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THE ROLE AND VALUE OF INSURANCE COMPANIES IN THE INVESTMENT PROCESS

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Summary. Investment activity of insurance companies and its role in providing of economic development is determined in the article. The features of insurance companies when in use of investment potential are analyzed in the article.

Key words: *insurance companies, institutional investors, investment function, investment potential, investment, insurance reserves.*

The aim of the research is to determine the role and value of insurance companies' investment activity in an investment process, taking into account their considerable investment potential.

The growth of the investment potential of insurance companies is related to the development of insurance business on the whole. Taking into consideration the world indexes of insurance companies' participation in the investment process, a domestic insurance market must strengthen its position considerably. The possibilities of such a powerful investment investor, in relation to the accumulation of money of population and enterprise structures and their placement, are used not to a full degree.

In the developed countries insurance companies in their investment capacity go ahead common institutional investors – banks and investment funds. However, another situation is observed on the domestic financial market. Here an undeniable leader in the assets capacity is a bank system. The institutional investors of a non-bank type grow their assets insignificantly and do not create the proper alternative for a bank sector in the sphere of financial mediation. Determining the location of insurance companies among non-bank financial institutions, it is possible to establish that in the capacity of formed assets, they occupied a leading place till 2007 (specific gravity of their asset in general assets arrived at 58 %). However, since 2008 this part has been diminishing annually and went down to 26,14 % in 2012. Since 2008 and until now the most indexes, that is over 70 % of general assets cost, investment funds have.

The influence of insurance companies on activation of investment processes has a dual display: me-

diated and direct. The mediated display is related to stimulation of investment activity of insurer by insurance of his interests and diminishing of losses in the case of unforeseeable negative events. The direct influence shows up in the active use of own investment potential with the purpose of investment profit receipt.

Debatable is a question of equivalence of insurance and investment activity in insurance business. The researchers' opinions on this problem are ambiguous; however all of them share an idea, that these types of activity are closely related. Changes that have taken place at the financial market resulted in getting up of importance of investment activity and denial of its second-rate value.

The most valuable insurance companies as investors are companies with life-insurance, but not risk-insurance companies. As they conclude insurance contracts on the protracted term (5, 10, 20, 30 years), long-term backlogs of bonuses appear, and this enables them to place the got money resources in long-term financial instruments. Risk-insurance companies do not have such unique advantages; their accumulated resources have short-term character (up to one year) and can be claimed at any time, which brings some peculiarities in an investment policy in choosing short-term and liquid investment instruments. The liquidity of investments of risk-insurance companies prevails over their profitability, as there must be the foreseen possibility of immediate alienation of resources from an investment process to fulfill the commitments before insurer in relation to insurance payments, terms which are difficult to be predicted. The control after the observance of li-

quidity is an obligatory requirement for providing of insurer financial firmness.

Among negative tendencies it is necessary to mark the diminishing of amount of life-insurance companies, which are the important suppliers of long-term investment resources in the national economy, which in its turn is the evidence of insufficient developing of financial market on the whole and insurance market in particular.

The latest financial crisis has made allowances in the investment policy of insurance companies in fa-

vour of strengthening of conservative strategy in part of direction of greater part of facilities of insurance backlogs in more liquid and reliable assets, namely bank deposit and state bonds, with considerable reduction of investments in an action. Such an approach is inherent both to domestic and world insurers. On the whole, it is possible to assert that financial resources of insurance company are the substantial source of investments in the economy of the country, and an insurance company itself appears to be a powerful institutional investor.

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