

The role of business insurance in the conditions of the forced industrial and innovative development

Dossalyanov Damir¹, Olzhabayeva Raushan¹, Sadvakassova Aigul²

¹PhD candidate, Kazakh Economic University named after T. Ryskulov, Kazakhstan

²Doctor of Economic Science, Professor, High School of Business "EurAsia", President, Kazakhstan
kairat_phd@mail

Abstract: In article value of insurance for the companies in the conditions of the forced industrial and innovative development is considered. The analysis of a current state of insurance branch of the Republic of Kazakhstan is carried out. Recommendations about improvement of relationship of insurance companies with corporate clients are made.

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1. Introduction

In any country with the developed economy all spheres of business activity depend on a condition of the insurance market practically. Insurance around the world is not only the guarantor of stability of business, but also incentive of its fastest development.

In modern economy insurance acts as the financial stabilizer allowing society to compensate damages which come owing to the unforeseen casual events causing a loss to the state, to business and the population. Without creation of insurance funds society wouldn't be able to cope with arising problems and to compensate the damage caused to economy.

2. Material and Methods

Modern methodical approaches to research of a control system by business risks are presented in works of such authors as Balabanov I. T., Seryogin E.V., Reytmann L.I., Mayanlayeva G. I., Druker I.F., Libveyn P., etc. [1, 2, 3, 4, 5, 6].

The Republic of Kazakhstan is allocated from all CIS countries with a high level of development of regulatory base and state regulation of the insurance market in spite of the fact that indicators of collecting awards and insurance payments in Kazakhstan are still lower, than at some neighbors in the CIS.

As of 01.10.2013 in Kazakhstan 35 insurance companies are registered. The policy and strategy of development of the insurance market of Kazakhstan defined by National bank consistently conducts the insurance market to norms and standards of the European Union, at preservation of the constructive relations with insurance companies of CIS countries. Defining moment in movement to the market relations is transparency and legality of insurance operations, correlation of the existing insurance

legislation of the Republic of Kazakhstan with norms of the European Union and the World Trade Organization. For rather short period of time in Kazakhstan essential work on creation of conditions for development of the insurance industry was carried out:

1. The operating legislative base regulating development of the insurance market was improved.
2. The RK national bank developed and introduced requirements and standards to the insurance and (reinsurance) companies.
3. Financial stability and solvency of insurance companies is provided.
4. Availability of insurance services, transparency and legality of insurance operations is provided.

Voluntary and obligatory types of insurance both exist. The insurance which is carried out by law is obligatory. Each type of obligatory insurance is a separate class of insurance. The maintenance of each class in an obligatory form of insurance and additional requirements for conditions of its carrying out are established by the act regulating this class of insurance. Types, conditions and order of carrying out obligatory insurance are defined by laws of the Republic of Kazakhstan. As the initiator of obligatory insurance in Kazakhstan the state which in the form of the law obliges legal entities and individuals to sign the insurance contract acts.

As a whole the insurance sector least suffered from financial crisis. Certainly, insurance directly depends on development of the enterprises and a population employment rate. At the same time insurance is institute of support, additional protection during crisis when managing subjects can't form additional provisions, it is more favorable to them to get the insurance policy for smaller money (Table 1).

Table 1-Structure of Insurance Payments

Insurancepayments	01.01.2012		01.01.2013		Gain, in %
	milliontenge	in% to a result	milliontenge	in% to a result	
Everything, includingon:	43 139,1	100,0	68 050,9	100,0	57,7
Toobligatoryinsurance, including:	11 737,4	27,2	16 168,7	23,8	37,8
civil responsibility of owners of vehicles	6 654,6	56,7	8 515,8	52,7	28,0
civil responsibility of a carrier before passengers	17,6	0,2	14,3	0,1	-18,8
insurance of the worker upon accidents at execution of labor (office) duties by it	4 792,1	40,8	6 484,5	40,1	35,3
Other classes of obligatory insurance	273,1	2,3	1 154,1	7,1	322,7
To voluntary personal insurance, including:	22 886,0	53,1	39 991,7	58,8	74,7
Life Insurance	244,5	1,0	450,9	1,1	84,4
annuityinsurance	13 796,9	60,3	28 994,0	72,5	110,1
insuranceuponaccidents	404,0	1,8	322,4	0,8	-20,2
insurance on an illness case	8 440,6	36,9	10 224,4	25,6	21,1
To voluntary property insurance, including:	8 515,7	19,7	11 890,5	17,4	39,6
insurance of the motor transport	1 311,1	15,4	1 601,1	13,5	22,1
property insurance, except for a motor, air, railway, water transport and insurance of freights	1 222,7	14,3	7 686,5	64,6	528,6
insurance of civil responsibility, except for civil responsibility of owners of a motor, air and water transport	493,2	5,8	1 832,2	15,4	271,5
insurance upon other financial losses	4 298,0	50,5	49,7	0,4	-98,8
other classes of voluntary property insurance	1 190,7	14,0	721,0	6,1	-39,4

Source: Committee for the control and supervision of the financial markets and financial organizations of the National Bank of the Republic of Kazakhstan [7].

Estimating a situation in insurance branch of Kazakhstan, it is possible to tell that, despite existence of very attractive opportunities, it remains quite inconsistent. It is available - positive factors (growth of insurance activity, existence of effective system of regulation), promoting strengthening of positions of insurance branch in economy.

In market economy managing subjects provide financial stability independently. The enterprises conduct business activity at own risk to lose property, not to get profit etc. Manifestation of forces of nature, fires, technogenic accidents, breach of obligations by contractors and other events for the enterprises are the objective phenomena. The statistics testifies that each 10 years the enterprise sustains severe loss. Therefore the enterprise has to consider this factor and always to be ready to possible accidents, compensation of the losses arising at the economic subject in the course of its activity [8, 9, 10].

Compensation of the designated losses is provided with insurance institute. Besides, through insurance issues of social security of the personnel are resolved. Thus, the enterprises objectively have a need for insurance protection of the property, other

property interests and social security of the personnel.

Insurance of property and other interests of economic subjects is corporate insurance. Depending on completeness of ensuring economic subject and other forms of realization of the insurance relations corporate insurance is considered by insurance and social protection in narrow and broad sense of the word.

In the narrow sense of the word corporate insurance means insurance of single or several risks of the economic subject. Corporate insurance in the broadest sense is the multirisk, combined, long-term insurance of property and other interests of the enterprise. This corporate insurance is comprehensive insurance which includes also insurance of catastrophic risks and the risks which aren't insured by classical insurance (risks of fluctuation of an exchange rate and goods prices, business and political risks, etc.).

Corporate insurance in the broadest sense besides comprehensive insurance protection of the economic subject and social security of its personnel promotes optimization of financial streams of the

enterprise, decrease in prime cost of goods, works and services and increase in its capitalization [11].

Optimization of cash flows of the corporate client is provided by development of the most convenient schemes of payment of insurance premiums and payment of an insurance. Besides, optimization of financial flows of the insurer is provided through direct or his indirect participation in authorized capital of the insurer thanks to what the corporate client has a possibility of management of financial streams, including placement of financial resources of insurance company. Optimization of financial streams of the enterprise is provided also with insurance use for tax planning.

Example of the most advanced form of the corporate insurance connected with optimization of financial streams of the enterprise, close relationship of banks and insurance companies which are shown besides the designated forms in the consolidated activity of noted financial institutions as on attraction, and investment of monetary resources are.

Decrease in prime cost of goods, works and services of the insurer when carrying out comprehensive corporate insurance is provided as follows. First, at long-term complex corporate insurance there is a combination of insurance risks and their distribution in time (unlike classical insurance when all risks are calculated separately and further are summarized if on insurance some risks are accepted). In the combined insurance interrelations of insurance events when, for example, approach of one event excludes approach of another are considered. As a result combined corporate insurance allows to reduce excess insurance [12].

Secondly, reduction of price of complex corporate insurance is reached in cases when the tariff rate is under construction in such a way that the corporate client pays for smoothing of annual losses and a covering of damages from catastrophic risks. In this case value of fund of self-insurance of the insurer by means of which the corporate client quickly overcomes the temporary difficulties connected with implementation of economic activity significantly increases.

Thirdly, comprehensive corporate insurance allows to realize the principle of reciprocity at microlevel when taking into account long-term statistics insurance premiums of corporate clients correlate with their average annual losses. At such form of the organization of the insurance relations at the enterprise the effective economic mechanism stimulating corporate insurers to reduce expenses for insurance is formed. As a result the corporate client has a strong motivation of reduction of degree of risk, reduction of expenses for insurance and, thus,

efficiency of business of the economic subject increases.

Fourthly, decrease in expenses at the corporate insurer is reached by minimization of expenses on service of contracts of insurance that is provided as cumulative reduction of expenses by conducting business of the insurer at complex insurance, and long-term insurance.

Corporate comprehensive insurance allows to increase also enterprise capitalization as the corresponding insurance provides stability of financial result of activity of the economic subject.

The formulated criteria of comprehensive corporate insurance in essence reflect the principles of its organization - complexity, a combination and long term.

The principle of complexity means the accounting of all system of risks of the corporate client.

The principle of a combination of insurance risks provides the accounting of possible interrelation of risks. This principle reduces excess insurance. The effect of the combined insurance is realized when carrying out complex insurance at one insurer or within an insurance pool.

The principle of long term means the organization of the insurance relations of the insurer with the corporate client on a long-term basis that provides realization of unprofitable approach to regulation of claims of the insurer, optimization of his financial streams and real financing by the insurer of the actions directed on reduction of probability of approach of insured events and possible damage and at the enterprise.

Practice of corporate insurance in the Republic of Kazakhstan is mainly limited to insurance separate or groups of risks of corporate clients. Corporate insurance is widely shown in service of financial flows of economic subjects and is directed on minimization of their taxation. This form of insurance service of the enterprises is provided with different types of salary life insurance. Such life insurance is not quite legitimate and with development and improvement of the tax and insurance legislation will be minimized.

Objectivity of corporate insurance is caused by need for insurance protection of property interests of the enterprises and various forms of social security of their personnel which formation is in dependence from a number of factors, including state of the economy, a financial position of the managing subject of insurance culture etc. Needs for corporate insurance have not only directly insurance contents. Insurance is used by economic subjects for optimization of financial streams of the enterprise, legalization and extraction of the income. Needs for

insurance are realized in the insurance relations at the conclusion of the relevant contracts of insurance. Potentially conscious insurance requirements remain unrealized if the enterprises experience financial difficulties, insurers overestimate insurance tariffs, the enterprises don't trust insurance companies, insurance products don't correspond to real demand etc.

Needs for corporate insurance and the factors constraining their satisfaction, are elastic categories. They possess properties of variability both owing to the internal contents, and owing to environment influence. Therefore studying of requirements for insurance and conditions of their satisfaction is necessary in activity of insurance companies when developing strategy and tactics of the insurer. It is necessary for formation of national insurance policy. Studying of requirements for insurance is important for the corporate client for determination of their price and a place in system of methods of control over risks.

The market of corporate insurance represents difficult dynamic system. Like the general structure, the market of corporate insurance includes such components as an insurance product and infrastructure of insurers on interaction with corporate clients. The insurance product can be defined as a set of the main and support services directed on satisfaction of needs of corporate clients in separate types of insurance activity. Research of intrinsic aspects of an insurance product allowed to mark out properties of the general type: intangibility; not keeping; inseparability from a source; inconstancy of quality; urgency; convention; guarantee existence; continuity of process of production and consumption, and also distinctive properties of insurance products for typical and corporate clients. In the market of corporate insurance realization of insurance products is carried out by direct sales directly the staff of insurance company, without expenses on a commission. The complex of insurance services offered corporate clients, has to provide an optimum level of insurance protection and the full size of an insurance covering.

On development of the market of corporate insurance have impact a set of negative factors to which number it is possible to carry:

- existing level of solvency and demand for insurance services;
- absence of motives for the conclusion of contracts of insurance;
- lack of the conventional international standards of quality in insurance;
- mistrust of potential clients to insurance companies;

- big depreciation of fixed assets in some branches of national economy;
- low level of service of corporate clients;
- insufficient development of the reinsurance market: the volume of operations of the professional national overcautious persons registered in Russia is insignificant;
- imperfection of legal and organizational support of the state insurance supervision;
- lack of system of measures for improvement of the legislation on taxes and fees in the sphere of the market of insurance services;
- considerable regional disproportions and backwardness of its infrastructure: insurance brokers, underwriters, appraisers, experts, actuaries, auditors in the insurance sphere;
- imperfection of internal organizational business processes of corporate insurance, etc.

3. Results

For creation of customer-oriented strategy of development of insurance company in the market of corporate insurance, the author offers the following most priority directions of improvement of internal business processes:

- transformation of organizational structure of sales in insurance company with orientation to needs of the client that assumes formation of department of work with corporate clients with horizontal technological communications;
- development of structurally functional model of process of insurance of the corporate clients, consisting of the following elements: carrying out an expert assessment of objects of insurance; enterprise certification; creation of system of insurance protection; creation of system of settlement of insured events; reinsurance of large risks; aftersales service.

Corporate insurance is expedient for the insurer as insurance payments there are less than probable insurance compensations, besides additional expenses on implementation of corporate insurance allow to cut probability of emergence of adverse events, to increase service of insurance service and to improve a control system of risks.

Corporate insurance is expedient for the insurer as elements of this system provide it favorable client base.

4. Discussions

Developments of corporate insurance demand from subjects of the insurance market of development of insurance policy. The state policy of the Republic of Kazakhstan, in the field of corporate insurance, has to be directed on socially - economic development of the region, by economic,

organizational and legal regulation of the relationship arising in the insurance market.

Formation of the civilized insurance market and its development is closely connected with existence of fair competition, increase of insurance culture and quality of provided services. In this regard creation of a uniform information field is obviously necessary.

For creation of the legal, economic and organizational conditions necessary for development of the corporate insurance market of the Republic of Kazakhstan and for protection of interests of subjects of the insurance market, the author recommends formation of the comprehensive program of development of corporate insurance in the region which determine the main directions of a state policy of the Republic of Kazakhstan by development of system of insurance protection of property interests of legal entities.

Corresponding Author:

Dr Sadvakasova
High School of Business "EurAsia",
President, Doctor of Economic Science, Professor,
055990, Panfilov str., 98, Business Centre "Old
Square",
Almaty, Republic of Kazakhstan
E-mail: kairat_phd@mail.ru

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