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FEATURES OF STATE REGULATION OF THE EEU COUNTRIES' INSURANCE MARKETS

Abstract

At the present stage, the conditions of the integration association of countries within the EAEU are relevant analysis of the state regulation systems of insurance markets of the EAEU member countries. This article discusses the features of state regulation of insurance markets of the EAEU member countries, identifies the common and existing specific features of the legislation of each country. It is shown that the main purpose of state regulation of insurance activities is to promote the development of the insurance market, create favorable conditions for the activities of insurance companies and protect the rights and interests of policyholders, other stakeholders and the state. Based on the analysis of the state policy in the field of insurance, the basic principles of regulation of the EAEU countries insurance markets are determined, the characteristics of the activities of the state supervision bodies of the EAEU countries are studied, significant differences in the organization of compulsory insurance are identified. Particular attention is paid to the state regulation of financial activities of insurance companies and ensure their financial stability and solvency. The directions of harmonization of legislation and regulation of the EAEU insurance markets within a single insurance space are considered. A set of measures aimed at solving problems that are fundamentally important for the creation and successful functioning of a single insurance market has been proposed.

Key words: insurance market, integration, government regulation, insurance rights, solvency, financial stability.

State regulation of the insurance market is associated with the implementation of a complex of economic and legislative functions in this area, including:

- ♦ conducting a targeted state policy in the field of insurance as a strategic sector of the economy through the formation of a legislative framework and the provision of a public climate conducive to the intensification and popularization of insurance activities;
- ♦ the formation of a competitive environment and focus on improving the competitiveness of national insurers and protecting the interests of policyholders;
- ♦ the formation of an effective structure of the national insurance business and the promotion of its sustainable economic growth [1, p. 110].

In the EEU member countries, common approaches to regulating insurance activity can be traced, although the insurance legislation of each state has its own specific features that objectively make it difficult to integrate insurance markets and the subsequent unification of rules and regulations. The convergence of the legislative positions of insurance markets in the format of the EEU should begin with the definition of the primary tasks of creating a common market. One of the first steps for the functioning of a common market is the need to harmonize legislation within a single insurance space.

We will analyze the system of state regulation of the EEU member countries' insurance markets.

Currently, in the Republic of Kazakhstan the National Bank of the Republic of Kazakhstan is the authorized body responsible for state regulation of the insurance market.

Kazakhstan has adopted an effective system of state regulation, built on the functioning of remote and inspection supervision in accordance with the principles of the legislative framework of the European Union.

The main tasks of the regulator are to maintain the stability of the insurance sector, increase the financial stability of insurers, ensure transparency in the activities of insurance companies, ensure protection of the rights and interests of consumers of insurance services, take measures to improve the compulsory insurance system, and develop voluntary insurance products.

The purpose of state regulation of insurance activities is to ensure the formation and development of a well-functioning insurance market in the country, to create the necessary conditions for the activities of insurance companies, to protect the interests of policyholders, other market participants, and the state.

Analysis of the activities of insurance organizations of the Republic of Kazakhstan is an integral part of state supervision and is carried out in order to identify the risks inherent in their activities, to verify the requirements of the legislation of the Republic of Kazakhstan on insurance activities. When drawing conclusions on the financial status of insurance organizations, the rating of the insurance organization is determined according to the financial reliability matrix based on the analysis of the information set out in the conclusions on the financial status of insurance organizations.

The supervisory authority of Kazakhstan is planning a phased transition from “Solvency I” and the introduction of a regulatory system based on the risks of “Solvency II”.

Solvency II is an updated set of requirements for the solvency of insurance companies based on the concept of economic capital, taking into account the risks, which apply to insurance and reinsurance organizations in all countries of the European Union. The main advantage of this approach is that the amount of capital will correspond to the size and nature of the risks assumed by the insurance organization. Using this approach will ensure the stable functioning of the insurance organization in 99,5% of cases [2].

The insurance activity of the Russian Federation is regulated by the Civil Code of the Russian Federation № 14–FL dated January 26, 1996 and the Law of the Russian Federation “On the Organization of Insurance Business in the Russian Federation” dated November 27, 1999 № 4015–1. State regulation of the insurance activity of the Russian Federation is carried out by the Central Bank of the Russian Federation.

The criteria for evaluating the activities of insurance organizations in the Russian Federation is the fulfillment by insurance organizations of the requirements established for financial stability and solvency, namely:

- ♦ requirements for the solvency of insurance organizations, established by the Regulations on the procedure for insurers to calculate the normative ratio of assets and insurance obligations assumed by them, approved by order of the Ministry of Finance of Russia;
- ♦ requirements for the formation of insurance reserves of the insurer, established by the Rules for the formation of insurance reserves for insurance other than life insurance, approved by order of the Ministry of Finance of Russia;
- ♦ requirements for the composition and structure of assets accepted to cover the insurance reserves of the insurer, established by the procedure for placement of insurance reserves by insurers, approved by order of the Ministry of Finance of Russia;
- ♦ requirements for the composition and structure of assets taken to cover the insurer’s own funds, approved by order of the Ministry of Finance of Russia [3].

A step-by-step implementation of the model is envisaged, which further assumes a full transition to the system envisaged by the solvency regime introduced in the European Union by the Directive of the European Parliament and the European Union of November 25, 2009 № 2009/138/EU “On the establishment and implementation of the insurance and reinsurance business (Directive on the solvency of insurance companies II) “.

The main sources of insurance law in Belarus are:

- ♦ the Civil Code of the Republic of Belarus (Chapter 48), in terms of insurance;
- ♦ decree of the President of the Republic of Belarus of August 25, 2006 № 530 “On Insurance Activity”. The regulatory act addresses issues of state regulation of insurance activities, ensuring the financial sustainability of insurers, and overseeing insurance activities, and the Decree defines the basic concepts and terms used in national insurance.

In the Republic of Belarus, the state agency for insurance regulation determines the main directions of state policy in the field of insurance activities, the procedure for carrying out and licensing insurance activities [4]. Establishes the procedures for registration, reorganization and liquidation of insurance organizations, insurance brokers and associations of insurers; rules and principles of insurance, reinsurance, tariff policy, requirements for the formation, placement of insurance reserves and other funds that provide financial resistance of insurers.

It should be noted that state regulation is carried out by the insurance supervision body – the Ministry of Finance of the Republic of Belarus.

The criteria for the solvency of insurance organizations are defined in the Resolution of the Ministry of Finance of the Republic of Belarus of May 10, 2007 № 73 “On approval of the instruction on the criteria and procedure for assessing the solvency of insurance organizations”. In accordance with the instruction, the solvency is assessed by comparing the values of the actual and regulatory dimensions of the solvency margin, which are calculated on the basis of accounting data and reports of the insurer. The insurer, who has assumed obligations that exceed his solvency, is obliged to conclude an agreement on reinsurance of a part of the insured risk assumed by him under the insurance agreement.

One of the directions of the state’s relations with the participants of the insurance market is the implementation by the Ministry of Finance of the Republic of Belarus and its territorial bodies of state supervision on all issues of insurance activity, such as checking the compliance of insurance organizations with the requirements of insurance legislation; make decisions on the suspension or termination of insurance companies and insurance brokers special insurance licenses; if necessary, appoint a mandatory audit; carry out other actions in accordance with the law, etc.

The basic principles of state regulation of insurance activities are established in accordance with the Civil Code of the Kyrgyz Republic (Chapter 46), in terms of insurance. The Code “On Administrative Responsibility” and the Law of the Kyrgyz Republic “On the organization of insurance in the Kyrgyz Republic” dated July 23, 1998 № 96 with amendments and additions.

Law of the Kyrgyz Republic dated July 23, 1998 № 96 “On the organization of insurance in the Kyrgyz Republic” establishes the basic principles of state regulation of insurance activities, especially the organization of the insurance business, the licensing procedure, the creation and termination of activities, the implementation of state supervision of insurance activities in the country. Insurers and reinsurers are entitled to carry out insurance and reinsurance activities only for those types of insurance that are directly specified in the license [5].

State supervision of insurance activities in the territory of the Kyrgyz Republic and regulation of insurance activities are carried out by the State Insurance Supervision Authority.

In order to ensure the solvency and financial stability of an insurance (reinsurance) organization, the Instruction on prudential standards for an insurance (reinsurance) organization establishes the following types of prudential standards:

- ♦ solvency ratios, characterizing its compliance with the regulatory ratios between the commitments and assets, taking into account their liquidity;
- ♦ standards of financial stability, which include: the minimum size of the authorized capital; the size of insurance reserves and other liabilities.

In the Republic of Armenia, the main regulatory legal acts that regulate insurance relations are the Civil Code of the Republic of Armenia (Chapter 54 “Insurance”), the laws of the Republic of Armenia “On Insurance and Insurance Activities” and “On Compulsory Motor Third Party Liability (CMTPL)”, as well as regulatory legal acts of the Central Bank of the Republic of Armenia. The Civil Code of the Republic regulates the relations between the insurer and the insured, as well as their relations with the insured persons and beneficiaries that arise in the process of concluding and executing the insurance contract.

Currently, in the Republic of Armenia, some elements of a risk-oriented approach to the implementation of state insurance supervision, in particular, to the process of planning inspections in insurance companies, implementing supervisory interventions and others are being introduced.

Through risk management, the insurer must ensure that there is an effective risk management function that matches the nature of the risks, the scale and complexity of the company’s business processes.

Requirements for the internal control, internal audit and corporate governance of the insurer are provided for in the Law of the Republic of Armenia “On Insurance and Insurance Activities” and in Regulation 3/10 “Minimum requirements for internal audit activities for the internal control system of an insurance company”.

Internal audit in case of detection of violations of laws, other legal acts is required to submit them to the board of directors, and a copy – of the Central Bank of Armenia. The Internal Control Regulation sets out detailed requirements for the internal audit activity, as well as other aspects of internal control. In order to increase the efficiency of the internal control system of the insurance company, as well as bring the situation in line with changes in international standards, the CB RA is currently revising Regulation 3/10 [6, p. 86].

The proposed steps for the further development of the insurance system include:

- ♦ further improvement and creation of the necessary infrastructure elements;
- ♦ elimination of obstacles to the legislative level will be possible only if life insurance is introduced as a compulsory type of insurance;
- ♦ participation in the life insurance market of foreign companies with relevant experience in conducting this type of business.

In the EEU countries there are significant differences in the organization of compulsory insurance. In the Republic of Belarus compulsory insurance is provided exclusively by state insurance companies or organizations whose state share is over 50%. This trend provides a state guarantee of insurance payments. The largest list of types of compulsory insurance is carried out in the Russian Federation. Common types of compulsory insurance in the EEU countries are: insurance of civil liability of vehicle owners, insurance of civil liability of the carrier to passengers, insurance against industrial accidents and occupational diseases.

Given the differences in the organization of compulsory insurance in the member states of the EEU, the creation of an effective mechanism for the work of insurance companies in this area will be one of the important elements on the way to creating a common financial market.

Formation of common principles for establishing the requirements for solvency and financial stability of insurance organizations in the EEU member countries is identified as one of the priorities in the “Agreement on the harmonization of insurance legislation of the EurAsEC member states in accordance with the basic principles of insurance adopted by the International Association of Insurance Supervisors”. The national legislation and the supervisory procedures of the states of the parties should include general approaches to determining the financial status of the insurance organization and solvency criteria, methods for determining it, the procedure for determining the insolvency of the insurance organization, and liquidation of insurance organizations. In legislative acts of all countries, insurance reserves and solvency are fixed as criteria for financial stability.

The concept of assessing the solvency margin in most of the EEU member countries is based on the principles enshrined in the European Union (EU) Solvency I Directives. These principles formed the basis for the elaboration of the Regulation on the procedure for insurers to calculate the normative ratio of assets and insurance obligations accepted by them, approved by order of the Ministry of Finance of the Russian Federation dated November 2, 2001 № 90n, Instructions on the criteria and procedure for assessing the solvency of insurance organizations, approved by the Ministry of Finance Belarus of May 10, 2007 № 73, Instructions on Regulatory Values and Methodology for Calculation of Prudential Standards of an Insurance (Reinsurance) Organization the standard of sufficiency of the margin of solvency of the insurance group, forms and deadlines for submitting reports on the implementation of prudential standards, approved by the Resolution of the Board of the FSA of the Republic of Kazakhstan on regulation and supervision of financial market and financial organizations of August 22, 2008. Regulation 3/02 “Basic economic standards of insurance , the order of formation and settlement”, approved by the Central Bank of the Republic of Armenia on January 1, 2008. In Kyrgyzstan, in order to ensure the solvency and financial stability of an insurance organization, an Instruction on prudential standards for an insurance organization and the submission of a report on the implementation of prudential standards was developed, approved by order of the Ministry of Finance of the Kyrgyz Republic of June 01, 2011 № 278.

Analysis of solvency assessment methodologies in the EEU countries shows that, in general, the solvency regulation in force in the Community was developed on the basis of Solvency I. The EU methodology is an evolving system for regulating the solvency of insurance companies and is based on a serious, multi-year statistical study of the insurance market and insurance companies reporting. That is why the insurance supervision authorities of the EEU countries apply it in their practice.

The main direction of development of a common insurance space is the creation of a single body in the status of the Interstate Bureau for Insurance Integration in the structure of the Eurasian Commission, whose competence could include solving problems that are crucial for the creation and functioning of a single insurance market:

- 1) harmonization of the legislative, regulatory and legal framework of insurance activities;
- 2) development of a unified methodology of approaches to building a risk management system based on standards tested by international experience;
- 3) development of general requirements for compliance with prudential standards and the level of minimum capitalization;

- 4) the formation of an identical accounting system for the financial stability and solvency of national insurance companies;
- 5) development of agreed rules for insurers access to national markets;
- 6) the creation of interstate guarantee insurance funds, ensuring the interests of all participants in the insurance market for catastrophic and major risks;
- 7) the formation of information exchange between the participants of insurance cooperation using the relevant databases of insurance statistics of each country, the use of information exchange technologies and access to insurance information.

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Аңдатпа

Қазіргі кезеңде ЕАЭО-ға мүше елдердің сақтандыру нарықтарының мемлекеттік реттеу жүйесін талдау ЕАЭО құрамындағы елдердің интеграциялық бірлестігі жағдайында өзекті болып табылады. Бұл мақалада ЕАЭО мүше елдердің сақтандыру нарықтарын мемлекеттік реттеудің ерекшеліктері қарастырылған, әр елдің заңнамасының жалпы және қолда бар ерекше белгілері анықталды. Сақтандыру қызметін мемлекеттік реттеудің негізгі мақсаты сақтандыру қызметтері нарығын дамытуға жәрдемдесу, сақтандыру компанияларының қызметі үшін қолайлы жағдайлар жасау, сақтанушылардың, өзге де мүдделі тұлғалардың және мемлекеттің құқықтары мен мүдделерін қорғау болып табылады. Сақтандыру саласындағы мемлекеттік саясатты талдау негізінде ЕАЭО қатысушы-елдерінің сақтандыру нарықтарын реттеудің негізгі қағидаттары анықталды. ЕАЭО елдерінің мемлекеттік қадағалау органдары қызметінің ерекшеліктері зерделенді, міндетті сақтандыруды ұйымдастыруда елеулі айырмашылықтар анықталды. Сақтандыру компанияларының қаржылық қызметін мемлекеттік реттеуге және олардың қаржылық тұрақтылығы мен төлем қабілеттілігін қамтамасыз етуге ерекше назар аударылды. Бірыңғай сақтандыру кеңістігі шегінде ЕАЭО сақтандыру нарықтарын реттеу және заңнаманы үйлестіру бағыттары қаралды. Бірыңғай сақтандыру нарығын құру және табысты жұмыс істеуі үшін принципті маңызды міндеттерді шешуге бағытталған шаралар кешені ұсынылды.

Тірек сөздер: сақтандыру нарығы, интеграция, мемлекеттік реттеу, сақтандыру құқығы, төлем қабілеттілігі, қаржылық тұрақтылық.

Аннотация

На современном этапе в условиях интеграционного объединения стран в составе ЕАЭС актуальным является анализ систем государственного регулирования страховых рынков стран-членов ЕАЭС. В данной статье рассмотрены особенности государственного регулирования страховых рынков стран-членов ЕАЭС, выявлены общие и имеющиеся специфические черты законодательства каждой страны. Показано, что основной целью государственного регулирования страховой деятельности является содействие развитию рынка страховых услуг, создание благоприятных условий для деятельности страховых компаний, защита прав и интересов страхователей, иных заинтересованных лиц и государства. На основе анализа государственной политики в области страхования определены основные принципы регулирования страховых рынков стран-участниц ЕАЭС, изучены особенности деятельности органов государственного надзора стран ЕАЭС, выявлены существенные различия в организации обязательного страхования. Особое внимание уделено государственному регулированию финансовой деятельности страховых компаний и обеспечению их финансовой устойчивости и платежеспособности. Рассмотрены направления гармонизации законодательства и регулирования страховых рынков ЕАЭС в пределах единого страхового пространства. Предложен комплекс мер, направленных на решение задач, принципиально важных для создания и успешного функционирования единого страхового рынка.

Ключевые слова: страховой рынок, интеграция, государственное регулирование, страховое право, платежеспособность, финансовая устойчивость.