more affluent the potential consumer of insurance services is, the higher the income an insurer can get.

The process of evolutionary change has affected the scope of personal insurance in the areas of pension protection, health insurance and financial interests of borrowers.

Personal insurance serves as a supplement to social security and welfare and increases the degree of insurance protection of citizens (see Tables 1 and 2). Due to the institution of insurance, interest savings by the population can be accrued: individuals can save a given amount of money by a contractually agreed time by means of paying regular contributions. Accumulated resources are invested in state authorized assets by insurance companies, and a part of earnings is paid to policyholders and beneficiaries.

Table 1

Insurance premiums and payments for voluntary personal insurance in 2011

Types of insurance	Insurance premiums			Payments		
	Bln rbl	% of the total amount	% related to the corresponding period of the previous year	Bln rbl	% of the total amount	% related to the corresponding period of the previous year
Insurance against accidents and illnesses	48,58	27,0	131,9	8,0	9,0	134,0
Health insurance	97,0	53,8	112,6	73,25	82,4	110,2
TOTAL for personal insurance (except life insurance)	145,58	80,8	118,4	81,25	91,4	112,2
In the event of death, survival to a certain age or time or in case of occurrence of an event	29,1	16,1	158,0	6,15	6,9	93,6
With the condition of periodic insurance payments (rent, annuities) and / or with the participation of the insured in the investment income of the insurer	4,6	2,5	159,2	0,91	1,0	119,2
Annuity (retirement) insurance	1,0	0,6	72,8	0,2	0,7	92,1
TOTAL for life insurance	34,7	19,2	153,0	7,66	8,6	96,0
TOTAL for voluntary personal insurance	180,28	100,0	123,8	88,91	100,0	110,6

Source [1; 46]

According to the data in Table 1 the size of life insurance premiums substantially exceeds the benefits.

The role of personal insurance as a social commodity is gradually increasing. On January 1 2002, a pension reform aimed at the creation of a multi-pillar pension system was launched in the Russian Federation. By 2014, a new phase of pension modernization will have begun in the country. One of the problems of the pension system is the «aging» of the population. Today, there are 1.24 employees per retiree, whereas in 1991 there were 2.2 and in the course of time the numerical gap is predicted to decrease. The level of pension expenditure of the Russian government will have increased to 18.8% by 2050 (in 2010 the figure was 9.4%) [1, 48]. The burden for the working population will become almost unbearable.

To date, there are two widely discussed ways to resolve the problem: raising the retirement age and increasing social tax. Both paths are fraught with trouble: thus, a sharp increase in the retirement age in France in October 2010 led to social unrest. Life expectancy in Russia is poor: the average male population does not survive even until retirement. Therefore, if retirement age were increased, Russians would have to work for life.

Compulsory health insurance (CHI) is going through a phase of reforms. In January 2011 phased application of Law № 326-FZ «On Compulsory Medical Insurance» began; the follow-up has been planned out until 2015. The law must address the problem of failing to provide medical care for a citizen who is outside their place of residence (it is a problem with which more than 40% of citizens' complaints are connected). The major direction of improving citizens' position should be increased access to health care and equal conditions of its reception. Today, the volume, quality and accessibility of medicine in various Russian regions differ, and depend on the financial, material and technical resources of local areas.

The Law on Compulsory Medical Insurance (CMI) declares that the insured should have the right to free choice of a doctor and a medical organization, but does not specify how to implement it. An insurer's functions are imposed on the Federal Fund for CMI, but CMI funds have lost their insurance nature: they are equivalent to budgetary resources and transferred to the Treasury of Russia for cash services. The centralization of insurance premiums in the Federal Fund of CMI has started, which is related to the global trend of financial risk management in healthcare based on insurance pool principles. Given the current economic and political situation in Russia, voluntary health insurance (VHI) and paid services remain the main source of additional funds in public health care. In order to improve access to health care, it is necessary to develop the VHI programmes as an addition to CMI, and thus reduce the waiting time for high-tech medical care and improve health services. An approach of «additions» will reduce the cost of VHI programmes, eliminate double payment for the same services and facilitate a more efficient use of funds by medical organizations.

Table 2

Insurance premiums for compulsory insurance

SOYUZNIK	Insurance premiums			Payments		
	Bln rbl	% of the total amount	% related to the corresponding period of the previous year	Bln rbl	% of the total amount	% related to the corresponding period of the previous year
Personal insurance of passengers (tourists, excursionists)	0,47	0,07	103,7	0,001	0,0002	58,7
Personal insurance of tax officials	0,02	0,003	85,3	0,03	0,004	112,5
Personal life and health insurance of military personnel and individuals equivalent to them in compulsory state insurance	6,76	0,9	109,7	6,29	1,0	93,3
Liability insurance of vehicle owners	103,3	14,5	112,4	56,2	8,7	100,5
Carrier's liability insurance for aircraft passengers	0,26	0,04	90,9	0,17	0,03	221,1
Compulsory health insurance	604,19	84,5	124,2	585,25	90,3	122,9
TOTAL for compulsory insurance	715,00	100,0	122,2	647,94	100,0	120,2

Sources [1; 48]

Another direction of social protection through insurance is a new product: insurance against unemployment. Insurance payment is intended to provide a person who lost their job due to dismissal with a salary replacement for a limited period of time, which will allow them to find a suitable job. In practice, such a service

(unemployment insurance) is provided only for bank clients who are mortgage loan borrowers, and the segment of such customers is very limited [2].

The potential of the life insurance market in Russia is huge, but there are many obstacles to its development. Among them are a narrow product line, and in particular the inability to provide the Russian market with unit-linked products (life insurance programmes along with investment), the low level of financial literacy of citizens, who find it difficult to understand a product such as universal life insurance. A special layer of problems is connected with investing reserves for life insurance in long-term market assets. In terms of an insurer's portfolio investment, Russia's accession to the WTO means active involvement in the process of globalization and an increased role of the speculative factor in obtaining a virtual income.

There exists a problem of customer loyalty in Russian insurance. Mistrust of the insured towards insurance companies can be reduced by means of increasing the transparency of insurers and introducing the principles of banking regulation. [3] All banks are required to meet certain standards which show the liquidity of the bank, capital adequacy, extent of risks, etc. The development of similar standards would allow insurers to increase their «stress resistance» and conduct timely remediation of the industry. The author has certain expectations in this area and they are associated with the probability of including a mega regulator in the management system of the financial sector, and making this function a responsibility of the Bank of Russia.

Table 3

Indicators of insurers' activity whose share of foreign participation in authorized capitals accounts for less than 100% and more than 25%, 2010

№	Rating by insurance premium volume	Name	Authorized capital, mln rbl	Shares (contributions) of foreign participants, mln rbl	Insurance premiums, total (except CHI), mln rbl
1	22	ENERGOGARANT	60	49	4915
2	23	PROGRESS-GARANT	130	34	4458
3	29	ROSSIYA	40	32	3053
4	47	SOZHEKAP LIFE INSURANCE	494	346	1784
5	49	ALLIANCE	1049	657	1534
6	90	RENESSANS ZHIZN	2000	1006	630
7	115	INTOUCH INSURANCE	120	59	475
8	196	MSK-LIFE	50	38	190
9	209	ARTEKS	1105	446	161
10	288	SOYUZNIK	100	30	70
11	415	ENERGORESURS	90	23	12,6

Source [4; 52]

When evaluating risks of Russia's accession to the WTO, experts have gone from expressing fear concerning the domestic market's capture by foreigners to assessing the prospects for its development. Some hopes were placed on systematic assistance to Russian insurers from the state, though, by and large, they do not need privileges. What they really need is clear conditions of business legal support. Large foreign companies have been operating in the domestic market for many years. But there are very few examples of bright successful activities of foreign companies in the Russian market. They are not included in the category of the top companies in terms of premiums (Table 3). One can consider the WTO as an institution promoting competition, creating a wide selection of high quality products for consumers, though all insurance companies in the world sell the same kind of products, following one type of pricing based on underwriting rules. The author's optimism and patriotism lies in the fact that the product policy of Russian insurers has its advantages, as it is developed on the grounds of extensive national statistics on insurance claims.

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