CLASSIFICATION OF FACTORS AFFECTING THE FINANCIAL ACTIVITIES OF INSURANCE ORGANIZATIONS

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ABSTRACT:

The scientific basis and necessity of this scientific thesis are outlined regulation of the activities of insurance companies. Internal classification features and external factors influencing the activities of insurance companies are described.In international practice, research has been conducted on the main directions of state regulation of the insurance system.

When analyzing the financial stability indicators of insurance companies, it is important to classify the external and internal factors affecting them and reveal their main characteristics. The factors affecting the financial stability of insurance companies, according to a general approach, can be divided into external (uncontrollable) and internal (controllable) factors (Figure 1). It is worth noting that one of the main external factors affecting the financial stability of insurance companies is the legal framework for regulating this system in our country. It is precisely this fact that legal and regulatory documents regulating the insurance market are perfectly developed, which guarantees the effective operation of companies based on the implementation of strategic projects, making optimal decisions and achieving financial stability.

In addition, the main internal factors affecting the financial stability of insurance companies include the effective organization of the corporate governance mechanism in insurance companies, the ability to diversify insurance types and services, the correct organization of risk management, the optimization of the insurance portfolio, and the amount of insurance reserves. Based on the main idea that "there are no clearly defined quantitative financial indicators to have an idea of the financial stability of insurance organizations, but these indicators can be distinguished based on a number of characteristics of the insurance company," it is appropriate to analyze the financial stability indicators in a separate sequence.

The solvency of insurance companies is understood as the ability of the insured to fully and timely fulfill their monetary obligations in accordance with the terms agreed upon in the contract or legal documents. The determination of the solvency of insurance companies is based on the characteristics of their sector and industry. In addition, international financial reporting standards and international practice have their own characteristics of this indicator. In particular, in accordance with regulatory documents adopted in the countries of the European Union, the solvency of insurance companies is assessed by comparing the current state with a standard amount (norm) determined by solvency.

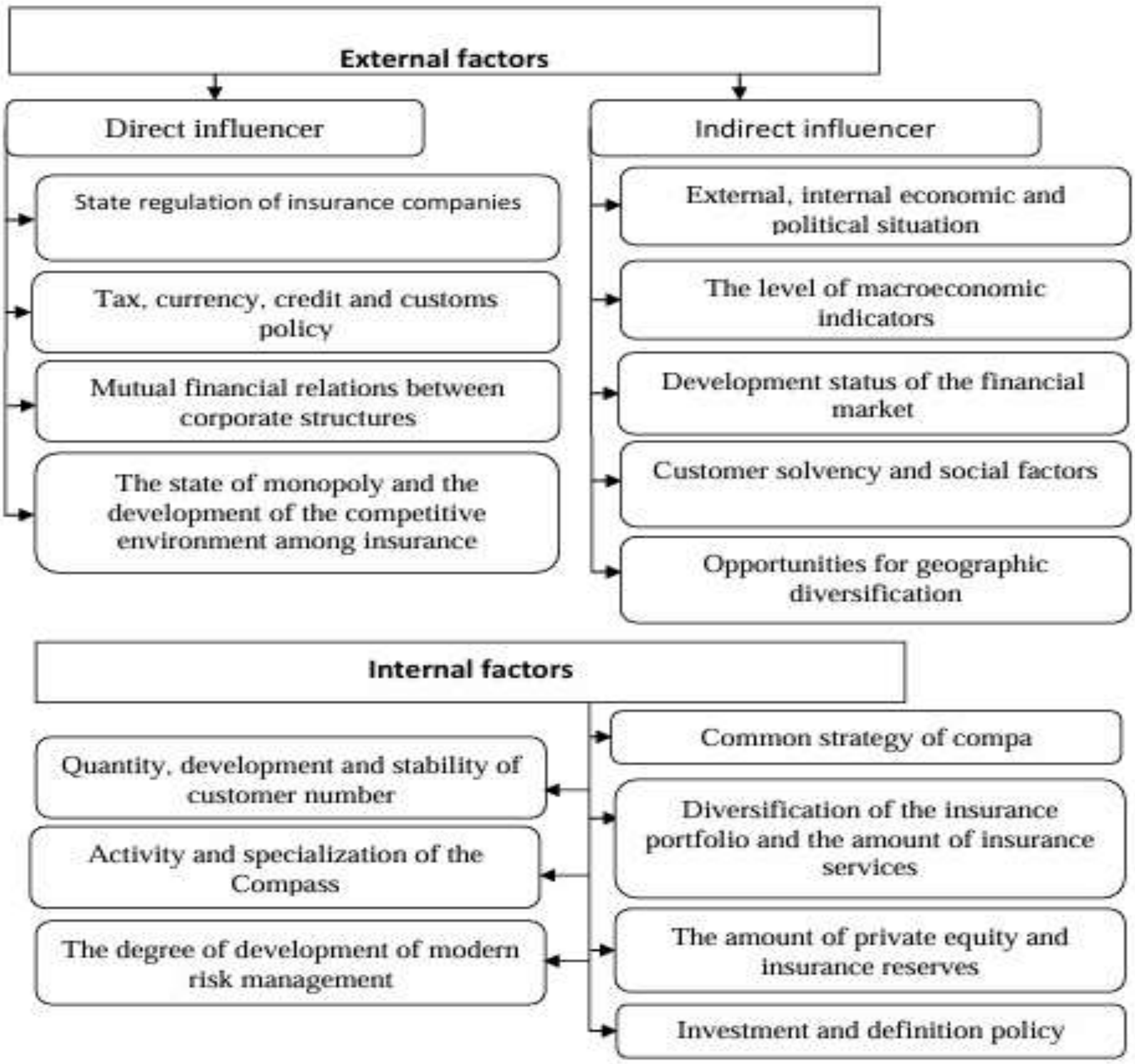

Figure 1. Classification of factors influencing the financial stability of insurance organizations.

In general, the level of solvency of an insurance company should answer the question of how much private capital is sufficient for the company to fulfill its obligations. Another important group of indicators that characterize the financial stability of insurance companies is liquidity indicators. The liquidity ratio determines the ability of an insurance company to fulfill its short-term obligations in the reporting year and cover current expenses associated with losses or insurance policy payments. Assessing the financial stability of insurance companies is one of the important tasks for all participants in the financial market. Assessing the financial stability of insurance companies only within the framework of certain indicators is a difficult process. Therefore, as we noted above, when assessing financial stability indicators, it is necessary to take into account all external and internal factors, in addition to financial ratios.

Although today a regulatory legal act has been developed to assess the effectiveness of joint-stock companies with a state share in the authorized capital, the provisions of this Regulation do not apply to commercial banks and insurance organizations. In our opinion, a regulation based on international standards and calculation methodologies of international rating agencies should be developed and put into practice to assess the effectiveness and financial stability of insurance companies. As a result, there is an opportunity to further increase the attractiveness of investors while developing a competitive environment among insurance companies.

In conclusion, the financial stability indicators of insurance companies are the most important indicator, and it is important to classify the external and internal factors affecting them and indicate their main characteristics.

One of the external factors affecting the financial stability of insurance companies is the legal framework for regulating this system in our country. Legal and regulatory documents are perfectly developed for the regulation of insurance markets, creating conditions for the effective operation of insurance companies, as a result of implementing strategic projects, making optimal decisions, and achieving financial stability on their basis.

In addition to the above, it is important to highlight factors such as the effective organization of the corporate governance mechanism in insurance companies, the possibility of diversifying types of insurance and services, the proper organization of risk management, optimization of the insurance portfolio, and the amount of insurance reserves as the main internal factors affecting the financial stability of insurance companies.

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