



Investment Activity of Insurers and the State Economic Growth

GULNARA KAIGORODOVA¹, DARIA ALYAKINA², GUZEL PYRKOVA³,
ALFIYA MUSTAFINA⁴ and VIKTOR TRYNCHUK⁵

¹ Associate Professor, Department of securities, exchanges and insurance, Institute of Management, Economics and Finance, Kazan (Volga region) Federal University, Russia, e-mail: golsuorsi1@mail.ru

² Associate Professor, Department of securities, exchanges and insurance, Institute of Management, Economics and Finance, Kazan (Volga region) Federal University, Russia, e-mail: alfy2506@mail.ru

³ Associate Professor, Department of securities, exchanges and insurance, Institute of Management, Economics and Finance, Kazan (Volga region) Federal University, Russia, e-mail: guzel831@mail.ru

⁴ Associate Professor, Department of securities, exchanges and insurance, Institute of Management, Economics and Finance, Kazan (Volga region) Federal University, Russia, e-mail: 345daria@gmail.com

⁵ Associate Professor, Department of Finance, Accounting and Analysis, Institute of Entrepreneurship and Advanced Technology Lviv Polytechnic National University; Head of Insurance Department Institute of Postgraduate Education and Business, Kyiv, Ukraine, e-mail: victor_trinchuk@mail.ru

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ABSTRACT

The purpose of the article is to summarize theoretical positions and practical experience regarding the existence of the relationship between the investment activity of insurers and the economic growth of the state and identify the factors that have the greatest impact on the volume of insurance investments. As a hypothesis, the main factors influencing the level of investment of insurers in the economy are recognized: the profit of economic entities, investment in fixed assets, the rate of change in the volume of insurance premiums, the total authorized capital of insurers, GDP. Methods of correlation-regression analysis, extrapolation and modeling were used. The subject of the study were the peculiarities and patterns of the formation, use and regulation of the investment potential of Russian insurance companies in modern economic conditions. In the course of conducted research a number of publications on the issues of the relationship between the investment activity of insurers and the economic growth of the state were worked out, investment potential of the insurance market of Russia was studied, the size of real investments by insurers in the economy was determined, and the forecast of future trends in changes in their volumes was made. It is proved that between the volumes of insurance premiums, investments of enterprises in fixed assets, GDP and assets placed by the insurers in the real sector there is a high interdependence that allowed to determine the important role of insurers as participants of the insurance market for the economic growth of the state. The conclusion is made that, with a steady decline in the number of insurers, their aggregate capital increases, as well as growing insurance reserves. However, their insufficient part is invested in the real sector of the economy, and a significant amount of resources falls on investments with zero profitability of operations.

INTRODUCTION

Investment operations of the insurer allow providing the economy of the state with the necessary financial resources. At the same time, investment activity is one of the main factors for ensuring the effective functioning and financial stability of the insurance organization. First, investment activity determines the very possibility of providing insurance services by means of the formation of a sufficient insurance fund. Secondly, a well-organized investment activity determines the market status of the insurer, influencing the main characteristics of the insurance product. Thirdly, due to investment of insurance funds, there occurs an accumulation of resources to increase own funds without attracting external investments.

One of the sources of profit for insurance organizations and factors of ensuring financial stability is investment activity. The problem for Russian insurers is the lack of the developed secondary securities market; there are problems of investment choice. Insurance companies must find their place in the investment process (Kucherenko et al., 2018; Mentel et al., 2017), which is the key to the recovery of the country's economic sectors. For example, in the European economy, insurance companies are the largest institutional investors; there are assets of 10 trillion euros under their management (Focarelli, 2017, pp. 348).

The basis of interaction between enterprises and insurers should be the implementation of a complete investment program aimed at mutual increase in efficiency and scale (Ustinov et al, 2016; Grmanova and Strunz, 2017). However, at the present stage of development, Russian insurers do not view investment activity as the main source of profit, which is reflected in the low results from the placement of assets: the return on investment is below the level of inflation. The preferred range of investments is bank deposits, that is, low-yielding instruments that do not cover the level of inflation. In turn, it is necessary to streamline the interaction of insurers with the banking system and attract insurers when insuring credit risks of banks on a market basis, taking into account the analysis of the financial stability of the insurance organization. Therefore, the issue of managing the investment activities of insurance organizations in modern Russia is relevant.

1. LITERATURE REVIEW

The issues of the insurers' investment policy and its relationship with the economic growth of the state are studied by Russian and foreign scientists. Thus, Zweifel and Auckenthaler, (2008) analyze the dilemma arising in the formation of the investment strategy within the framework of life insurance, which would ensure the receipt of the income with a high level of profitability of current insurance payees and at the same time would guarantee the safety of funds for a long period of time for young insurers. The combination of such restrictions leads to a significant degradation in the investment policy of the insurer.

Many researchers focus their attention on studying the interrelation between the insurer's investment policy, its solvency and state regulation of these aspects of activity. So, Y-L. Ma and Y. Ren (2012) consider the behavior of insurers at high rates of growth of stock indices and determine that in these conditions insurance companies are trying to attract ever larger amounts of funds to their business. At the same time, the influence of state regulation on the investment policy of insurers is taken into account. Thus, Focarelli, (2017), considering the role of insurers as providers of long-term investment in the economy, is talking about the importance of prudential regulation. He states that insurers, especially at long-term types of insurance, use financial instruments characterized by a high level of issuer quality and at the same time ensuring a sufficient level of profitability. This is due to the need to fulfill liabilities, including those on profitability to holders of insurance policies, with a simultaneous guarantee of insurance payment. Insurers are interested in investing in segments where there is low volatility, predictable cash flows and low correlation with operations in financial markets (Focarelli, 2017; Palei et al., 2016).

The issues of optimizing the investment policy of the insurer and its interrelationship with the policy of bonus pay for top management of the insurance company were studied in the work of D. Filipovic et al. (2015). It is determined that the limited to a certain extent, liability of the insurance company's top management and huge resources control create an incentive for increasing the risk of assets and liabilities at the expense of policyholders. However, state regulation, requirements for the assets of insurance companies limit these risks. This is especially important in the light of the introduction of Solvency II standards. K. Fischer and S. Schlutter, (2015) study the issues of the formation of an optimal investment strategy of the insurer, taking into account the requirements of Solvency II. It is considered that higher stock market risk parameters should reduce risky investments, based on the requirements of the regulator. It is established that even a slight increase in the stock market risk leads to a more conservative placement of the assets by the insurer. However, the authors found that this is not always the case. We have found out that some insurers in these conditions tend to a higher risk allocation of their assets.

These issues are actively studied by scientists. Thus, the distribution of insurers' assets on life insurance is analyzed according to the classical theory of the portfolio with the account of the requirements of Solvency II (Braun et al., 2017). They find serious drawbacks in this mechanism, which, in their opinion, impede economically reasonable decisions on asset management. It is believed that the introduction of the standard in its current form will have a negative impact on the European insurance sector. Many researchers conclude that the importance of the insurance sector for the economy is largely determined by the directions of the state regulation of insurance activities. Thus, W-Ch. Lin et al. (2014) in their study show that there is a threshold effect of the state interference in the investment policy of the insurer. The conclusion is drawn that often, strict regulation by the state has the opposite effect for the economy. R. Rees et al. (1999) study the limits of forms and spheres of the insurance activity regulation. It is determined that the regulation of insurers' solvency is an important direction of regulation, and one of its aspects is the investment activity of the insurance company. The conclusion is made that consumers should be informed about the existing insolvency risks of a certain insurer.

The research in the field of systemic risk in the insurance sector is carried out M. Eling et al. (2016). It shows that classical insurance activities in the life and non-life sectors, as well as in re-insurance sector, does not entail an increase in systemic risks and does not increase the insurers' dependence on the stock market falls. At the same time, non-traditional types of insurance activity (underwriting of financial derivatives, provision of financial guarantees) increase the vulnerability of insurers against stock market falls and devaluation of their investments. These aspects should be taken into account when forming the state policy of regulating the investment operations of insurers. Many scientists carry out research in the field of studying the contribution of the insurance sector to the development of the economy. J. Outreville (2012) presents the result of a synthesis and analysis of 85 research articles that study the interrelation between insurance and economic growth. He concluded that research related to the later period revealed cause-and-effect relation between the development of the insurance sector and the economic growth of the state; at that, insurance in many countries is the determinant of economic growth.

A very important thesis is formulated by D. Focarelli (2017). He says that even during economic recession, most insurers on long-term types of insurance continue to pay insurance premiums. This incoming cash flow allows insurers to acquire undervalued assets in a falling market, at the time when most collective investors are forced to sell them. That is, insurers have the opportunity to continue investing when other investors leave the market. He calls it an anti-cyclical and stabilizing effect for financial markets and for the economy. Z. Richterikova and P. Korab, (2013) carried out a combined assessment of the significance of certain statistics of the insurance sector on economic growth. As a measure of insurance activity, the volume of insurance premiums is used. The carried out mathematical calculations allowed the authors to conclude that there is a clear positive relationship between the development of the insurance market and the economy. They formulated recommendations for the purpose of more optimal regulation of insurance activity by the state.

The relationship between insurance and economic growth was studied for six countries, both developing and developed (USA, UK, India, China, Malaysia, Pakistan - Ul Din et al., 2017b). They found that in the long term, there is a relationship between risk insurance, the development of the stock market and economic growth. At that in the long term, there is a negative correlation between foreign direct investment, the development of banking services and economic growth. The authors concluded that insurance is not only a service industry, it is a huge investment potential of the economy (Ul Din et al., 2017a). It is interesting to study the dynamic impact of financial institutions on economic growth based on the data from 13 European Union countries (Wu et al., 2010). They determined the long-term equilibrium relationship between the development of financial institutions and economic growth. H. Hou and S-Y. Cheng, (2017) presented a study of the impact of various segments of the financial market on economic growth in the long-term and short-term aspects. They came to the conclusion that the credit market has a negative impact on economic growth, the insurance and stock markets have a positive impact, but this impact is not sustainable. They found that this impact is largely determined by the level of development of the country, as well as the current state of the economy of the state.

Russian scientists conduct the studies that take into account the specifics of the Russian financial market. Thus, E. Prokopieva, (2010) studies the issues of realization by insurers of the investment principles laid down in the legislation. It is concluded that often compliance with these principles is formal in character and does not lead to an increase of the effectiveness of the insurer's investment operations. G. Kaigorodova (2013) defines the vulnerabilities of the investment policy of Russian insurers, explains its low efficiency by its subordination to far from market interests. A range of financial instruments not included in the investment portfolio of Russian insurers, but capable of bringing an average market yield is identified. Y. Nemtseva (2013) considers the issue of managing the investment activity of the insurer from the perspective of the impact of its profitability on the formation of tariffs, which will ensure its competitiveness.

In his work, O. Khomchenko (2008) shows that focusing solely on the use of discounted methods for assessing the effectiveness of investments leads to the fact that long-term projects requiring significant start-up capital become unprofitable. He proposed a multi-factor model for assessing the investment attractiveness of the region from the point of view of insurers. The model includes general factors of the external environment (macroeconomic, political, legal and demographic), indicators characterizing the investment potential of the region in connection with the factors that determine the insurance potential. A number of researchers noted that the effectiveness of investment operations of the insurer has a direct impact on the process of formation of the insurance portfolio, since it is one of the factors ensuring the financial stability of the insurer (Kokh et al., 2016). The studies considering regional aspects of the investment activity in the economy are also relevant (Kvon et al., 2017). Obviously, in the context of the region development, all the opportunities for increasing the flow of financial resources to ensure the rates of economic growth are important (Mustafina et al., 2017).

2. METHODS

Insurance companies have a significant investment potential, allowing the state to increase the rate of economic growth under the correct regulation of investment transactions. Obviously, not all the resources accumulated in the insurance reserves and the insurers' own funds are used for investment in the economy. Therefore, from the actual statistics data it is necessary to identify the assets that are unequivocally regarded as investments of a real nature. Next, we identified a list of factors that affect the level of investment by insurers in the economy. As a hypothesis, we assumed that the main factors of influence are: the profit of economic entities, investments in the fixed capital of enterprises, the rate of change of insurance premiums, the total authorized capital of insurers, GDP. Our task is to identify the factors that have the greatest impact on the volume of investment by insurers. We will identify these factors through regression analysis.

Thanks to the correlation analysis, we identified three main factors that affect the investment of insurers in the real sector of economy. We have singled out two of them (insurance premiums and enterprise investments in fixed assets) to build a model based on the function:

$$V_{FC} = f (IP; GDP) \quad (1),$$

where V_{FC} – volume of real investments of insurance organizations;

IP - insurance premiums;

GDP is the gross domestic product.

Further, based on extrapolation, we will reveal what investment potential for the economy the insurance industry can form in the short-term perspective.

3. THE RESULTS AND DISCUSSION

For the fifth year, the economy of the Russian Federation has been operating under difficult conditions. We outlined the following factors, which determine, among other things, the conditions for the functioning of the Russian insurance market in the current period:

- economic sanctions of the developed countries and Russia's countermeasures;
- a small price stabilization in the world commodity markets after a long-term decline;
- a growing level of risks, both external and internal;
- the state budget deficit;
- a lower standard of living of Russians;
- growth in certain sectors of the economy associated with the defense capability of the state, as well as in industries whose products allow full replacement of goods that have fallen under the countermeasures of the Russian Federation.

It is necessary to continue the process of restructuring the economy in order to reach a more innovative level. The focus of the Russian economy on the innovative way of development brings to the fore the problem of reforming the existing mechanisms for satisfying the needs of economic entities in investments. The need for radical changes in this sphere is due to the role of investment in ensuring a stable high growth rate of the economy and increasing the efficiency of all the factors of production. While at the initial stage of development of the Russian insurance market there was potentially the opportunity to develop by expanding the scope of activity, opening new branches, modern conditions are characterized by increased competition, the need to find ways to optimize the financial activities of insurance companies, and intensive use of available resources. Accordingly, the importance of using the insurer's investment resources as the main source of profit increases. At the same time, the concentration of significant financial resources by insurers in their hands provides an opportunity to use investment resources as the most important factor in the development of the economy.

The investment activity of insurance companies is limited by strict boundaries of the current legislation and is aimed at creating a balanced investment portfolio. When formulating an investment policy, it is necessary to use elements of a system approach that will ensure:

- structuring of financial resources taking into account investment opportunities and conditions for their investment;
- compliance with investment rules to achieve the main objective of investment activity;
- development and use of the algorithm in the construction of the portfolio;
- construction of the concept of interests balance of subjects of the investment project;
- introduction of the method of situational analysis with the use of the system of evaluation indicators (Nikulina and Berezina, 2008, p. 228).

Insurance companies are currently engaged in investing their own funds and insurance reserves as part of investment activities. An insurance fund before its use for insurance payments is temporarily free from insurance liabilities cash and in this capacity, it has a significant impact on the change in the size of the investment resources of the insurance company, depending on the availability and volume of insurance payments.

From these positions, significant is the analysis of the dynamics of funds that can provide the economy with investment resources from the insurance sector. The main indicators in this section for insurance organizations are shown in Table 1.

Table 1. Key indicators characterizing the investment potential of insurance organizations in Russia

<i>Indicator</i>	<i>Unit of measurement</i>	2014	2015	2016	2017	<i>Absolute variation 2017/2014</i>	<i>Growth rate 2017/2014, B %</i>
A number of insurance organizations	numbers	404	334	256	237	167	-41.3
Growth rates of insurance organizations (compared to the previous year)	%	-0.8	-17.3	-23.4	-7.4		
Capital	bln.rub.	389.9	395.5	462	598.6	208.7	53.5
Capital growth rate (to the previous year)	%	4.2	1.4	16.8	29.6		
Net profit	bln.rub.	50.7	91.7	81.9	89.3	38.6	76.1
Profit growth rate (to the previous year)	%	12.2	80.9	-10.7	9		
Insurance funds	bln.rub.	900.8	973.5	1136.1	1371.2	470.4	52.2
Insurance funds growth rate (to the previous year)	%	20.6	8.1	16.7	20.7		

Source: Completed by authors

With negative trends in reducing the number of insurers for the period 2014-2017, the remaining indicators show a positive dynamics. Purification of the market is characterized by a simultaneous increase in the capital of insurers and insurance reserves. Based on the theory of insurance business, in general, the sources of funds for the period under study increased by 717.7 billion rubles, or by 53.5%.

In general, the crisis state of the economy of the analyzed period for the insurance market manifested in a reduction in the number of insurers, an increase in the number of unprofitable insurance organizations. If in 2013 the share of unprofitable insurers in Russia was 7.2%, by the end of 2016 it was 21.1% of the total number of insurance organizations.

Further, for the purpose of the analysis, we will trace the dynamics of the main indicators of the Russian economy for 2014-2017 (Table 2). Indicators are given in the current prices. The given data show that after the fall in the growth rate of commissioning the fixed assets in 2014-2015, the year 2016 observes the growth of this indicator. Unfortunately, at the moment there are no data on the fixed assets in the Rosstat (Russian Federal State Statistics Service) system of the Russian federation and their commissioning in 2017.

Table 2. The main economic indicators characterizing investment activity in Russia

<i>Indicator</i>	<i>Unit of measurement</i>	2014	2015	2016	2017	<i>Absolute change in 2017/2014. bln.rub.</i>	<i>growth rate for the whole period, in %</i>
GDP (in current prices)	bln.rub.	79199.7	83387.2	85917.8	92081.9	12882.2	16.3
GDP growth rate (to the previous year)	%	8.3	5.3	3	7.2		
Investments in fixed assets	bln.rub.	10379.6	10496.3	11282.5	12025.6	1646	15.6
Growth rate of investments in the fixed assets (to the previous year)	%	3.1	1.1	7.5	6.6		
Availability of fixed assets	bln.rub.	147430	160725	183404	...	49882.5	37.4
Fixed assets growth rate (to the previous year)	%	10.4	9	14.1			
Commissioning of fixed assets	bln.rub.	10888	10721.1	13256.3	...	2095.8	18.8
Growth rate of the fixed assets commissioning (to the previous year)	%	-2.4	-1.5	23.6			

Source: Completed by authors

Realization of investments by Russian insurers is tightly regulated by the state. It is based on the principles of recurrence, urgency, diversification and profitability. The state determines the permitted directions of investment and the maximum amount of investments in each of the assets types. The investments of insurers' own funds and insurance reserves are regulated separately. The structure of investments of Russian insurers is presented in Table 3.

Table 3. Structural relation of investments by insurers, in %

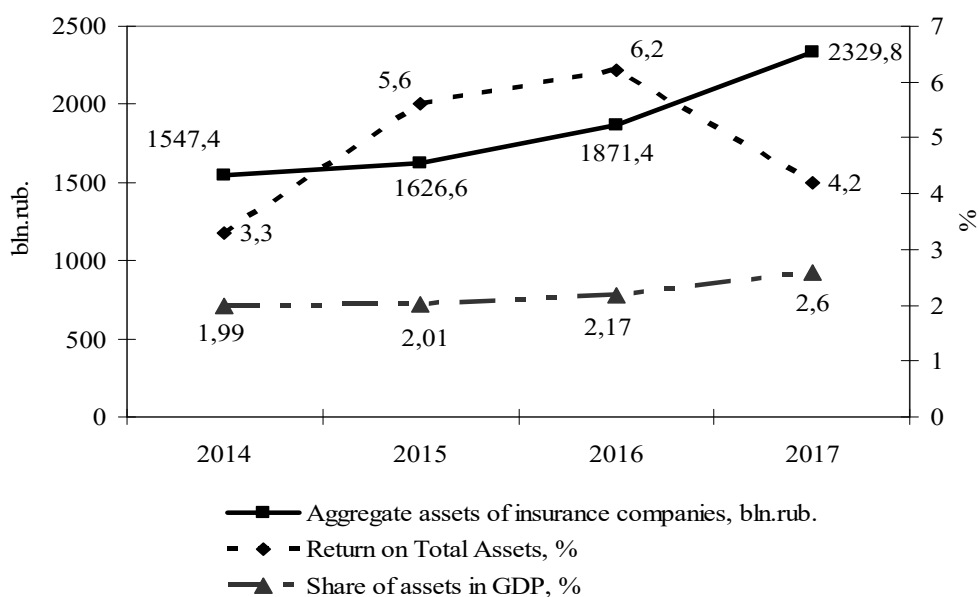
<i>Types of assets</i>	2014	2015	2016	2017	<i>Changes in 2014/2017</i>
Bank deposit	18.3	24.7	26	23	4.7
Stocks	8.1	7.2	6.7	5.3	-2.8
Bonds (other than mortgage-backed bonds and housing certificates)	13.2	15.6	17.4	20.6	7.4
State and municipal securities	6.1	6.4	8.9	11.6	5.5
Share of accounts receivable	18.9	19	17.7	14.3	-4.6
Share of reinsurers in insurance reserves	10.4	8	8	6	-4.4
Investments in available funds	10.8	7.9	6.2	6.2	-4.6
Real property	5.7	5.1	4.2	3.6	-2.1
Promissory notes	1	0.4	0.1	0.1	-0.9
Investment shares of mutual funds	1.3	0.9	0.6	0.5	-0.8
Sundry assets	6.2	4.8	4.2	8.8	2.6
Total	100	100	100	100	-

Source: Completed by authors

For the period presented, the share of bonds in insurers' investments has increased significantly; there has been an increase in investments in state and municipal securities. The interest of insurers in bank deposits is still high.

The dynamics of assets and the effectiveness of their use is shown in Figure 1. The sharp increase in the total assets of insurance organizations in 2017 is connected with the need to take into account acquisition costs of future periods in the assets composition. That is, the accounting methodology has changed. Nevertheless, the growth of aggregate assets occurred in the insurance companies as a whole. It is advisable to analyze the segments of the insurance market to identify the segment that provides a significant increase. In 2016-2017, this type of segment was presented by the segment of life insurance on the insurance market of Russia.

Fig. 1 Aggregate assets of insurance organizations and their profitability



Source: Completed by authors

In our opinion, investments in the economy by Russian insurers is currently determined by three areas - deposits in banks, investments in shares and corporate bonds. Based on the given analysis results, investments in these areas in 2015-2017 amount to about 50% of all the assets. In absolute terms, this amounts to 1139.3 billion rubles in 2017.

Within the framework of the correlation analysis, we revealed the dependence of the volume of investments in the real sphere by Russian insurers on such factors as insurance premiums, GDP, net profit of insurance organizations, investments in the fixed assets by industrial enterprises of Russia, commissioning of fixed assets. The analysis showed a high degree of dependence of investment volumes in the real sphere on such factors as GDP (0.9927), insurance premiums (0.9826), enterprises' investments in the fixed capital (0.9733). The degree of interdependence of insurers' net profit and volumes of real investments is very low. This confirms our theoretical research in the sense that the Russian insurers' interest in investment operations and their effectiveness increase is very low.

Russian insurers have a relatively low level of a loss of insurance operations. Therefore, it is possible to profit from insurance operations, while in developed countries the profit center is investment activity. For this reason, the placement of Russian insurance companies' funds is carried

out either in highly liquid but low-profit instruments (cash assets equivalents) or in financial instruments of customers or affiliated organizations that are low-liquid and low-yielding, which certainly does not lead to an increase in the efficiency of investment activities.

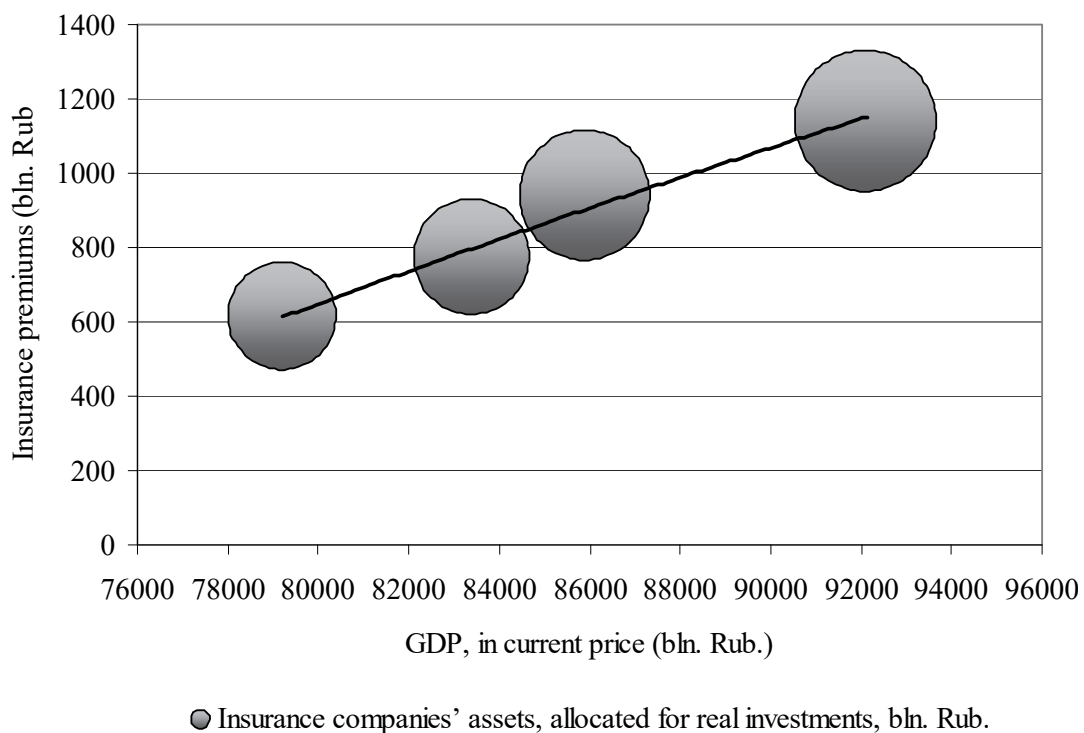
Investments in affiliated structures can be implemented as follows: the owner of the insurance company pays his share in the authorized share capital of the insurer with his own shares or other securities of affiliated organizations, and such securities do not meet the conditions of liquidity and profitability. Thus, in the payment of the share in the authorized capital of the insurance organization there are low-quality financial instruments, which, obviously, negatively affects the financial state of the insurer. In addition, often characteristic is the regulation of financial flows and investing on the part of the owner, therefore, the share of affiliated organizations in the structure of the investment portfolio is significantly more prevalent.

Based on the practice of investing own funds by Russian insurers, we can say that, as a rule, insurer's funds are used as quite cheap (and often free) sources of financing the activities of subsidiaries and affiliated entities. In general, the investment policy of Russian insurers is limited in a number of parameters, in particular:

- a significant share of investments falls on assets that are not income-yielding;
- companies use thin investment in debt and equity securities of enterprises, and it is the corporate securities market that currently allows getting an effective return on investment;
- low diversification of the investment portfolio: a number of investment methods is practically not used.

The obtained model is shown in Figure 2.

Fig. 2. Model of dependence of the investment volume of insurance organizations in the real sector



Source: Completed by authors

Assessing the prospects for economic growth in general and the insurance industry in particular, we assumed that further stabilization of the Russian economy, GDP growth will ensure further growth of the insurance market. This will help expand the investment opportunities of insurers.

The studied interdependence between GDP (x) and assets of insurance companies allocated for real investments (y) allowed obtaining a trend line. The linear approximation gives us the following equation:

$$y = 0.0415x - 2671.7 \quad (2)$$

Further, we base on the forecast of the socio-economic development of Russia. We take two estimates. According to the estimates of the Ministry of Economic Development of the Russian Federation, the GDP growth rate in the RF (according to the basic version of the forecast) in 2018 should be 2.1%, in 2019 2.2%, in 2020 2.3% (Ministry of Economic Development, 2017). The forecast of the Central Bank of the Russian Federation gives a level of 1.5 - 2.0 %% for the whole period. We take the averaged values between the minimum value of the Central Bank of the Russian Federation and the forecast of the Ministry of Economics of the Russian Federation and get the following values, reflected in Table 4.

Table 4 Forecast values by volume of insurers' investments in the Russian economy

Indicators	2018	2019	2020
GDP growth rate (forecast), in %	1.80	1.85	1.90
GDP, bln. Rub.	93739.4	95473.6	97287.6
Insurance organizations assets allocated for real investment, bln. rub.	1218.5	1290.5	1365.7
The growth rate of insurance organizations' assets allocated for real investments, in %	7.0	5.9	5.8

Source: Completed by authors

Thus, the current trends make it possible to conclude that, if the country's socio-economic development forecasts for 2018-2020 are fulfilled, the insurance segment will allow increasing its investment in the real sector by about 6.0% annually. However, to ensure the implementation of the investment potential of insurers, it is necessary to overcome a number of problems of a qualitative nature.

When considering the problems of managing the investment activities of Russian insurers, we have identified the following blocks:

- statutory regulation of investment activities;
- macroeconomic conditions for the functioning of the financial market;
- low capable of paying demand for insurance services;
- low interest of insurance companies in improving the management effectiveness of investment activities.

From the point of view of statutory regulation, it is possible to supplement the existing investment principles, in particular:

- the auditability principle - implies ensuring the opportunity for insurers to monitor the allocated financial resources by participating in the boards of directors of enterprises in which funds are invested; obtaining information on management decisions taken, on the current financial state;
- the principle of subordination - means that it is necessary to coordinate investments with insurance obligations, that is, to correlate the generation of investment income in place, amount

and time agreed with insurance obligations. The necessity of this principle is explained by the fact that the investment portfolio should reflect the secondary nature of investment activity in relation to the insurance activity;

- the principle of localization - means investing funds primarily on the territory of the Russian Federation.

The success of investment activities is largely determined by macroeconomic conditions. The problem here is the lack of a developed secondary securities market; insurers have problems of investment choice. This is due to the limited offers in the financial market, the lack of investment tools that meet the needs of conservative investors, such as insurance companies. Often, it is due to inadequate reliability and profitability of available tools. State support is necessary to create such tools. The second aspect is the need to take into account the investment risk factor, in case the necessary information is not sufficient.

As a problem aspect, we can note a low level of demand for insurance services. For most types of property insurance, the number of contracts is reduced. The main share of reduction falls for insurance contracts concluded with legal entities. Thus, the sanctions policy against Russia, the fall in prices on the world energy market and the ensuing economic crisis have led to a reduction in the number of concluded insurance contracts with both legal entities and individuals. The volume of insurance of movable property of legal entities and individuals has significantly decreased, which is due to both hard times for enterprises and the population, and a significant decrease in the number of new cars sold, including on credit (which often implies the acquisition of the CASCO (fully comprehensive automobile insurance) policy).

Since the introduction of American and European sanctions against Russia, the long-lasting deterioration of the situation on the world energy market for the Russian economy, the solvent demand for insurance has decreased. In general, the low level of demand for insurance services is due to a number of factors, such as:

- low income level of most population groups in the regions;
- low level of insurance culture of the population (Rotova & Trynchuk, 2004);
- distrust of the population and business to financial institutions in general and to insurers, in particular;
- neglect of the insureds' rights by a number of insurers;
- high cost of insurance services often at their low quality.

The state regulator acting through the Central Bank of Russia considers it necessary to popularize insurance services for the population. Today, the insured is initially placed in an unequal position, not being able to influence the formation and execution of the insurance contract, often without realizing what risks are involved in a certain insurance service or insurance company (Kozmenko and Oliynyk, 2015). It is necessary to focus on the consumer. It is worthwhile to study the experience of a number of countries to learn that the increase in the insurance culture of the population occurred through the introduction of a number of compulsory types of insurance.

Russian insurers have traditionally focused their efforts on preserving and expanding the client base, agent and branch networks, without paying due attention to investment activities. Insurance operations, despite the high loss ratio for certain types of insurance, are the main source of income for the insurer. As for investment transactions, high efficiency is not typical. It is also necessary to state the lack of skills in the formation and management of the investment portfolio of most insurers, the lack of target units in insurance companies involved in the professional management of investments. However, the issue of wider involvement of the insurer's investment resources in the financial market should be considered jointly with other components of ensuring the financial stability of the insurer. Otherwise, we will face a situation where the insurers' investments in the real sector do not allow him to fulfill his obligations in time.

Therefore, it is obvious that it is necessary to take into account all the aspects - both increasing the amount of absorption of the insurer's resources in the economy, and the importance of maintaining and ensuring financial stability of the insurer. From these positions, there is a number of problems in the Russian insurance market.

Insurance companies reduce the volume of transfer of risks to reinsurance. Since the reinsurance system involved in the insurance company is one of the factors ensuring its financial stability, the fact of a decrease in the share of reinsurers is regarded as negative. This reduction occurs for two reasons. First, the low capacity of the insurance market. This prevents most insurers with the reinsurance license from accepting large volumes of risks for reinsurance protection. Secondly, during the crisis of the economy, the attraction of insurers' resources becomes difficult and the transfer of installments to reinsurance is regarded as unjustified expenses.

A significant expense line for Russian insurers is the cost of conducting insurance operations. At that, a significant share falls on the salaries of management personnel and commission fees to insurance intermediaries. The success of the insurance intermediary depends on the receipt of insurance premiums and the volume of investment resources. However, it should be taken into account that the cost of conducting business affects the cost of insurance services. At the same time, the insurance intermediary is in no way involved in providing insurance policyholders with insurance protection, that is, his activities often end at the stage of contract conclusion.

Low efficiency of investment operations. The contribution of investment operations in the formation of financial performance of insurance companies is extremely small. The reason for this is ineffective management of investment activities in the company, which does not use permitted and more profitable assets for investments. The task of optimizing the use of investment resources is closely linked with the task of forecasting the development of the insurance portfolio, solution of which, with acceptable accuracy for practical purposes, is possible only if there is sufficient statistical data and, most importantly, a significant number of homogeneous risks in the insurance portfolio. The heterogeneity of risks, due to their wide dispersion in insurance amounts, in the types of insured objects, as well as small sample sizes associated with underdeveloped and non-gross nature of insurance operations do not allow making forecasts confidently. Until recently, in the Russian insurance market, few companies could boast of a truly homogeneous and massive portfolio of basic types of insurance. At present, the situation is changing, more and more companies can forecast the development of the insurance portfolio, and as a result, they can plan investment activity and really assess their investment potential.

Most insurance companies do not have a worked out investment policy. Under investment policy, they consider investing in tools of affiliated structures or in bank deposits - low-yielding instruments. Here can help the transfer of funds to trust management. The transfer of the portfolio to management companies is a worldwide practice. However, insurers are still not actively transferring funds to trust management. The reasons, in our opinion, are the following:

- the ability to "live" at the expense of profitability of insurance operations, not particularly caring about the investment income of the investment portfolio;
- lack of a scientific approach to the construction of investment policy parameters;
- the need to pay the management company a fee.

In the trust management, analysts see both positive aspects and negative ones. Among the positive aspects, they see the lack of the need to have specialists in the stock market in the staff, with minimum risk and for a small fee transfer the asset management functions to the professional manager; the profitability of the majority of management companies exceeds the profitability of insurers, high risk diversification. As for negative aspects, they include duplication of operations, as insurers have to repeat in their accounting records all transactions conducted by the management company.

Trust management becomes relevant also because the progressive development of an insurance organization involves a gradual entry into the international market. In this regard, there are additional incentives to work with reliable and stable partners in the sphere of trust management of insurance reserves. In general, the investment activity of Russian insurers, under competition development, should increasingly become one of the main profit centers of the company, thereby increasing the sources of economic growth of the domestic economy. At the same time, a full-fledged insurance protection of enterprises is capable of indirectly increasing the economic opportunities of economic entities.

CONCLUSION

Successful investment activity of insurance companies is important from two perspectives. First, it is the basis for ensuring the financial stability of insurers. Secondly, investment resources accumulated by insurers are one of the sources of the state economic growth. The process of the state regulation of investment activity is based on the need to ensure the safety of the insurance fund reserves and insurers' own funds, since they will be the sources of loss cover for the insured (first - the insurance fund, with its lack - the insurer's own funds). Therefore, based on the regulatory measures of the state and the borrowed nature of the funds of insurance reserves, the investment policy of the insurer must be conservative.

It should be kept in mind that there is another interdependence between the insurance market and the state economy, in addition to the investment operations of insurers. Full-fledged insurance protection of economic entities against risks allows them to focus on other aspects of their activities. This allows them to release resources and allocate them for expanding business. That is, the expansion of proposals on the part of insurers, the emergence of insurance products that meet the current needs of economic entities can also ensure the forward movement of the economy. The possibilities of the insurance market are limited by its low capacity. Reinsurance abroad becomes an expensive service. Nevertheless, we believe that only with full protection against insurance risks economic growth and increased volumes of direct investment will be ensured. This is especially important in terms of sanctions risks escalation. Perhaps, it is necessary to study the issue of increasing the requirements for the minimum amount of authorized capital of insurers.

The carried out analysis allows us to conclude that, with a steady trend of reducing the number of insurers, their aggregate capital increases, and insurance reserves grow as well. However, their insufficient part is invested in the real sector of the economy. A significant amount of resources is allocated for investments with zero profitability.

The study showed that between the volumes of insurance premiums, investments of enterprises in the fixed assets, GDP and assets placed by insurers in the real sector, there is a high interdependence, which allows us to determine the importance of the insurance market for the state economic growth. However, only about 50% of the insurers' resources go to the real sector. The constructed model of interconnection made it possible to forecast the volume of investments in the economy from the insurance sector for the next three years. However, it should be noted that when considering the need for and the possibility of investing in the real sector, it is required to study not only the quantitative indicators, but also the qualitative ones. It is necessary to consider the existing model of state regulation, macroeconomic conditions of insurance and investment activities, as well as factors determining the demand for insurance products.

The calculated forecast indicators show that, under the current conditions and in the implementation of the planned indicators of Russian socio-economic growth, the next three years will ensure the investment increase in the economy from the insurance sector by 6% per year. However, it is necessary to focus on creating conditions that will allow insurers to increase the share of investments in the real sector in the total amount of funds they place.

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