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**THE INSURANCE MARKET OF RUSSIA: CURRENT STATE AND
MARKET OPPORTUNITIES**

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Abstract

The system of insurance in the Russian Federation is in need of development. The authors see one of the promising areas of development in the use of insurance of risks of agricultural organizations in any form, in connection with the solution of the problem of food security (autonomy) of the country.

The authors of the article consider the essence of risk and the evolution of risk as a science. The analysis of the insurance market in Russia allowed the authors to single out a period with a favorable external and internal environment; the combination of factors (2013-2015) and the period diametrically opposite to the previous time interval, due to the occurrence of macro and microeconomic crisis phenomena (2016). The development of the insurance market is significantly influenced by the government, its efforts to provide the maximum diverse support for policyholders. Under such conditions, the authors come to the conclusion that a promising direction for the development of the insurance market can serve as insurance for the risks of agricultural organizations in any form. The topic of the study provides an opportunity to understand the essence of the insurance of risks of agricultural organizations, its necessity and value.

The paper analyzes the system of risks insurance of agricultural organizations. The authors consider the representation of international experience in the development of the insurance segment under as correct and propose some measures for introducing the Russian organizations in risks insurance of agricultural organizations, and present the principles of its optimal development model.

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Keywords: Insurance, insurable risk, finance, insurance premiums, insurance payments, government.



1. Introduction

The main stages of the development of insurance made it possible to identify objective and subjective factors of its development, which included: the compensation for damage in the event of various types of hazards that have negative economic consequences (an objective factor), the risky nature of social production causes people to fear for the safety of property (subjective factor) (Tsyrenova & Tsyrenov, 2013; Shakhov, 1998).

Thus, the concept of risk presents the basis of the insurance relationship (Bachai, & Messen, 1979; Reitman, 1992; Yaraya, 2014, Benson, Daniel, & Smith, 1993).

Insurance has features that connect it with a category of finance, but as an economic category it has characteristics that are specific to it, thereby distinguishing it into a separate economic category, which is endowed with the following specific features: the definition of insurance premiums for the formation of a specialized insurance fund for indemnification; uneven apportionment of insurance premiums between participants of insurance; the random nature of the occurrence of insured event and the determination of the value of probable insurance damage; the calculation of insurance rates as the price of insurance services; objective need for damages; the implementation of measures to prevent and overcome the consequences of a specific event; partial return to policyholders of contributions received by the fund of an insurer.

Thus, due attention is given to insurance fund. The analysis of modern economics allows us to conclude that all authors are united by the desire to develop a conceptual system that would fully and reliably meet the interests of individuals and legal entities.

2. Problem Statement

The relevance of the considered issue is determined by the significance of the problem associated with minimizing the risks accompanying the activities of any entity. In this case, insurance is an effective way to protect risks as a result of accidents and unforeseen disasters.

3. Research Questions

The authors see one of the promising areas of development in the use of insurance of risks of agricultural organizations in any form, in connection with the solution of the problem of food security (autonomy) of the country.

4. Purpose of the Study

The purpose of the research is presented by the analysis and evaluation of the current state of insurance market in order to identify factors hindering its development; the consideration of the promising direction of the insurance market development – the insurance of the risks of agricultural organizations, the use of international experience in order to determine the priority conditions for the development of considered insurance segment.

5. Research Methods

The materials of the study were presented by the data from the Federal State Statistics Service of the Russian Federation.

The authors of the study applied general theoretical methods of cognition, used methods of deduction and induction along with dialectical method of cognition, involving the study of insurance processes in continuous development and interconnection. Based on historical method of research, the stages of transformation of approaches of the insurance system of risks of agricultural organizations are highlighted, modern cognition methods are used, including methods of comparison, logical and system analysis.

6. Findings

The certain features of insurance activity are presented by a significant gap between the time of insurance contribution and the time of insurance payments (Abramov, 2007). In this case, high responsibility is required for timely and full return of investment. Secondly, the problems of financial stability, solvency, and liquidity of an insurer become prior in terms of fulfilling of obligations towards insured, namely, guaranteeing insurance coverage in the case of an insured event.

The dynamics of national insurance market is presented in the table 1.

Table 01. The dynamics of insurance market in Russia] (Official site of the Federal State Statistics Service)

Indicator	2012	2013	2014	2015	2016
1. Insurance premiums, million roubles	811025.8	901026.1	983400.6	1033532	1190596.9
2. Growth rate of premiums, %	19.68	11.097	9.142	5.098	15.19
3. Insurance payments, million roubles	376538.1	419842.9	473469.1	513954.7	514070.3
4. Payment growth rate, %	20.543	10.315	11.326	7.877	0.022
5. Payment ratio, % ((p.2 / p.1) * 100)	46.427	46.596	48.146	49.728	43.178

Source: drawn and calculated according to Official site of the Federal State Statistics Service

The crises of Russian economy have affected the pace of the development of insurance market. Since the insurance market depends primarily on industrial and banking sector, after 2012 there is a trend to reduce its performance, especially in 2013-2015. Thus, the absolute values of insurance premiums indicate positive development of insurance market, but the annual growth rates of premiums show a decrease from 9.142% to 5.098%, and only in 2016 the indicator increased by 10% in comparison with the previous period.

The total amount of insurance payments in 2016 was 514070.3 million rubles in comparison with previous periods as the increase in the indicator was observed. One of the reasons for this fact was the dominance of auto insurance (insurance of the civil liability of owners of means of transport and motor hull insurance) in the aggregated portfolio of general insurance.

The dynamics of insurance market makes it possible to single out a period with a favorable external and internal environment and a combination of factors (2013-2015) and a period diametrically opposite to

the previous time interval, reasoned by the occurrence of macro- and microeconomic crisis phenomena (2016).

At the same time, insurance market is in need of development and in this regard the appropriate conditions for its dynamic development must be created. In the near future, a promising direction for the development of the insurance market could be insurance of the risks of agricultural organizations in any form.

Nowadays the agro-industrial complex is developing at a rather slow pace due to high natural, climatic, economic and other types of risks, disparity in prices for agricultural products and other problems (Timofeeva, 2005). High taxes on agricultural organizations make their activity difficult. In this regard, it is necessary to revise the system of tax benefits and preferences for established agricultural enterprises, which will contribute to the development of agricultural enterprises by reducing the tax burden, and the share of agricultural products in nationalmarket will increase.

The lack of own funds leads to a high debt load of agricultural organizations, which in the future may lead to the weakening of their financial stability and paying capacity. Under such conditions, government support is needed for enterprises of agro-industrial complex (Naminova, 2016).

On this account, R.R. Siraeva and S.V. Viktorovich point out that in the system of government support, a special place should be occupied by regions with adverse climatic conditions (Siraeva & Viktorovich, 2014).

At the same time, A. G. Mnatsakanyan and V.A. Maliy noted the growing role of foreign countries in the regulation of agricultural risks over the past two decades (Mnatsakanyan & Maliy, 2017).

The producers of agricultural are the beneficiaries. Market prices of some commodities are supported by the government. Although there are government programs for major crops and other agricultural products, farmers are still controlled by the market in setting prices for agricultural products. Abundant yield and expectations of abundant yield bring reduced price expectations in the market. The marketing risks of agricultural enterprises are aggravated by such a feature of the sphere as the distance of farms from sales markets, and therefore the problem of transporting finished products and the associated additional costs and losses arise. In addition, monopolists operating in the third sphere of the agro-industrial complex and dictating the conditions for agricultural producers, have a noticeable effect on their marketing risks. On the other hand, the low elasticity of demand for agricultural products as basic necessities when changing market prices and incomes of the population, as well as the suitability of some products for sufficiently long storage (grain) compensate the overall level of market risk to some extent. Agricultural producers can take several strategies that can offset market risk.

The investigated industry requires the modernization of material and technical base of agricultural organizations, due to the fact that outdated equipment directly affects the timely and high-quality agricultural work.

According to the authors the effective mechanism to change the situation is the system of insuring the risks of agricultural organizations, aimed at the minimization of insurance risks, the protection of property and property rights from negative impacts on agricultural production, and also the financing of preventive measures mitigating their negative consequences.

The main participants of this system are agricultural producers, insurers and their associations, as well as the government. In relation to territory, the agricultural insurance system is a combination of insurance risk subsystems for agricultural organizations established in certain regions of the country.

The conducted evolutionary analysis of the risk insurance of agricultural organizations showed that several times insurance was transferred from the government to the private sector, and vice versa. Moreover, the mandatory form of insurance provided a high level of insurance.

Thus, in 1930, 96.7% of the total number of rural farms, 80% of cattle and 81% of crop area were insured. Until 1990, public insurance in the USSR contributed to the protection of agricultural production from the effects of natural disasters and to the improvement of well-being of the Soviet people. Since 1991, under the conditions of transition to a market economy, there has been the denationalization of the insurance market in general and agricultural insurance in particular (Pokidova, 2010).

But, since 1993, the system of agricultural insurance was again implemented with government support due to the fact that the funds allocated from the federal budget for the payment of insurance premiums were insufficient to provide subsidies that reached the stipulated level of 50%.

Currently, agricultural insurance with government support is carried out in accordance with the Federal Law of July 25, 2011 No. 260-FL "On State Support in the Field of Agricultural Insurance and on Amendment of the Federal Law "On the Development of Agriculture"(Federal Law of July 25, (2011).

The Russian agricultural risk insurance system, implemented with government support, does not fully ensure the effective protection of the interests of agricultural producers, their protection against large-scale natural risks.

Nowadays the growth rate of insurance premiums for agricultural organizations tends to decrease and has virtually no effect on ensuring the stable development of agricultural sector. Therefore it does not protect the interests of agricultural producers from large-scale natural risks. The crisis financial condition of agricultural organizations, the lack of unified market statistics, risk assessment, affecting guaranteed payments, does not allow increasing insurance volumes at the present moment. Therefore, certain measures are required to improve the system of risks insurance of agricultural organizations.

The authors share the point of view of I.G. Vinokhodova, on existing shortcomings in the legislative framework that require amendments in the system of risk insurance for agricultural organizations with government support (Vinokhodova, 2017).

Nowadays, the mechanism of government regulation of agricultural insurance in some countries has its own characteristics and demonstrates a new stage in the development of relations between the government and insurance companies, providing for the active role of insurance companies in the solution of government tasks on stabilization and improvement the efficiency of agricultural production (Kudelich, 2018). Almost all countries of the world have the systems of risk insurance for disasters based on the interaction of commercial insurance companies and public authorities, which are expressed in the creation of special disaster funds, mandatory reinsurance systems with the participation of government, as well as subsidization of insurance risk payments. Also in the system of agricultural insurance, the important role is played by the final consumers of insurance services - agricultural producers. In many developed countries, agricultural producers are the driving force behind the development of an agricultural insurance system. They put forward their requirements regarding the quality of insurance protection to government.

The process of formation of demand for the “bottom-up” insurance service provides a high level of satisfaction of the requests of agricultural producers, which contributes to the achievement of a high financial result. In this regard, in countries with developed systems of agricultural insurance, the level of penetration of insurance in agricultural production often exceeds 60%.

The following Russian scientists pay attention to the study of foreign experience in insuring the risks of agricultural organizations and the possibilities of its use: M.I. Kudelitch (Kudelitch, 2018), Yu. A. Spletukhov (Spletukhov, 2018), Yu. B. Turaev (Turaev, 2018) and others.

In the USA, agricultural producers are offered a wide range of insurance products that allow fully insuring of agricultural enterprise, as well as coverage levels. Increasing the levels of premium subsidies, the government is increasing the level of the participation of producers in agricultural insurance program. The Risk Management Agency is not limited only to the exact calculation of insurance payments for the fair distribution of funds for insurance claims and insurance issues, they are also provided with background information on forward and option contracts, commodity futures, savings account management, agricultural insurance and other risk management alternatives. In our opinion, the established Russian risk management institution will allow the government to influence the national system of agricultural insurance through a systematic approach to the insurance of agricultural risks, as well as the effective usage of public funds for these purposes. In this regard, this fact is quite attractive for the Russian practice of risk management.

For Russia, it is important to use the USA experience in insuring the risks of agricultural organizations which is based on multi-risk insurance, which provides the highest percentage of total premium and covers losses caused to agricultural crops, by all types of natural disasters, including drought and flooding, and also risks of damage to crops by wild animals, illegal actions of third parties, etc. (Naminova, 2016).

Based on the experience of Canada in the field of agricultural risk insurance, Russia needs (Naminova, 2016):

- to develop, approve and accept uniform rules of agricultural insurance market that would protect the interests of farmers and the government, and not individual financial structures;
- to solve the issue of subsidizing agricultural insurance;
- to create a unified statistical database on the conditions for growing crops (soil, climate, varieties, hybrids, technologies, history of unprofitability, level of yield);
- to develop and approve all procedures related to agricultural insurance and claims settlement (standard insurance conditions and methods of inspections and loss assessment);
- to conduct ongoing training of specialists in the field of agricultural insurance.

7. Conclusion

The research showed that only joint efforts of insurance parties can lead to the effective development of the Russian insurance market.

Undoubtedly, the Russian insurance market can be effective if, first of all, it is built on the joint efforts of insurance parties, which together lead to the realization of the main insurance purpose: ensuring

the property interests of individuals and legal entities of the Russian Federation, constituent entities of the Russian Federation and municipalities in case of insurance claims.

The creation of an optimal model for the development of the system of risks insurance to agricultural organizations, in particular, and the insurance market as a whole, should be based on the implementation of the following principles:

1. voluntary involvement, interest and incentives;
2. the principle of balance, transparency and functioning of the system of subsidies;
3. the formation of high-quality and fair competition between insurance companies of the insurance risk market of agricultural organizations;
4. the creation of a reliable and multi-level insurance protection system;
5. the presence of a larger number of insurance products;
6. the presence and functioning of the risk redistribution system;
7. reliability in the relations of the insurer-insurant;
8. obligatory institute of independent examination.

The implementation of these principles will make it possible:

- to increase the level of protection of organizations from various risk groups, to improve the quality and expand the range of insurance services offered;
- to attract significant investment resources to Russian economy.

The use of international experience in the development of Russian system of risks insurance of agricultural organizations, allowed the authors to identify the principles for the creation of an optimal model for the development of the insurance market at the present stage.

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