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Modern State and Trends of Implementation of Investment Activities of Insurance Companies in Developed Countries

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Abstract: The article analyzes the modern state of investment activities of insurance companies in developed countries, especially Great Britain and the countries of the European Union, and shows the development trends. The participation of foreign insurance companies in international insurance markets through branches and branches in different countries is covered.

Key words: Insurance companies, insurance premiums, insurance operations, joint stock companies, mortgage loan resources, reserve funds.

Great Britain is one of the most developed countries in the world. Over the next ten years, the contribution of the British industry to the development of the world economy has significantly decreased, although the competitiveness of its goods in the international markets has decreased, but the financial and credit system of Great Britain still occupies one of the leading positions in the world.

UK financial institutions primarily hold large shares of insurance companies, industrial enterprises, and this situation leads to the consolidation of insurance and industrial capital. According to some data, about 30% of the assets of insurance companies correspond to the shares of large industrial companies. Not only that. Today, in Great Britain, insurance companies have a unique position in attracting temporarily free funds of the population and businesses to the economy. For example, in 1958-1962, about 50 percent of private savings were collected through insurance companies and non-state pension funds, and in 2020, this indicator has not changed. For this reason, insurance companies in Great Britain are rated as "Financial Intermediaries" or "Large Institutional Investors".

Insurance companies operating on the basis of market relations are an important strategic sector of the UK economy. In 2020, insurance premiums collected by insurance companies exceeded a total of 157.5 billion pounds. This is 12.5% of the GDP. It should be noted that almost 45% of the collected insurance premiums correspond to insurance operations carried out by insurance companies in foreign countries. If we analyze the structure of the UK balance of payments, we see that 50% of foreign exchange earnings are accounted for by insurance premiums. British insurance companies successfully carry out insurance operations in 43 countries of the world.

It is no exaggeration to say that the following factors influenced the active development of the insurance business in Great Britain. First of all, there is a system of minimal control by the Government or legislation to allow business to run freely. This certainly applies to foreign insurance companies operating in the UK. Currently, about 150 companies from foreign countries are conducting insurance operations in the UK insurance market. Secondly, a significant part of the commercial deals reached on the world scale is accounted for by England. If there are objections to the execution of the contracts, the insurance companies will immediately pay the insurance coverage. This, in turn, creates conditions for business development at the international level.

For decades, the UK has developed a system of taxation that is convenient for everyone. The current taxation system encourages the formation of large reserves and their investment.

UK national insurance companies participate in international insurance markets through their overseas divisions and branches. Foreign country insurance companies are interested in pursuing UK markets, carrying out international insurance operations in London and serving multinational companies. As we noted above, a large part of insurance premiums collected by insurance companies is formed at the expense of their operations in foreign countries. For example, 68.4 percent of the insurance premiums of the "Royal Insurance" company came from external sources. Also, about 60 percent of insurance premiums of "Commercial Union" and "General Accident" companies came from foreign countries. The main part of these funds comes from the USA and Canada.

Insurance companies allocate temporarily free funds to the development of industrial, transport, trade and other joint-stock companies. Insurers spend a large amount of their money on this investment object, which can be explained by the fact that the shares are highly profitable, and the insurance company can buy a large number of shares of the joint stock company and establish control over this company. But, in addition, with the decrease in the share price, insurance companies can suffer a lot.

In recent years, UK insurers have been sending large amounts of their funds to finance real estate transactions. Currently, investment in real estate makes up 15% of total investments (according to long-term insurance contracts). One of the positive features of investing in real estate is that real estate is reliably protected from the process of depreciation of money. However, this investment object also has several negative aspects. For example, in practice, it is quite difficult to sell real estate at a profitable price in the short term.

UK insurance companies can use their temporarily free funds as mortgage loan resources or keep them as bank deposits. In 2005, insurance companies invested 260 billion pounds. It can be seen that insurance companies make an important contribution to the development of the economy.

According to some data, there are about 830 insurance companies operating in Great Britain. In accordance with the current legislation, insurance companies must obtain a special license from the Department of Trade and Industry to carry out operations on certain types and categories of insurance. Based on the established classification, there are 7 types of term insurance and 18 types of general insurance (property, civil liability and accidents). Currently, 300 companies provide aircraft insurance and 433 companies provide marine insurance, making up the core of the UK aviation insurance market.

In general, the UK insurance market is divided into two parts:

- life insurance market;
- general insurance market.

In 2020, 103.5 billion pounds or 65.7% of collected insurance premiums were in the life insurance market, and 54.0 billion pounds or 34.3% were in the general insurance market. life insurance operations are carried out by companies specializing in the implementation of these types of insurance. In the life insurance market, contracts are mainly concluded for the following types of insurance: individual life insurance, pensions and annuities, continuous health insurance, group life and pension insurance. The availability of tax credits for individual life insurance allows you to collect a large amount of insurance premiums for this type of insurance. Needless to say, insurance companies are also paying huge amounts of life insurance coverage. For example, in 2020, a total of 17.6 billion will be paid to policyholders under individual life insurance. paid in pounds sterling.

In Great Britain, the provision of insurance services to residents and other potential customers has developed to such an extent that it takes into account the income and interest of each family and citizen. Currently, 12 insurance companies have introduced life insurance for low-income individuals. A distinctive feature of this type of insurance is that insurance premiums are collected once every 2 months. Insurance premiums are collected by agents and there are about 35,000 of them.

In 2020, UK insurance companies will pay 54.0 billion in general insurance types. have collected insurance premiums in the amount of pounds sterling. The bulk of these funds came from fire and accident insurance.

Officially registered insurance companies in Great Britain include shipowners' liability mutual insurance clubs. Currently, 6 clubs are operating, the largest of which are "United Kingdom" and "Britain". The club insures the liability of ship owners for damage to third parties. In addition, the clubs carry out liability for cargo damage, ship collision liability, and marine oil pollution liability insurance. Insurance premiums paid by shipowners to the club's insurance percentage are determined by the ship's carrying capacity, class and other technical parameters.

Today, the Bank of England oversees insurance companies in Great Britain. It has a special insurance control department. The Bank of England grants a license to all insurance companies operating in the UK. Usually, the license gives the right to engage in certain types of insurance. According to the European Union directives, from January 1, 1978, 7 types of long-term insurance and 18 types of general insurance will be licensed. Before issuing a license for a particular type of insurance, the Department of Trade and Industry must make sure that the insurance company can carry out operations under this type of insurance. Therefore, along with the application to the Department of Trade and Industry, a company applying for a license must provide information on initial capital, intended insurance operations, insurance policies, insurance premium rates, and operating costs. Also, information about the manager and chief accountant of the insurance company being established will be submitted to the Department of Trade and Industry.

According to the current legislation, all insurance companies operating in Great Britain are required to publish a report on the operations carried out in the press within 6 months after the end of the reporting year, before submitting it to the Bank of England, it is mandatory to be checked and approved by independent auditors. The report of insurance companies includes:

- the balance sheet of the company;
- profit and loss account;
- analysis of dynamics of insurance premiums;
- information on changes in long-term insurance percentage;

The Bank of England pays special attention to the level of solvency of insurance companies. All insurance companies must strictly adhere to the economic norms established by the 1977 European Economic Community Directives and the Insurance Companies Act, i.e., the ratio between assets and liabilities, in order to meet the legal requirements for solvency. It should be noted that these requirements are set separately for companies located in the territory of the European Economic Community, and separately for companies located outside the territory of the European Economic Community.

According to the legislation adopted in 1981, all insurance companies registered in the countries of the European Economic Community must adjust the level of solvency for general insurance operations to the requirements set by the country where this company is located. In the countries of the European Economic Community, the ratio between the asset and the liability of an insurance company is set separately for companies specializing in life insurance, for companies that carry out general types of insurance.

The Bank of England controls the premium rate set by insurance companies. An insurance company can insure at the highest rate it wants if it finds a customer. In some cases, the insurance company can lower the rate and complicate its solvency. The bank will take action against such companies and demand an increase in the insurance premium rate.

The Bank of England has the right to intervene in the current activities of insurance companies in order to protect the interests of policyholders. If the insurance companies provide false information to the Bank, in this case, it may apply punitive measures against these companies. If the bank finds deficiencies in the activities of the insurance company, it will instruct the insurance company to eliminate these deficiencies. If this instruction is not fulfilled within one month, the company will not be allowed to conclude new insurance contracts and carry out investment activities. Most importantly, if the insurance company fails to fulfill its obligations or the company's accounting is not conducted in the prescribed manner, the Bank makes a decision to liquidate this company.

In Great Britain, insurance has developed so much that it can be seen in the example of some laws passed by the parliament of the country. For example, "On protection of the interests of the insured". The law ensures that every UK citizen who has an insurance contract with an insurance company is protected at all costs. This in turn encourages policyholders to purchase insurance policies with confidence. In accordance with the requirements of the above-mentioned law, in the event of liquidation of the insurance company, the fulfillment of its obligations to the insured is assigned to the Council for the protection of the interests of the insured. First, before the liquidation of the insurance company, the Board will take special measures to restore the financial condition of the company.

Tax policy has an important role in the state regulation of the insurance system in Great Britain. The fact is that for many years, policyholders who have concluded long-term life insurance contracts have been given benefits in paying income tax. For example, in case of whole life insurance, if the insurance premium is paid for a period of not less than 10 years, if the amount of the insurance sum is not less than 75 percent of the total paid insurance premium, the income tax rate paid by the insured is reduced to 15 percent.

It should be noted that insurance companies have a great advantage in paying corporation tax. If other structures of business pay profit tax at the rate of 35 percent, the tax rate in favor of insurance companies is 30 percent.

As can be seen from the above information, the investment activities of insurance companies in developed foreign countries have progressed. In particular, insurance companies direct temporarily free funds to the development of industry, transport, trade and other joint-stock companies. Insurance companies are one of the main players in the stock market in developed countries. Funds collected through the insurance market or any other financial market are ultimately channeled into the productive sector, that is, the sector where the general social product is produced, where value is created, and all forms of financial markets ultimately serve this purpose. In developed countries, money flows are directed to the production sector mainly through the stock market.

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