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CURRENT STATE AND PROBLEMS OF BANKING RISKS
INSURANCE IN RUSSIA

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Abstract

Banking insurance is an area of the insurance business aimed at covering banking risks. This insurance product is widely used all over the world. An insurance policy is an integral and mandatory attribute of bank's reliability, respectability and safety, which improves its reputation. Banking risk insurance is underdeveloped in Russia. As far as the market is saturated with classic insurance products, insurers need to use this type of insurance to meet the needs of policyholders and maintain their market positions. Currently, the interaction of banks and insurance companies is a priority area of cooperation. The problem of bank risks insurance is not new. Both foreign and Russian economists have dealt with this problem (Vdovina, Berezina, Merzlyakova, Smirnova, Nikulina, Tsyganova). There is a theoretical foundation for risk management in commercial banks. Mechanisms of banking risks insurance have been determined. At the same time, due to the specifics of bank activities, insurance companies operate in conditions of double risks (their own ones and those of insured companies), and need to use effective mechanisms for insuring bank risks. It is necessary to develop scientific and methodological foundations of risk management and insurance in commercial banks.

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1. Introduction

Insurance of bank risks is an effective tool for solving economic problems, since it allows banks to reduce financial losses. However, there are obstacles hindering the functional development of this area of insurance.

As a rule, the concept of banking risks is not used in insurance activities. It refers to financial and entrepreneurial risks that banking institutions face due to the specifics of their activities. The most significant risks are market, credit, operational and liquidity ones. Their list is reflected in the Letter of the Central Bank of June 23, 2004 N 70-T "On typical banking risks".

In Russia, insurance of business and financial risks is a peripheral sector of the market.

Insurance companies did not make efforts to develop this line of insurance. The insurance market is oversaturated with traditional products, and insurance institutions decided to take on the development of new directions.

Russia insurers are not ready to engage in bank insurance. Banking risks become unacceptable for insurance institutions when the estimated total capital of insurance companies is about \$ 5 billion, compared to more than \$ 30 billion of banks' fixed capital.

2. Problem Statement

The lack of detailed characteristics of selection of insurance companies by banking organizations infringes on the interests of bank's clients, insurance companies, and reduces competition.

At the same time, one of the main reasons for the dissatisfaction of insurance companies is the information impenetrability of banks. This factor hinders the development of insurance of banking risks. If the insurance organization is not affiliated with the bank, it is difficult for it to find out information about the security system or risk management. In such cases, insurers can inflate insurance rates or refuse to accept risk. On the other hand, banks are obliged to be aware of contract tariffs and terms and credibility of an insurance company and its reinsurance protection.

Visible disadvantages are the lack of required databases, an imperfect level of insurance culture, and fear of fraud on the part of insurers.

There are difficulties of assessing the level of reliability of insurance companies and the high-quality side of their activities. Due to the lack of unified comprehensive methodological developments in the field of assessing the financial condition of insurance companies, banks must assess the reliability of insurance companies at their own risk based on a number of criteria (number of assets available, duration, availability of licenses, compliance with conditions for placing insurance reserves, the level of liquidity, etc.).

Despite the importance and relevance of research areas, as well as a large number of publications, there are no studies on the problem of risk management in a commercial bank using comprehensive insurance policies containing possible options for protecting risks. This circumstance requires theoretical and practical research on modern banking conditions.

3. Research Questions

The subject of research is banking risks and theoretical foundations and methodological approaches to improving the insurance of banking risks.

Banking, interest rate, credit or other risks have been studied by Russian economists due to the development of market relations. Therefore, identification, study and assessment of risks in the banking sector is an important task. Against the background of the negative impact of various risks on the banking system, it is necessary to develop a unified risk management system.

Risk as an element of the banking system can be depicted as a situational feature of the activity of any subject of market relations, creating an uncertainty of its outcome and potential favorable or unfavorable results, which are reflected in losses or income.

Banking risks are an integral part of commercial risks; they are associated with financial losses.

Leaders of bank insurance are members of London insurance association Lloyd. The need for bank insurance is due to banking activities, inherent risks arising from the ambiguity of the market situation. Interests received by credit institutions for services rendered are payments for the risk of losing profit and assets. Complex bank management, modern technology, armed raids, electronic crimes, abuse by bank employees, unpredictable and ineffective government regulation, new activities prompt financial institutions to purchase insurance policies. Losses can only be compensated by insurance policies.

4. Purpose of the Study

The purpose of this study is to analyze and assess the system of organization and current state of insurance of banking risks and determine problems of insurance of banking risks in the Russian Federation.

5. Research Methods

When conducting the research, scientific methods applied made it possible to realize the conceptual unity of the research: semantic analysis, scientific generalization and graphic presentation.

6. Findings

Despite the obstacles described above, the professional union of insurers and banks is promising. For example, insurance of operational banking risks is the promising area of development of the banking risk insurance market.

The banking sales channel of insurers is increasing its efficiency. The main reasons are frequent incidents of crimes, excitement of the criminal environment when the crisis aggravates, and fraud with bank cards (Bisultanova, 2019; Yudinseva, 2016).

The crisis situation had a double effect on the bank insurance market. On the one hand, there is a healing effect; on the other hand, there is a sharp limitation of volumes. The insurance policy is an effective tool for protecting from accidents. During the crisis, banks try to limit their own expenses. They

reduce insurance programs, leaving only the most essential ones, that protect them from catastrophic consequences. As a result, the number of break-ins and thefts of ATMs and losses increased.

Describing the current state of the bank insurance market, one cannot but characterize the rate of development of the entire sphere of insurance of bank risks. Requirements of financial institutions to insurance organizations are tightened, but in protecting internal risks, banks are turning to insurance companies. Consider the rating of companies that were leaders in the field of insurance of banking risks in 2019 (Table 01).

Table 1. Banking risk insurance leaders

Rank	Company, group of companies	Insurance premiums, thousand rubles
1	Ingo group	411 437
2	LLC IC "VTB Insurance"	342 832
3	Insurance group "Alfastrakhovanie"	171 647
4	IJSC "VSK"	149 491
5	SOGAZ Insurance Group	66 301
6	CJSC IC RSHB-Insurance	19 861
7	AIG Insurance Company JSC	11 924
8	ERGO insurance company	11 201
9	OJSC "IC BASK"	3 385
10	Societe Generale Insurance	2 891

Not every insurance company becomes a banking partner, since after the crisis the selection of an insurance organization has become more thorough. With the same procedure for selecting an insurer, requests of financial organizations differ in the amount of documents required. On the other hand, due to the influence of the Federal Antimonopoly Service, bank inquiries have become more transparent – requirements for insurers and lists of the required documents are published on bank websites.

The issue of financial stability of insurance organizations, which often arises when they constantly fail to fulfill their obligations, remains one of the most important problems. Checking the financial stability of insurance companies, reliability of information they provide is a difficult task. The performance can be determined by the ratio of liabilities and assets (Dobrynina et al., 2014; Kim, 2016).

The issue of reinsurance of liabilities of insurance companies in case of a shortage of reserve funds is an important problem. Potential clients should be aware of whether the insurance organization has a reinsurance agreement with a larger insurance company.

A guarantee of financial reliability is an important factor when choosing an insurance company; however, the choice of an insurer depends on the rules and conditions of insurance offered by various insurance organizations. Bank's positive experience of working with insurance companies and smooth settlement of financial problems play an important role (Magomadova, 2019; Makeikina & Ekimov, 2012; Rosinskaya, 2011).

7. Conclusion

Considering the current domestic insurance market, we can conclude that not all banks are ready to purchase large insurance contracts: such packages are very expensive and they do not allow insurance companies to get an access to secret banking information. It is possible to change the current situation, if

there is mutual interest in the activities of banks and insurance companies, as well as trust in insurers. Combined bank insurance contracts can become real, because they can offer the most optimal model for protecting from banking risks.

Financial activity is linked with losses, bankruptcy and risky operations in the financial markets. Banking specialists identify many banking risks (Averchenko & Natocheeva, 2016; Bisultanova, 2018; Sarsenova, 2015).

In addition, the success of banking depends on the general economic situation in the country, changes in foreign and domestic financial markets, actions and legislation of the government. However, none of the known risks can be eliminated. In addition, activities of banks are a game: to change exchange rates, interest rates, and securities quotation. Therefore, this activity is speculative. The bank's goal is to balance the expected profit and risk. Thus, the need for insurance, its social and social function is to protect the bank's income from negative internal and external influences, which should not affect the financial stability, and the state of the monetary system. Insurance of bank risks is not a private matter of banks, because they control public capital. Full insurance of bank capital is impossible and impractical; the bank must create reserve funds that provide protection against low-level risks. For this, the authorized employees determine types of insurance. In some countries, there is a general bank policy, which is mandatory. This comprehensive insurance helps banks to attract investment and customers. Russian banks also need to learn from this experience.

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