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SUMMARY AND SIGNIFICANCE INSURANCE FINANCIAL SECURITY

The activity of the state in ensuring the financial security of the insurance market and insurance companies, as its main participants, is carried out by: maintaining state registers of insurers and insurance intermediaries and licensing the activity of providing insurance services; regulatory regulation of the activities of insurance companies, their associations and insurance intermediaries; supervising the activities of insurance companies and insurance intermediaries; application of measures of influence by authorized state bodies; carrying out other measures on state regulation of the insurance services market.

Thus, the state security of the financial security of insurance activity is carried out through the licensing activity (registration, licensing) and supervision, that is, the state authorized by the supervisory authority conducts activities aimed at identifying threats to the financial condition of the insurer and limiting risks in transactions with financial assets, and applies measures exposure to those insurers who violate the laws and other regulations governing financial services.

Given the above-mentioned functioning of the system of financial security management of insurance companies at the state level is realized through the study of their financial status, the solvency of insurance liabilities to insurers. The absence of funds from the insurer to fulfill its obligations undermines trust not only for the particular insurer, but also for the insurance market as a whole, so the state cannot stay away from insurance activities, integrating the interests of insurers, insurers and the economy as a whole.

The subjects of internal influence on the financial security of insurance companies are subordinated to the management of the insurer. Among them, there are three subgroups:

1) specialized entities, the main purpose of which is continuous financial security activities (for example, the insurance company financial security monitoring department);

2) semi-specialized entities, part of the functions of which is to ensure the safety of the insurer (marketing service, legal unit);

3) other staff and units of the insurer, which, within the limits of their job descriptions and regulations about the units, are obliged to take measures to ensure its financial security.

Methods for influencing financial security are important elements of this mechanism. The place and role of analysis in the financial security of insurance companies is driven by the need for complete and objective information to make effective decisions. Through planning, the insurer defines its program of action. Developing a strategy is the final stage of planning and allows the most complete use of available resources to achieve the intended goals, based on estimates.

Financial security of insurance activity can be achieved by regulating insurance tariffs, volumes of insurance reserves, statutory funds, directions of investing funds of insurance reserves, and carrying out sound policy of their diversification.

The legal acts define the directions of placement of insurance reserves both for life insurance companies and for those insurers dealing with other types of insurance than life insurance. According to the decree of the National Commission for State Regulation in the Financial Services Markets "On approval of the Regulation on mandatory criteria and standards for the sufficiency, diversification and quality of the assets of the insurer and the recognition of some of the normative legal acts of the State Commission for Regulation of the financial services markets of Ukraine ”[3], a reserve formation system was in place until 2018.

In June 2018, an order of the National Commission for State Regulation in the Field of Financial Services Markets was adopted. and the quality of the insurer's assets, the solvency and capital adequacy ratio, the risk ratio of operations and the asset quality standard [1].

The control of financial security must include its strategic nature, effectiveness, flexibility, timeliness, economy and simplicity. An audit of the financial security of an insurance company is a comprehensive, systematic, independent and periodic review of the state of the external and internal financial environment, the correct determination and realization of financial interests, goals and measures to ensure financial security in general, and in the context of its individual functional components.

Organizational support for the operation of the financial security system of insurance activities encompasses a set of internal structural services that ensure the development and adoption of management decisions to improve the financial security and are responsible for the results of these decisions. Financial security is the formation of sufficient financial resources.

The effectiveness of the financial security system of insurance business depends on the information support, which is a process of continuous and purposeful selection of relevant information indicators necessary for the analysis, planning and preparation of effective management decisions concerning its financial security.

According to D.V. In order to determine the level of financial security, first it is necessary to evaluate the financial security and financial stability of an insurance company [2, p. 138-139]. For this purpose it is necessary to use:

1. Capital adequacy indicators, such as:

- share of equity in the liability, which determines the overall level of financial stability of the insurance company;
- the level of coverage of insurance reserves-net equity, which determines the adequacy of equity in relation to the volume of risks assumed by the insurance company, expressed in the form of insurance reserves-net;
- the sufficiency of the actual size of the solvency margin, which determines the sufficiency of the actual size of the solvency margin in relation to the volume of risks taken by the insurance company;

- level of debt load, which assesses how significant the share of borrowed funds and loans in equity.

2. Solvency indicators such as:

- current solvency net, which shows how much reinsured net claims are covered by reinsurance net premiums;
- current liquidity shows how an insurance company can fulfill its obligations by realizing its liquid assets in connection with its claims on all its liabilities.

3. Business activity indicators such as:

- change in assets for the current period, which determines the overall dynamics of business development of an insurance company;
- change in the total amount of insurance premiums received during the reporting period, which determines the overall dynamics of insurance operations development during the last 12 months;
- change in the total amount of insurance reserves in the reporting period, which determines the overall dynamics of the insurance company under insurance contracts in the period under review.

4. Indicators of loss of insurance operations, such as:

- indicator of the level of payments by type of insurance, except life insurance, which determines the total level of payments in percentage (with the participation of reinsurers in payments) in relation to the volume of collected insurance premiums for the period (without taking into account the facts of further reinsurance of risks);
- net loss ratio, excluding life insurance, which determines the level of loss of own insurance operations without taking into account the participation of reinsurers in premiums received and payments made;
- cost level indicator, which determines the level of expenses on insurance operations in relation to the volume of earned premiums minus reinsurance and the lower the level of expenses, the higher the margin of safety of the insurance company.

5. Profitability indicators such as:

- Profitability of insurance business, other than life insurance, which determines the ratio of income from ordinary activities by risk insurance to the total volume of income from insurance, investment and financial activities (except life insurance) in the reporting period;
- return on equity, which determines the percentage of profit share in equity.

6. Investment adequacy ratio, such as:

- the level of coverage of the investment assets of insurance reserves, net, which determines the degree of placement of funds at the expense of which the liabilities of the insurance company are covered, in the investment assets and in the form of funds in the bank account and at the cash desk. The amount of investment assets and cash in the bank account and in the cashier must correspond to or exceed the amount of insurance reserves.

7. Valuation indicators for reinsurance operations, such as:

- the share of reinsurers in insurance reserves, which determines the degree of dependence of the insurance company on the reinsurers at a specific date;
- the share of insurance premiums transferred to reinsurance other than life

insurance, which determines the proportion of insurance premiums transferred to reinsurers during the period analyzed and determines the degree of dependence of insurance companies on reinsurers.

8. Indicators that adjust the overall score, such as:

- an indicator of the total amount of self-contained risks under the ten largest self-contained insurance contracts, which assesses the riskiness of the insurance company's own risk retention policies, the degree of concentration of such risks, and the potential vulnerability of the financial position to be made when necessary;
- the proportion of the three largest reinsurers in the reinsurance portfolio, which shows how concentrated the risks in the reinsurance portfolio are for one or more reinsurers;
- the share of reinsurers with a rating in the total amount of the reinsurance portfolio, which shows the quality of the insurance portfolio and the assurance of the possibility of obtaining insurance compensation for the risks transferred in reinsurance due to the circumstances or risks that will be insured.

Thus, the mechanism of ensuring the financial security of the insurer is designed to achieve its financial stability and independence, the formation of the maximum possible financial potential and its effective use through optimization of business processes, building a system of indicators to identify threats to financial stability and to develop a program of measures to avoid, minimize and eliminate . The mechanism must be flexible and easily adapted to changes in the external and internal environment of the insurer.

References:

1. On approval of the Regulation on mandatory criteria and standards for the sufficiency, diversification and quality of the assets of the insurer and recognition as having lost some of the normative-legal acts of the State Market Regulation Commission [Electronic resource]: Order of the National Commission for State Regulation in the field of financial services markets № 396. From 23.02.2016 - Access mode: https://zakon.rada.gov.ua/laws/show/z0417-16#doc_info
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