BULLETIN OF NATIONAL ACADEMY OF SCIENCES
OF THE REPUBLIC OF KAZAKHSTAN
ISSN 1991-3494
Volume 3, Number 373 (2018), 130 – 136

UDC 368: 628

R. Safarov[1], N. Kushzhanov[2]

[1]Azerbaijan National Academy of Sciences, İnstitute of Economy, Baku,
[2]Turan-Astana University, Astana, Kazakhstan.
E-mail: rsafarov@a-group.az kushzhan@bk.ru

METHODS FOR IMPROVING THE SOCIO-ECONOMIC EFFICIENCY OF STATE REGULATION OF INSURANCE ACTIVITIES IN THE DIGITAL ECONOMY

Abstract. The article examines the features of the organization of the country's system and the trend of development of international insurance in the digital economy. The development of the insurance market in Azerbaijan and the factors affecting it are assessed, the analysis with the CIS countries, the EAEC is conducted. Proposals on the main directions of development of the national market are being put forward.

Key words: national economy, insurance market, financial sector, market instruments, cyber risks, cyber insurance, digital economy.

Insurance services, considered one of the leading branches of the economy. The development of the insurance market is estimated by the specific weight of the country's insurance markets in GDP. On the other hand, this indicator also determines the level of development of market institutional systems in different countries, and also expresses their attitude to insurance. The level of development of insurance services in socio-economic life is still not satisfactory. It is extremely important to effectively use the existing potential for the insurance market, increase the insurance premium systematically and consistently strengthen the insurance sector in Azerbaijan.

At present, the insurance market of Azerbaijan is at the very beginning of the development process. That is, despite the fact that today's insurance market and the potential of the country's economy are higher than in the current situation, the insurance market in recent years is experiencing a recession. According to world insurance experts, in countries with a stable economy at least 2% of GDP (gross domestic product) should be insurance premiums. In our case, given the fact that Azerbaijan's GDP in 2016 is 63 billion manat, it is logical that the volume of the insurance market should be at least 1.2 billion manat. Last year, given that the insurance market amounted to 485 million manat, this indicator shows that the GDP is 0.8%.

It should be noted that an important part of measures to improve financial services falls on the insurance market. The insurance segment, which is distinguished by its uniqueness, is based on market freedoms, but state regulation has always been necessary. Practice shows that the problem of the regulatory role of the state in the market system of economic relations has always been in the focus of scientific and public opinion throughout the history of the world economy. Representatives of many leading economic schools (neoclassical, institutional, institutional) expressed different views on the essence, purpose, form of state regulation of the economy and other issues. The search continues for the optimal balance between state regulation and self-regulatory economic instruments.

The insurance market in each country is estimated by the volume and rate of growth of real insurance premiums, that is, the funds that insurance companies receive from the sale of policies. In 2016, the world leaders in this indicator were the US - $ 1.35 trillion of insurance premiums a year, Japan – $ 471 billion, and China – $ 466 billion. Data on the results of 2017 yet, but analysts believe that China is likely to take the second line in the ranking, pushing back Japan. Part of this success is due to the fact that the Chinese government has consistently taken measures to stimulate the purchase of insurance policies.

Another important indicator of the world market is the share of insurance premiums in the GDP of a country or region. In this parameter, Taiwan leads, where insurance premiums provide 19% of GDP, Hong Kong (17-18%), South Africa (14%), South Korea (13%) and Finland (12%).

The data of a major international insurer Swiss Re for the year 2016 revealed the following trends in the insurance market:

Continental China is the leader in the growth rate of the insurance market among developing countries. The growth is mainly due to the life and health insurance market, which has increased by 9.6% over the year.

Among the developing countries, India is considered the second most promising insurance market, largely due to the fact that the economy of the country showed in 2016 the highest growth rate in the world. Due to the active reforms of the Prime Minister of India, growth will slow in the next few years, but the same reforms will have a positive effect on the insurance market in the long term.

The markets of Mexico, Spain, Indonesia, Turkey, Vietnam and Morocco show significant growth. The markets of Russia and Kazakhstan are also growing, but at a slower pace. Growth is provided mainly by life and health insurance, in contrast to Western Europe, where a small increase shows only the property and liability insurance market.

Negative trend, that is, a reduction in the volume of insurance premiums received, is evident in Argentina, Ecuador, Australia, Japan, Peru, Nigeria, Algeria, Sweden, Lithuania and Saudi Arabia. Of the major countries, Nigeria and Argentina are worst off - 11.4% and minus 16.8% of insurance premiums compared to 2015. Sensitive changes occur in Japan, which is traditionally one of the leaders in the insurance market, while at the same time in 2016 showed a decrease in the volume of insurance premiums by 5.1%. In the same year, cases in Australia and Sweden were not very good, minus 5.8% and minus 5%, respectively, but Australia is likely to show growth in 2017.

The market of insurances, not related to life and health, is growing mainly due to the sale of policies for cars. Another notable driver in the developing part of the world is infrastructure investment in Southeast Asia. Nevertheless, the United States remains the leader in property and liability insurance, which occupies 46% of the world market.

A long-term trend in all countries - the transfer of sales policies online and the significant costs of insurance companies to create an IT infrastructure. First of all, the most standardized products are transferred to the Internet: insurance for cars and real estate. In this area, the leader can be called Britain, in which more than 50% of policies for cars and about 25% of insurances for real estate individuals buy online. Mobile services are most rapidly developing in countries of Africa, Asia and South America, where many residents can access the Internet only from the phone.

Nevertheless, in general, the process of digitalizing the insurance market is slow. This is due not only to poverty and limited Internet access in developing countries, but also to legislative restrictions and, for example, the reluctance of small insurance companies in America to bear the costs of providing an IT infrastructure. In addition, direct online sales of policies hamper the existing network of brokers, which creates problems for insurance companies in developed countries. In addition, there is a cultural problem: in the case of complex products, in particular, health insurance, many buyers are easier to discuss the conditions and features of the policy with the broker than to study the issue on the Internet. Perhaps this problem will be resolved through the introduction of bots-assistants: according to the Accenture survey, 71% of people are ready to use the advice of the bot when choosing insurance online.

The global insurance industry is affected by the global macroeconomic and financial environment and thus exposed to weak economic growth, low inflation rates, volatile financial markets and the persistent low interest rate environment. Since the crisis, premium growth has generally remained below pre-crisis levels. Underwriting is under pressure, but remains profitable. The protracted low-yield environment is eroding life insurers' capital positions, particularly for companies offering products with long-term guaranteed rates and big duration mismatches between assets and liabilities. Non-life (re)insurance is subject to soft market conditions, which partly can be regarded as an unintended consequence of the current low interest rate environment, reflecting the convergence of capital and insurance markets.

The study of the systems of state regulation of insurance markets evidently demonstrates that the use of financial regulation tools is based on these systems. The main goal of state financial regulation is to ensure the sustainable development of national insurance markets in order to enhance social and economic stability in society.