НАПРЯМ 5. ФІНАНСИ, БАНКІВСЬКА СПРАВА ТА СТРАХУВАННЯ

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DOI: https://doi.org/10.36059/978-966-397-441-5-24

INVESTMENT ACTIVITIES OF INSURANCE COMPANIES

In the modern world, insurance companies are the most important institutional investors, from the point of view of the development of the country's economy, which collect large financial funds. This contributes to the most effective movement of funds, therefore the insurance sector is very important for the development of the economy, and, consequently, for attracting investments. The activation of the investment process can be largely ensured by the effective use of insurance resources of domestic insurance companies. And, therefore, the investment capabilities of insurance companies are determined by the economic nature of insurance.

It is worth noting that investment activities have become an integral part of the insurance business, and this is noted in their works by domestic and foreign scientists who indicate that the main activity of an insurance company is often associated with losses that can be compensated for by profits from investment and financial activities. Accordingly, the investment opportunities of insurance in Ukraine are growing from year to year, as evidenced by the analysis of the dynamics of the share of net insurance premiums, and therefore, insurance companies are acquiring the qualities of powerful institutional investors [3, p. 41].

It should be noted that the peculiarity of the activities of insurance companies is that they are able to dispose of funds received from policyholders for a certain period. That is, the insurance mechanism allows insurance organizations to collect and accumulate contributions from policyholders in the form of insurance premiums, and to make insurance payments only when an insured event actually occurs. In this case, the period when funds will be needed to repay the insurance company's obligations is very important.

Accordingly, the investment potential of an insurance company consists of the funds of policyholders in the form of insurance premiums and equity. In turn, the insurer's equity is formed at the expense of contributions from shareholders or participants with subsequent deduction of funds to reserves and funds [4, p. 106]. Thus, each insurance company has at its disposal two groups of funds (Figure 1):

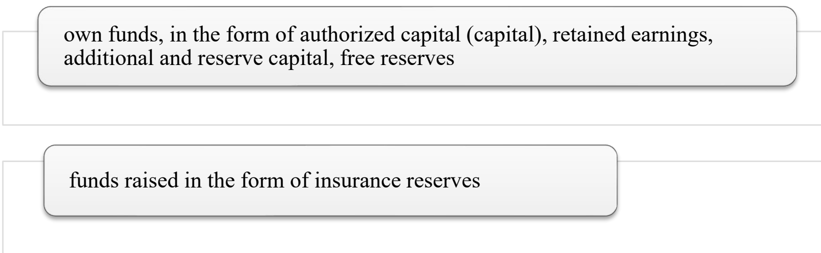

Figure 1. The main groups of insurance company funds

Directions for investing funds belonging to the first group are not stipulated by law and insurers can dispose of them at their own discretion. When carrying out investment activities, placing insurance reserve funds, insurers should take into account the requirements of current legislation, i.e. adhere to the legally regulated areas, standards and principles of investment, such as [2, p. 152]:

– the principle of safety (means the placement of assets in such areas that ensure their return in full, i.e. the choice of the most reliable investment areas);

– the principle of profitability (investment activity involves not only the preservation of investments, but also must bring income. Insurers must ensure the profitability of investments when placing reserves);

– the principle of liquidity (means that the structure of investments must ensure that the insurer has resources that can be quickly and without additional costs converted into cash);

– the principle of diversification (distribution of investment risks into different types of investments, which reduces overall risk and, consequently, increases the stability of the insurer's investment portfolio).

It should also be noted that investing in insurance funds is significantly different from other types of investment activities. This is due to both the risky nature of insurance and the fact that insurance reserves act only as temporarily free instruments that can be required at any time to fulfill insurance obligations. Therefore, when carrying out investment activities, it is necessary to comply with the requirements that the directions of investment resources should be appropriately conditioned and reliable for both the insurer and the insured.

The effectiveness of the insurer's investment activities depends on the development of the financial market, as well as on the possibility of free access to it by insurance companies. Therefore, the situation and prospects for the development of the insurance market depend primarily on the chosen development strategy of insurers, and to a large extent on the effectiveness of anti-crisis measures that must be taken by the state. A promising direction for the development of insurers is the introduction of new types of insurance services, which will allow increasing the amount of funds that can be used in investment activities.

The investment structure of insurance organizations engaged in life insurance, as well as other types of insurance, is very different. For example, for insurance companies engaged mainly in other types of insurance than life insurance, the principle of profitability is of less importance, and the main principle of investment activity is liquidity.

In life insurance, insurers can invest a significant part of their reserves in relatively long-term investment projects [5, p. 39]. As a result of life insurance operations, the accumulation of long-term cash capital is ensured, and life insurance funds are the main and most important sources of investment for insurers.

Thus, the role of insurance companies as a provider of capital is determined by two factors: the amount of resources they possess and the period during which these resources can be used. In turn, the growth of investment capital is due to the presence of insurance reserves, which increase with the expansion of insurance operations and equity [4, p. 110]. Due to the fact that the volume of reserves and the term for which they are placed turn insurance companies into the most powerful financial and credit institutions, in countries with a developed market, insurance is recognized as a strategic sector of the economy. Accordingly, the investment activities of insurance companies abroad are so large-scale that many insurers have specialized departments that are engaged in the management of investment portfolios. Therefore, the activities of insurance companies have begun to go far beyond the insurance, and this is decisive in classifying them as financial intermediaries. In countries where there is a high level of competition and unprofitability of insurance operations, the issue of profitable and proper placement of free funds is very important for the management of any company.

To ensure the effectiveness of the investment activities of an insurance company, an established and orderly management system is necessary, capable of adapting and perceiving investments. The concept of investment management of insurance companies allows systematizing and distinguishing the characteristic features of insurance companies: it is based on a certain combination of theory; systemic, situational and target approaches to the activities of an open socio-economic system (including the micro level: enterprises, organizations, institutions and others).

Improving the investment activities of insurance companies in Ukraine should be aimed at diversifying investment investments with an increase in long-term investments, increasing the efficiency of investment activities, increasing the profitability of investments, increasing the efficiency of interaction between insurers and non-bank financial institutions, supporting the real sector of the national economy [1, p. 15]. In view of this, it is advisable to implement measures of a regulatory, organizational, methodological and informational nature.

Thus, investment activities affect the financial position of insurance companies, and a correctly chosen investment strategy is the key to the future profit and high solvency. This makes operations on investing temporarily free funds a necessary condition for the functioning of insurers. Accordingly, the accumulation of investment capital of insurers is due to the presence of insurance reserves, which increase with the expansion of insurance operations, and equity. In turn, the possibilities of an insurance company's participation in the investment process are determined by its investment potential, in particular the set of funds that are temporarily or relatively free from insurance obligations and are used for investment in order to obtain additional income. That is why optimizing the investment potential management process is a rather urgent task among insurers. And the choice of a management model depends on the size and financial capabilities of the company, the chosen investment policy, the presence of direct and indirect state restrictions or incentives for the choice of investment partners and the conditions of their activity.

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