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Peculiarities of Insurance Market Development in the Modern Russia

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ABSTRACT

The article represents the results of the research of methodical and informational infrastructure of the modern insurance market. Within the scope of study of the statistical research and expert estimations, by the method of structured analysis of the general development tendencies of the insurance market the most significant risks for this segment of economy were revealed.

The work considers the existing national and foreign approaches to the estimation of the quality of the insurance service; the complex approach will be applied when performing this research.

The authors provide the arguments for the necessity of change of approaches to the formation of the development strategy of the Russian insurance industry as an institute of investors. During the course of a scientific research it is noticed that the main problem of the insurance market management is the absence of scientifically grounded plans of formation of the insurance industry as an important element of the economic policy of the Russian Federation inside the country and at the international level. The authors consequently explain in the article the necessity of a set of actions that will allow to promote the insurance as the institute of support of production and export.

A series of actions of stabilization of the Russian insurance market is offered by the control means of the government regulation, development of Internet insurance, and other innovations that will make the insurance an available and easy-to-understand service.

The work gives an estimation of the main tools used for the implementation of the policy of the Central Bank of the Russian Federation regarding the Russian insurance companies and also considers the main reasons and consequences of the regulator's actions. The reasons are given that under conditions of the economic crisis it is necessary to use a principally new tool for the research and control of the insurance market, *i.e.* implementation of the proportional regulation that takes into account the majority of the direct and indirect interdependences

between the most important processes in the insurance market. The expediency of the application of risk-oriented supervision of the market participants is noticed.

It is concluded that the insurance branch shall develop within the framework of the balanced model that includes three components – strategic insurers, average market (regional) insurers and also reinsurance that can provide the reliable protection of the insurers of both levels.

Keywords: Insurance, insurer, insurance market, indicators and indices of insurance market, insurance supervision, insurance potential, insurance service, branches of insurance.

1. INTRODUCTION

Insurance market is a segment of the financial market representing the form of money relation for the formation and distribution of the insurance funds to provide the insurance protection of the society.

The subjects of the insurance markets are :

- Professional participants of the insurance market, *i.e.* insurance companies, mutual insurance associations, insurance brokers and insurance actuaries;
- Insurants (buyers of the insurance services), *i.e.* legal entities and capable individuals;
- Subjects of infrastructure providing the professional character and increase of quality of the services rendered, *i.e.* average adjusters, survey agents, claims adjusters, etc.;
- The state regulating the insurance activity.

Insurance is one of the earliest types of economic relations (Organization of Insurance Business in the Russian Federation”, 1992).

Nowadays, insurance plays an important role in the life of the society, influencing not only its economical but also the cultural sphere as well. Many citizens insure their life and health, their business and material assets. This happens because people are not sure in the future and they try to create the so-called “safety net” in the form of the insurance protection. Insurance allows them to satisfy one of the most important needs, that is, the need of protection and safety. Insurance allows anyone to decrease the risks of such situations, when as a result of the malicious intent, human factor or uncontrolled occurrence of natural hazards the life, health, property, family welfare or business can be on the brink of catastrophe (Zaitseva & Chernikova, 2013).

Taking into account the arguments stated we can conclude that despite the insufficient development of the insurance activity in the Russian Federation expressed in the huge underrun of the macroeconomic indicators of the insurance market of the developed countries this problem is up-to-date for the further analysis.

2. METHODS

Nowadays, the insurance business is considered to be a specific mechanism of protection of the material interests of legal entities and individuals as well when some particular situations occur that are called loss events by means of using of the earlier accumulated monetary funds that are formed by the clients themselves when paying the insurance premiums. The insurance company accumulates the fund of insurance payments due to the payments of insurants (clients) and then provides the material protection of the insured person when the loss events occur that were enlisted and specified in the contract composed.

The position and direction of the insurance market development can be described taking into account two circumstances. First, the citizens feel a critical need in the insurance protection, which is the main reason of creation and development of the market of insurance services. Second, the formation of the insurance funds due to the insurance payments of the clients and attraction of additional investments connects the insurance market with the financial market of the country.

The insurance companies together with the specialized lending institutions render often the credit services to the various branches of production and economic activity and take the leading positions after commercial banks when issuing the loan capital.

It should be mentioned that the growth of the capital of the insurance companies due to the payments of the clients, profit from the sponsorship, and investment, as a rule, exceed the sum of the insurance compensations according to the contract concluded. This allows the insurance companies to play the leading role in the field of investments and also to invest into the long-term securities and enormous ambitious projects (Robson 2015).

The insurance market analysis for 2014-2016 is shown below within the frameworks of the study of the statistical research and expert estimations by the method of the structured analysis of the general tendencies of development of the insurance market.

3. RESULTS OF THE RESEARCH

Nowadays, the insurance market in Russia faces a lot of problems that were accumulated during a long period of time. Such problems include: the modest scale of the Russian market explained by the low level of income of the most part of population that does not allow them to acquire the insurance products; low quality of the insurance products; tight economic situation on the whole in the country. As a result, at the end of 2014 the population expressed the negative attitude to the insurance market and this was provoked to a large extent by the low quality of supervision of the insurance companies.

To perform a more thorough analysis of the situation in the insurance market in Russia now we shall address to the statistic data of 2014-2016.

Since 2014, two tendencies determined the situation in the insurance market, *i.e.* the growth of crisis and the strengthening of the regulator's control. The growth rates of the insurance premium became slow and were 9.2% (that is 2.6% lower than the indicator of 2013). The key strategy of the insurers in 2014 was the reduction of the presence of CMTPL (Compulsory Motor Third Party Liability is a social measure, directed to the creation of the financial guarantees of a damage compensation, incurred by the owners of the means of transport and also as a financial tool to increase the traffic safety) in the most unprofitable regions and the revision of the rate policy in the motor own damage insurance (MOD).

The segments of life insurance provided the biggest growth of premiums in 2015-2016 (+ 23.6 bln roubles due to the active promotion of the investment and endowment life insurance), CMTPL (Compulsory Motor Third Party Liability) (+ 16.7 bln roubles due to the growth of rate) and VMI (Voluntary Medical Insurance) (+ 8.8 bln roubles due to the restoration of the social packages and promotion of the risky programs). The biggest reduction of premiums was in the compulsory liability insurance of the owners of the high-risk facilities (– 2.5 bln roubles), property insurance of the legal entities from the fire and other risks (– 3.8 bln roubles) and state insurance of life and health of the military personnel and equivalent to them in the compulsory state insurance (0.9 bln roubles). Figure 7.1 shows the structure of the insurance premiums according to the types of insurance in 2016 (Karimov 2016).

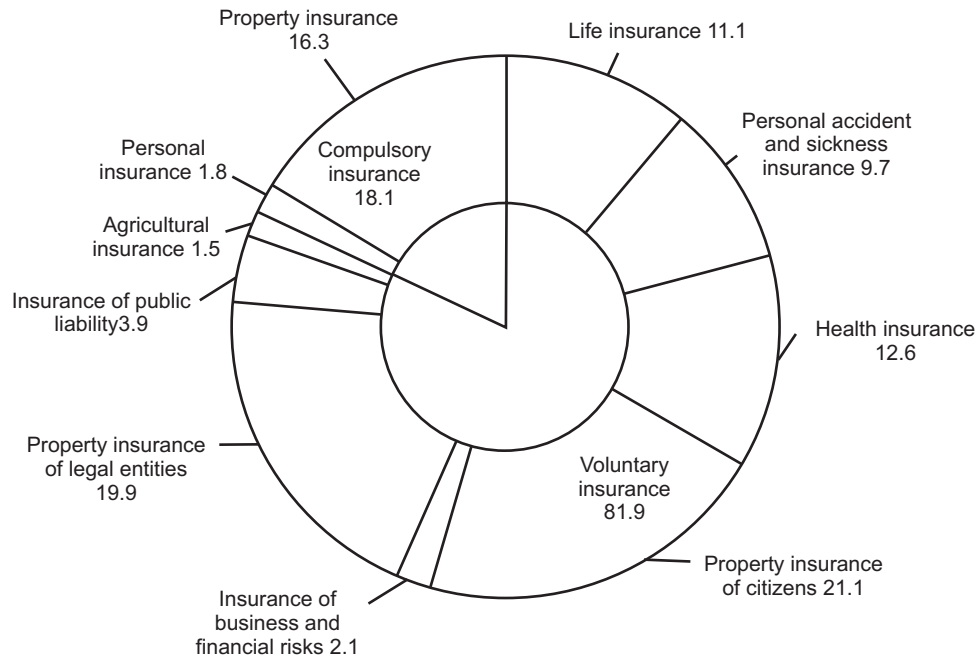


Figure 7.1: Structure of the insurance premiums according to the types of insurance in 2016, % to the total

Concerning 2015, at the inflation of 8.5% during the 1st half-year of 2015 the growth rates of the insurance premiums were 2.1% only. Only the increase of the CMTPL rates did not allow the volume of market to decrease, the aggregate value of the obtained insurance premiums grew by 10.5 bln roubles and the CMTPL market increased by 26.5 bln roubles (Muravyova & Klimenko 2015)

Despite the growth of the market, the level of penetration of the insurance decreases: the number of the concluded contracts in the 1st half-year of 2015 decreased by 6.6% in comparison with the value for the 1st half-year of 2016 (Figure 7.2).

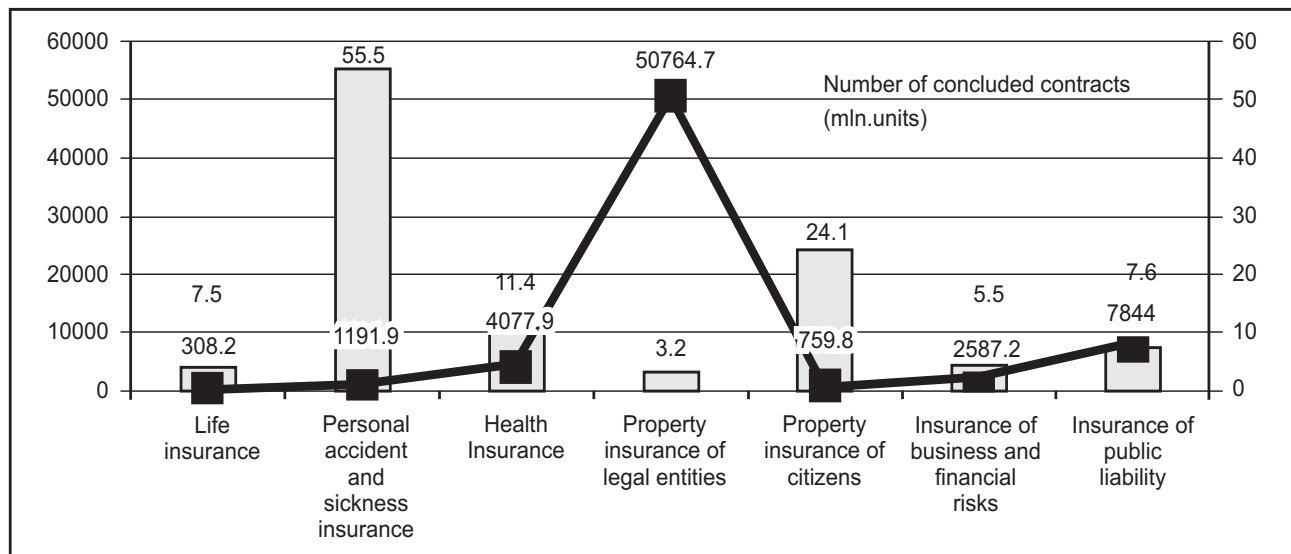


Figure 7.2: Number and average cost of the concluded contracts of the particular types of insurance in 2016

It should be mentioned that nowadays the corporate insurance is generally decreased, the companies try to reduce the expenses by all possible means; however, it cannot be said that they refused the insurance completely. Companies like individuals, as a rule, refuse some additional services; nevertheless, they try to save the basic package. Thus, taking into account the statistics above it can be noticed that there is a row of economic and non-economic reasons that influence such sector of economy as insurance and anyhow they damage confidence of the population in this type of economic activity. Therefore, at this moment it can be certainly claimed that the Russian branch of insurance is at the crisis stage (Cummins, D.J., & Weiss 2014; Eling & Pankoke 2014).

2015 was difficult for the insurance companies in all the branches despite the fact that at times when the Russian economy is down the insurance market showed a slight growth. In 2016, according to the opinion of the experts of the leading insurance companies, the prerequisites for the more significant growth of the branch will not appear. According to the predictions of some of them, the growth rates of the market are lower than in 2015 and will hardly exceed 1.5%, see Figure 7.3.

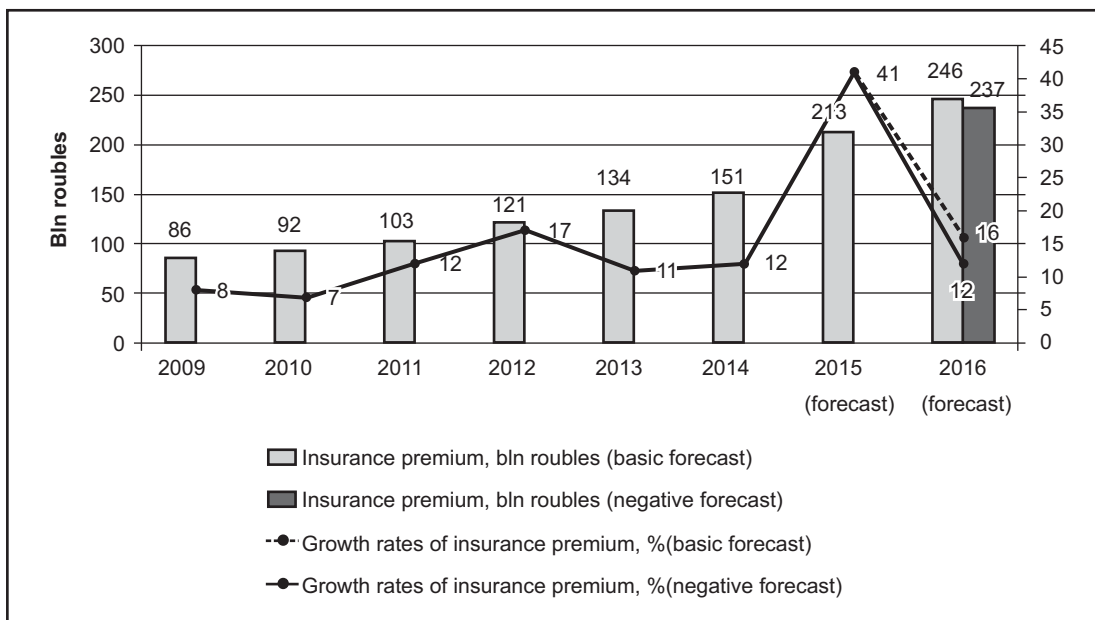


Figure 7.3: Assessment of the dynamics of the CMTPL market

Besides, according to the development plan of the financial market of the Russian Federation for the period of 2016-2018, the Bank of Russia counts on the development of the long-term endowment plans. The Central Bank considers that in the conditions of the limited possibilities to use the external sources of finance the internal savings become the most important sources of investments, one of which can be the life insurance.

Some experts predict the relative stabilization in 2016-2017 for the following types of insurance: motor own damage insurance, insurance of the property of legal entities, credit life insurance, and agricultural insurance (Figure 7.4).

Generally, according to the results of 2015 in the risky types of insurance a share of the voluntary insurance decreased in comparison with 2014 from 81.9% to 76%. Correspondingly, a share of the compulsory insurance grew from 18.1% to 24%. The main thing is to change the qualitative approach of the insurance system to the insurance, *i.e.* in the target setting of the system, in the ideology of the insurance interests, in the mentality of the insurers – compulsion of the insurers becomes a priority.

This qualitative shift is expressed in the tendency to eliminate some of its elements from the system of the insurance relations that impede the establishment of the unlimited supervision of the demand by the insurance oligopoly.

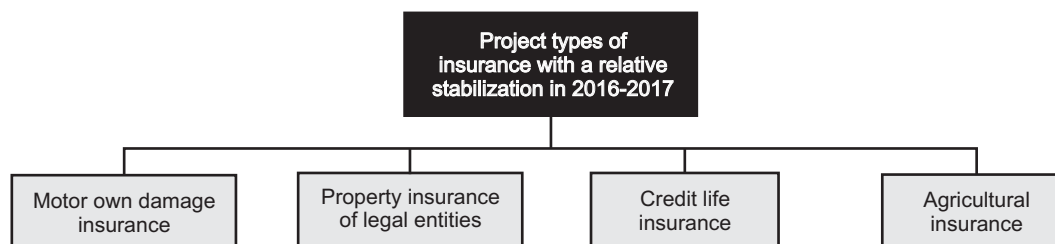


Figure 7.4: Projected types of insurance with a relative stabilization in 2016-2017

It should be mentioned that in 2016 the insurance companies were subjected to a more strict supervision. To increase the financial stability of the sector all insurers shall expect the increase of the minimal size of the authorized capital; the corresponding draft laws have already been submitted to the State Duma. Thus, according to one of them the minimal authorized capital of the insurers that render only medical insurance is planned to be increased from 60 to 120 million roubles since January 1, 2017. Besides, it is supposed to increase in the future the minimal size of the authorized capital of the other insurers from 120 to 300 million roubles and those who are engaged in reinsurance – from 480 to 600 million roubles.

According to experts, the consistent policy of the Central Bank aimed to leave only real acting insurers in the market, possessing the necessary financial stability, the strategy of which provides the long-term presence in the insurance market, will continue in 2017.

The Bank of Russia plans to study seriously the business plans of the insurers in 2016 to see and understand the real state of the sector. The plans of the Central Bank also include to have a register of insurers by the end of 2016 when the companies function actually, the business and the future of which are “clear” to the regulator. The Central Bank considers that all companies having the doubtful assets shall leave the market by the beginning of 2017 or to increase their quality.

According to the medium-term forecast of the Bank of Russia in 2017 the growth of the national economy will be in the average 0.75% and in the period up to 2020 inclusively it is in the average 1.375 per year (Russian Insurers Do Not Wait for the Significant Growth of the Market in 2016).

This means that when continuing of the economic policy performed in the country the actual stagnation of the economy and all its components will continue after 2020, *i.e.* in the strategic perspective.

4. DISCUSSION OF RESULTS.

Analytics consider that to solve the existing problems and maintain the level of the insurance sector it is necessary to count on the development of the “intelligent” insurance in the nearest future, mobile applications and any other innovations that will make the insurance an accessible and easy-to-understand service.

According to the results of the international research of the perspectives of the development of online trade, Russia takes the third place according to the reach level of online-products by the population. More than 70 million citizens use Internet services; almost 20% of the population of the country buy something in the internet shops every month. In this regard, it is necessary to analyze why the segment of the insurance services in the mode of online sales develops so slowly. The growth rates of this practice in the Russian Federation are almost 50% lower than in the Western countries. And this is taking into account the fact that Russians can save more than 25% of cost of every service using Internet insurance (according to the data of the independent international research).

It should be mentioned that the main reason of the “delay” of the Russian segment of online insurance is time. In the Western countries, the first trials of the online sales in the insurance were made in the 1990s, that is, almost a quarter of a century ago (in the Russian Federation, they were made only 10-12 years ago). Respectively, in Europe and in the USA today a share of products of the insurers sold online is more than 30% and the dynamics of growth of the insurance results online is 15-25% of the growth per year in the average in Europe (in the USA, it is 10% of the annual growth of sales) (Wilson 1977). There is a tendency of the individualization of the insurance solutions that internet format promotes. The attention should be paid to the fact that the distribution according to the types of insurance in Europe differs. In Germany, for example, mainly the insurance policies for the property and transport are sold and in the Netherland the life-insurance is leading.

In the Russian Federation, a share of the insurance products sold in the Internet is a little more than 8% of the total volume. As opposed to the Western market, the following models of work with the insurants are used in our country:

- A partial transfer to the online insurance (sending of an online application with the further visit to the office of the insurance company to sign the contracts);
- Online payment: on the website of the insurance aggregator (online service of the insurance services), a client calculates the cost of the policy, selects the convenient conditions of the insurance, pays for the products (by means of a bank card or electronic payment system), and receives the hard copy of the policy by mail.

The main variant in the Western countries is a complete transfer into the Internet format. The client applies directly to the online insurance agency, determines the conditions and the price by himself (selecting the risks in the calculator), pays for the service online, signs the policy by means of electronic digital signature (digital signature, analogue of the “handwritten” signature, that is given to every individual or legal entity), and then the signed contract is printed and sent to his email (Salmanova & Taran 2015)

The slow dynamic of growth of the interest of insurants in online insurance policy is connected not only to the habit to a paper contract but also to some moments influencing the practice of transfer to the electronic insurance:

- Legal regulation of the conditions of purchase and use of the electronic digital signature in the Russian Federation;
- Transfer to online is the expenses on software, equipment for the insurer;
- For integration, it is required to update the main state data bases.

Buying the policy online, for example, MOD insurance, will save from 18% to 30%.

Sale of policies (if we compare it to the similar stage of development of the segment in Europe) is expected to grow more than three times. For example, the insurers in Europe gather almost 100 bln euro annually due to the online policies.

Due to the direct channel of online sales, the companies can save annually from 9 to 12% of the fixed expenditures.

Evidently, the integration of insurance into the Internet shall be gradual. But all the participants of the insurance market shall understand that the future is for insurance online shops, Internet technologies, insurance aggregators, and online calculator.

Approximate period of transfer (according to the opinion of the European analytics) is 7-8 years. However, taking into account how fast the Russian user learns the innovation instruments, we can expect a quicker result (Kozlov 2010).

Outside the insurance system, it is almost impossible to find the sources that in the perspective can provide its development according to the rates outside the range of the statistical error. Therefore, the authors consider the risk-oriented approach. In this regard, the problems become critical that are formulated by the Chairman of the Board of the Bank of Russia Nabiullina and the Chairman of the Government of the Russian Federation Medvedev. This means that it is necessary to pay a priority attention to the overcoming of the internal risks of the Russian economy and the search of the internal sources of its development.

For this, it is necessary to look attentively at the qualitative condition of the Russian insurance because the quantitative analysis does not provide an accurate representation of the insurance reality.

First of all, the consequences of the leaving of a significant number of the professional participants from the market and the growing concentration of the insurance business call attention, although in 2015, 15.7% of insurers and 29% of brokers of those who left the market did it voluntarily.

From the point of view of the stability of the insurance system, such processes cannot bother, especially, if they occur in the insurance field where the specialists work who understand what the distribution of risk is and how its concentration is dangerous.

The insurers consider that the today business can be maintained by reducing the expenses and also by increasing of the level of professionalism of the employees.

It should be mentioned that in 2016 we can observe a tendency of a decrease in the number of insurers and the occurrence of problems with the availability of the insurance services for the insureds. This problem requires the solution, especially in the regions, and that can have a negative impact on the insurance branch on the whole. In our great country with the federal system of the state control there is a risk of losing a notion “regional insurer” and that will lead to the loss of the insurance products adapted for the local population and businessmen in the regions, and consequently, to the loss of interest to the voluntary insurance in the regions.

Generally, there is a systemic crisis in the insurance business. Now less than 280 insurance companies work in the insurance market and in case of the increase of the requirements of the Central Bank to the minimal size of the authorized capital of the insurance companies this number, can decrease twice.

More than one fifth of the total volume of the insurance fees for 2015 (1.024 bln roubles) are CMTPL (21.4%). A share of the aggregate insurance premium in the gross domestic products against the background of the economic stagnation in 2015 was 1.34% (however, in the first half-year of 2016 it increased slightly). According to the level of the penetration of insurance in the global rating OCSE (Global Insurance Market Trends 2015), following the results of 2015, Russian Federation takes the 44th place out of 50 among the most developed countries.

Concerning the market saturation of the insurance companies in Russia, one insurance company is for 523 thousand people (to compare, in the EU one insurance company is for 132 thousand people, in the USA – for 109 thousand people, in Germany – for 149 thousand people, in Great Britain – for 112 thousand people, in Sweden – for 128 thousand people). The insurance market stands behind according to the level of distribution in the regions: in 42 regions of Russia (49%) the regional insurance companies are absent. The total number of the insurance companies since 2003 till 2016 decreased 5 times (from 1397 to 280 as on July 2016), including more than 130 companies that left the market during the last two years and only a few new companies appeared.

The insurance branch of the Russian Federation employs 384 thousand people, including 161 thousand of direct employees, 223 thousand insurance agents and brokers. For comparison, in the EU 1.2 mln people work in the insurance, in the USA – 10.6 mln people (Platonova 2016).

The main problem in Russia when controlling the insurance market is a deficit of the clear plans of formation of the insurance branch as a main element of the economic policy inside the country and at the international level. Here, it is necessary to perform a series of actions that will allow to promote the insurance as an institute of support of the production and export because the insurance is not only an instrument to increase the budget profits but to create (and maintain) the working places as well.

The position of the regulator in the name of the Central Bank of the Russian Federation is dual. On the one side, it is a consequent and strict control of the execution of the requirements of legislation to the paying capacity and availability of the real assets that becomes a base of the assurance of execution of obligations to insurants. However, on the other side, the Russian market needs the support of the regulator, in his participation in the systematic development of the branch and in the execution of one more of its function: taking care of the development of the insurance market the regulator shall think about the increase of the insurance role in the economy of the country. In this direction, the measures taken are not enough by now (Zhuk 2016).

In 2016, the insurance market showed a long-expected growth of the insurance premiums actually in all directions of business (excluding MOD insurance). In current year, the increase in the number of the insurance contracts concluded and the stabilization of the volume of payments to the insurants are observed. Nevertheless, the growth of fees of different market segments is very uneven and stipulated by the factor of the increase in the CMTPL rates and a short-term burst of activity of banks when attracting the population to the participation in the endowment plan that is not systematic and long-term. The growth of the voluntary property insurance of individuals can be the guarantee of a more efficient and long-term development of the market. The decrease in the number of regional insurers reduces objectively the development of the voluntary types of insurance because they offer the optimal conditions to the insurants and popular type of insurance products.

In the new situation, the continuation of the insurance activity is a rather difficult task for many companies, but the responsible insurers who value the interest of the clients can continue the business and adapt to the modern requirements. And here the efforts of the state shall be focused on the maintaining of the various insurance companies in the market that corresponds to the aims of the conditions for restoration of the market and provision of the fair competitiveness.

The capitalization of the insurance market as on July 2016 is 177 bln roubles (2.5 bln USD), which is equal to the level of 2004 in the currency equivalent and to the level of 2012 in the rouble equivalent. The devaluation of rouble did not lead to the increase in the aggregate authorized capital of the insurance companies in the Russian Federation in the rouble equivalent. The analysis of capitalization for the period from 2003 till the middle 2016 showed that its highest level in the rouble equivalent reached the amount of 222 bln roubles in January 2015 and in dollar equivalent it was 6.3 bln USD in January 2008.

According to the preliminary estimations of the experts, the required volume of additional capitalization of the market according to a new draft law shall be 32 bln roubles. However, actually we can rely upon 50% only of this amount, *i.e.* 16 bln roubles or 0.24 bln USD. There are several reasons of this: a significant number of insurers who left the market, merging of the companies, revocation of the part of licenses, impact of sanctions for foreign investors.

All companies will be at risk excluding the profile insurance medical companies and insurance companies having an authorized capital of more than 600 mln roubles, and these are only 168 companies out of 280 or 60% of all existing companies as on July 2016. It is rather strange that nobody estimated the value of the matter. It should be mentioned that for the market restoration up to the level of 2008 in currency (6.3 bln USD) the investments in the amount of 3 bln USD or 218 bln roubles are necessary. The sources of the increase in the authorized capitals are almost non-available in the financial market; therefore, the draft law will not come to the expected result. Consequently, this is not the best way to solve the problem of capitalization of the insurance market in Russia.

In the existing conditions, a big number of regional and small insurers in Russia are not ready for the increase in the authorized capital and this is expected to lead to the decrease in the number of players in the market but at the same time their number in the Russian Federation is less than in the developed countries. The Russian insurers lag behind the leading countries according to the level of the penetration of insurance and if the number of the insurers will decrease to 100-150 companies the situation will get worse. For comparison, in the USA with the population of 326 mln people there are 3000 companies in the market, and in Russia with the population of 147 mln people there are 280 companies and can be only 100. This is a catastrophically low indicator for the maintaining of the competitive environment and the increase in the popularization of the insurance among the population.

If as a result of the formal increase in the authorized capitals almost all regional insurers will disappear the availability of the insurance services for the consumer in the remote inhabited localities will decrease. The experience of the recent years shows that the branch network of the large insurance companies cannot compensate the possibilities of the regional insurers when satisfying the needs of the population, especially on the remote territories (for example, the problems with the CMTPL policies) (Salmanova, et. al. 2016)

The regulation of the insurance market through the requirements to the authorized capital, in our opinion, is an out-of-date and inefficient measure. As the experience shows, the objectives of the previous increases of the minimal size of the authorized capital were not achieved. The last increase in the minimal size of the authorized capital of the insurance companies (in 2012) did not give the expected result of the aggregate increase in the capitalization of the insurance market, attraction of the additional investments into the branch and an increase in insurants' confidence in the insurance companies.

The existing regulation system in the Russian Federation based upon the European principles Solvency-I (the orientation to the market regulation mostly due to the increase in the authorized capital) is out-of-date now.

The modern approaches to the regulation of the insurance activity applied in Europe and other developed countries mean the provision of the paying capacity of the insurers by means of the calculation of the requirements to the capital by estimation of the catastrophic, market and operation risks of activity and the minimal requirement to the authorized capital is a limit of the lower boundary of the capital. In particular, the EU directive Solvency II provides a minimal capital for the insurance different from the life insurance (without the right of the liability insurance) in the amount of 2.5 mln euro, that is, 182 mln roubles in the rouble equivalent (and according to our draft law, the minimal indicator for the universal companies is 300 mln roubles) (Vasilyev, et. al. 2016)

Undoubtedly, beside the requirements to the minimal size of the capital, there are other tools to increase the level of the financial stability of the insurers. For example, it is important to continue the development of the insurance companies increasing their authorities and the responsibilities for the reliability of the actuarial expectations and conclusions, and to start introduction of the said principles of the provision of paying capacity Solvency II, and also to consider the possibility of introduction of requirements to the reinsurance policy of the insurance companies.

The report of the Bank of Russia “Main Directions of the Financial Market Development for 2016-2018” approved by the State Duma and the Government of the Russian Federation establishes the principles of optimization of the regulatory load on the participants of the financial market according to the level of systematic significance. The first legislative initiative introducing the principles of proportional regulation is a developed draft law to distinguish the regional banks into a separate category of regulation, for which the lower requirements to the availability of the capital will be established and the list of financial operations will be limited (Instruction of Bank of Russia 3935-U “Order of Monitoring Performance of Insurers’ Activity by the Bank of Russia”, 2016).

A similar approach to the realization of principles of the proportional regulation can be applied to the insurance market as well. For this, it is necessary to differentiate the requirements to the minimal size of the authorized capital of the insurance companies depending upon the types of the insurance activity, systematic significance of the insurer and, possible, territory of its presence.

The mentioned draft law on the increase in the requirements to the authorized capital can modify and extend the differentiation of the insurance companies depending upon the types of performed activity. In particular, for the companies that are not engaged in the compulsory insurance and socially important types of insurance activity (liability of tour operators and developers, other contract liability with the high sizes of insurance cover), the size of the authorized capital shall be maintained at the current level, for example, up to 160 mln roubles, and for the companies providing the complete set of types of the property insurance, life insurers and reinsurers the multiplying factors shall be applied.

The second step when implementing the proportional regulation can be the application of the risk-oriented supervision of the participants of market and the differentiation of the periodicity and depth of reporting depending upon the volumes and types of insurance operations. For example, if the supervision reveals that an insurance company provides the classic types of the property or personal insurance and works according to actuarially grounded insurance rates the level of reporting and the close attention to it should be adequate to its risks.

The insurance branch shall develop within the frameworks of the balanced model that includes three components – system forming insurers, average market (regional) insurers and reinsurance that can provide the reliable protection of the insurers of both levels. This is the only way to provide the harmonic market development and availability of the insurance services to the clients.

The current crisis transformed the system of risks arising in the work of the insurance market entities. The article represents the authors’ opinion of the current changes of the insurance market and its state regulation and also offers the recommendations of Russian insurance protection from the growing risks in the future. The main task of the insurance companies for the next few years is not the growth of sales by all means but structuring the sales channels, improving the qualification of employees, reduction of expenditures, etc.

5. CONCLUSION

After the review of the state of the Russian insurance market at the modern stage and the analysis of the presented indicators for 2014-2016, the following conclusion can be made. Due to the economic reasons of different type connected to the crisis period in the country, the non-economic prerequisites such as a reduction in the confidence of the population in the insurance branch, this market in Russia experiences a complicated period and is stagnated.

The situation is aggravated by the increase in the supervision of the activity of insurers due to which the insurance services market lost about 300 of various branches of the insurance companies around the country and this influenced significantly many indicators of the economic success of this branch.

Concerning the future of the Russian insurance market, it is also not very optimistic. According to the opinion of the experts of the main insurance companies of the country, in 2016 there will not be the conditions for the growth of this sector of economy and even it is possible that the indicators will be lower than in 2015. According to the expectations, in 2016 the insurance market will react sharply to the decrease in the population's incomes. Even now the tendency is noticed of the complete refusal from the insurance products or the transfer to the products of economic class with a lower price. In addition, all the insurers will face the increase of control from the Central Bank of the Russian Federation that will be directed to leave in the market the really acting insurers only that possess the necessary financial stability.

The role of the insurance market in the process of attraction of investments shall also be mentioned because the insurance is the largest source of refinancing of the whole credit sector.

Taking into account the stated arguments the insurance shall be considered as the most important financial system used to provide the high level of economic protection of its entities and their efficient functioning in the economy of the country that is the most important reason for increase of the stability of the economy on the whole.

Summarizing, we can conclude that the insurance market in Russia is the integrated and the most important part of the economy of the country. The objects of this market are the insurance products, the supply and demand for which is formed. The tremendous significance of such part of the financial system as the insurance market is determined by its direct connection with the finances of the households, citizens, organizations, banking institutions and other financial institutions. The insurance market in Russia is a mobile and unstable enough system that consists of a set of components such as objects, entities and various branches of the insurance activity acting in the territory of the Russian Federation.

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