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# ASSESSMENT AND ANALYSIS OF THE CURRENT STATE AND DEVELOPMENT TRENDS OF THE INSURANCE MARKET SYSTEM

**Abstract**

The positive difference between all assets of the insurer and its liabilities is used to fulfill insurance obligations in the event of insufficient insurance reserves. The essence of the current methodology for assessing the solvency of an insurance organization comes down to comparing the actual size of the solvency margin (the actual size of the insurer's net assets) with its standard size, calculated with the data of the insurance organization being assessed in accordance with the instructional materials.In economic terms, the regulatory solvency margin represents the minimum amount of its own available funds that an insurance organization must have, taking into account accepted and fulfilled obligations.

**Keyswords:** Solvency margin, authorized capital, additional capital,reserve capital, value of own shares, intangible assets, shareholders' debt.

## Introduction

The financial stability of an insurance organization is the ability to fulfill accepted insurance obligations when its activities are affected by unfavorable factors and changes in economic conditions.

The financial stability of an insurance organization is ensured by sufficient and paid-up authorized capital, insurance reserves adequate to accepted obligations, as well as an adopted reinsurance system. The use of the reinsurance system assumes that the insurer is responsible only for those risks for which it can fulfill obligations based on its financial capabilities. The criterion for the financial stability of an insurer is usually considered to be the sufficiency of insurance reserves and its own available funds to fulfill the insurer's obligations. The most important indicator of the financial stability of the insurer and its reliability is solvency.

The solvency of an insurance organization is its ability to fulfill its obligations at any time.

As in the case of financial stability, when assessing solvency, it is usually, unless otherwise stated, understood as its ability to meet, first of all, insurance obligations.

The condition on the insurer's solvency is more significant than the condition on financial stability, since it imposes an additional requirement on the company's assets. In addition to the fact that they must be sufficient, they must be liquid to the extent necessary to fulfill insurance obligations at any time.

Financial support for the fulfillment of obligations for insurance payments for the insurer is the formed insurance reserves, as well as own funds free from obligations, called net assets. The significance of the last element is due to the fact that insurance reserves, as a rule, are not enough to fulfill insurance obligations.

## Materials

The following materials were used in the research process:

- Legislative and Regulatory Framework Law of the Republic of Kazakhstan dated December 18, 2000 No. 126-II "On insurance activities" (with amendments and additions as of 07/01/2021) – the primary legislative act regulating the activities of insurance organizations and establishing requirements for their solvency.

- Instructional materials on the calculation of solvency margins of insurers, developed in accordance with the requirements of the legislation of the Republic of Kazakhstan. Normative documents of the insurance supervisory authorities regulating the procedure for monitoring the financial stability of insurance organizations.

**Theoretical Analysis Method:**

- Study and systematization of legislative acts regulating the activities of insurance organizations in the Republic of Kazakhstan;
- Analysis of scientific literature on the assessment of financial stability and solvency of insurers;
- Identification of key concepts and approaches to defining solvency;
- Study of the evolution of approaches to assessing solvency in domestic and international practice;
- Identification of the essential characteristics of financial stability and solvency as economic categories.

**Results**

Since insurance reserves are calculated using special methods, and therefore their size is quite certain, assessing the solvency of an insurance organization can be reduced to assessing the sufficiency of the insurer’s own available funds (net assets), which, together with the assets covering insurance reserves, are used to fulfill insurance obligations.

Assessing the solvency of an insurance organization comes down to assessing the sufficiency of its own available funds.

The excess of the insurer's assets over its liabilities confirms the existence of a solvency margin (the insurer's net assets).

Solvency margin is the difference between the value of a company's assets and its insurance liabilities. The positive difference between all assets of the insurer and its liabilities is used to fulfill insurance obligations in the event of insufficient insurance reserves. The essence of the current methodology for assessing the solvency of an insurance organization comes down to comparing the actual size of the solvency margin (the actual size of the insurer's net assets) with its standard size, calculated with the data of the insurance organization being assessed in accordance with the instructional materials.

In summary, the results of this research demonstrate that:

Solvency assessment fundamentally reduces to evaluating the sufficiency of the insurer's own available funds (net assets), as insurance reserves alone are often insufficient to fulfill all obligations.

The three-stage solvency assessment methodology provides a comprehensive framework for evaluating an insurer's financial reliability, with different calculation approaches for life insurance and risk types of insurance.

The 30% safety margin requirement ensures that insurers maintain a buffer to withstand fluctuations in economic conditions and unforeseen claims.

Technical risks have a predominant impact on the solvency of risk-type insurance organizations, while investment risks significantly affect life insurance companies.

International experience confirms that premiums serve as a valid indicator of accepted liabilities in solvency assessment, reflecting the influence of technical risks.

Non-technical risks are not accounted for in the regulatory solvency margin, representing a limitation of the current methodology.

These results provide a solid foundation for understanding the methodology for assessing the solvency of insurance organizations and identifying areas for potential methodological improvement.

**Discussion**

The solvency assessment is carried out in three stages.

Stage 1. Calculation of the standard size of the solvency margin (the standard value of the insurer's net assets), due to the specifics of concluded insurance contracts, as well as the volume of accepted and fulfilled obligations.

In economic terms, the regulatory solvency margin represents the minimum amount of its own available funds that an insurance organization must have, taking into account accepted and fulfilled obligations.

In accordance with the current insurance legislation, an insurance organization can simultaneously engage in:

- or types of personal insurance (life insurance; accident and illness insurance; medical insurance),
- or risk types of insurance (accident and illness insurance; medical insurance; all other types of property insurance).

For this reason, the calculation of the standard size of the solvency margin of an insurance organization is carried out in different ways.

1) The insurance organization deals with types of personal insurance.

This means that it deals in life insurance and two or one of the following two risk types of insurance - accident and health insurance, health insurance.

Therefore, the general standard size of the solvency margin is calculated as the sum of two terms - for life insurance and types of insurance other than life insurance, respectively.

For life insurance, the private standard is calculated as a share of the life insurance reserve and is adjusted to take into account reinsurance.

According to the legislation of the Republic of Kazakhstan, an insurance organization working with life insurance is solvent for this type of insurance if the actual amount of its own available funds exceeds the minimum that is found for the organization on the basis of the life insurance reserve, i.e. takes into account accepted and carried out by the insurer insurance obligations.

When calculating the private standard for types of insurance other than life insurance, two main factors are taken into account - the amount of insurance obligations accepted by the insurer (through the volume of insurance premiums) and the amount of insurance obligations fulfilled (through the volume of insurance payments made). The private standard also takes into account the insurer's participation in reinsurance.

According to the legislation of the Republic of Kazakhstan, an insurance organization working with risky types of insurance is solvent for these types of insurance if the actual amount of its own available funds exceeds the minimum found for the organization, taking into account accepted (through premiums) and fulfilled (through payments) obligations.

In European insurance legislation, for types of insurance other than life insurance, an additional requirement is introduced - the minimum amount of the company's own available funds must also take into account the specifics of the risks covered by the corresponding type of insurance.

The general standard is calculated as the sum of two found private ones.

The general solvency standard shows the minimum amount of own available funds that an insurance organization engaged in types of personal insurance must have.

2) The insurance organization deals only with risky types of insurance.

In this case, the standard solvency margin coincides with the solvency standard calculated for types of insurance other than life insurance.

If a company is engaged in life insurance and other types of insurance and the calculated standard size of the total solvency margin is less than the minimum amount of the authorized capital provided by law, the standard amount is set equal to this legally established amount of the authorized capital.

Stage 2. Determination of the actual size of the solvency margin - net assets (the excess of liquid assets over liabilities).

According to the legislation of the Republic of Kazakhstan, the actual size of the solvency margin is calculated as the amount:

- authorized capital;
- additional capital;
- reserve capital;
- retained earnings of the reporting year and previous years, reduced by:
- uncovered losses of the reporting year and previous years;
- debt of shareholders (participants) for contributions to the authorized capital;
- the cost of own shares purchased from shareholders;
- intangible assets;
- overdue accounts receivable.

Stage 3. Comparison of the actual size of the solvency margin with the standard one.

If the actual size of the solvency margin exceeds the standard by at least 30%, it is concluded that the insurance organization is solvent. Otherwise, control over the financial recovery of the insurer is carried out by the insurance supervisory authorities.

The essence of assessing solvency is to compare the actual solvency margin with the normative one that corresponds to accepted, fulfilled and fulfilled insurance obligations.

In general, the insufficiency of insurance reserves for risky types of insurance is largely due to the manifestation of technical risks - those associated with the conduct of insurance operations. The impact of investment risks for these types of insurance is not significant, since the contracts are short-term and under them the insurer does not promise the policyholder to receive investment income. Non-technical risks are also not taken into account when determining the regulatory solvency margin. Therefore, assessing solvency for risky types of insurance is essentially an assessment of the sufficiency of the company’s own available funds to cover the possible negative impact of the insurer’s technical risks.

The solvency of a life insurance company is significantly influenced not only by technical risks associated with insurance operations, but also by investment risks of the insurer, therefore, assessing their solvency comes down to assessing the sufficiency of their own available funds to cover the possible negative impact of both technical and investment risks

The results of an analysis of the solvency of insurance organizations for risk types of insurance in the European Union in the mid-90s of the last century showed the following.

The solvency of insurance organizations for risky types of insurance is significantly influenced by risks reflected in the volume of accepted obligations - in the volume of premiums. This fact confirms that the use of premiums to take into account accepted liabilities in the method of assessing solvency remains justified, since they (premiums) reflect the influence of a certain significant group of technical risks.

**Conclusion**

In conclusion, the assessment of financial stability and solvency of insurance organizations is a complex but essential process that requires a systematic and comprehensive approach. The current three-stage methodology, while having its limitations, provides a robust framework for evaluating an insurer's ability to fulfill its obligations and maintain financial reliability. The key factors influencing solvency include the adequacy of insurance reserves, the volume of own available funds, the structure of assets and liabilities, and the nature of risks assumed by the insurer. The 30% safety margin requirement ensures that insurers maintain an adequate buffer against economic fluctuations and unforeseen claims.

The research demonstrates that solvency assessment for risk types of insurance fundamentally focuses on technical risks, while life insurance solvency must account for both technical and investment risks. International experience validates the use of premiums as indicators of accepted liabilities, reinforcing the appropriateness of current methodologies while suggesting potential areas for harmonization.

The effective implementation of solvency assessment methodologies requires continued attention from insurance organizations, regulatory authorities, and policymakers. By maintaining robust solvency assessment practices, the insurance sector can enhance its stability, protect policyholders' interests, and contribute to the overall development of the financial system in the Republic of Kazakhstan and beyond.

The findings of this research provide a foundation for further investigation into the financial stability of insurance organizations and offer practical guidance for improving solvency assessment methodologies in the context of evolving economic conditions and increasing international integration of the insurance market.

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# САҚТАНДЫРУ НАРЫҒЫ ЖҮЙЕСІНІҢ ҚАЗІРГІ ЖАҒДАЙЫ МЕН ДАМУ ТЕНДЕНЦИЯЛАРЫН БАҒАЛАУ ЖӘНЕ ТАЛДАУ

**Түйін**
Сақтандырушының барлық активтері мен оның міндеттемелері арасындағы оң айырмашылық сақтандыру резервтері жеткіліксіз болған жағдайда сақтандыру міндеттемелерін орындау үшін пайдаланылады. Сақтандыру ұйымының төлем қабілеттілігін бағалаудың қолданыстағы әдістемесінің мәні төлем қабілеттілігі маржасының нақты мөлшерін (сақтандырушының таза активтерінің нақты мөлшерін) сақтандыру ұйымының мәліметтерімен есептелген оның стандартты мөлшерімен салыстыруға байланысты. нұсқаулыққа сәйкес бағаланады. materials.In экономикалық тұрғыдан алғанда, төлем қабілеттілігінің нормативтік маржасы қабылданған және орындалған міндеттемелерді ескере отырып, сақтандыру ұйымында болуы тиіс өзінің қолда бар қаражатының ең аз мөлшерін білдіреді.

**Кілттік сөздер**: төлем қабілеттілігі маржасы, жарғылық капитал,қосымша капитал, резервтік капитал, меншікті акциялардың құны, материалдық емес активтер, акционерлердің қарызы.

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# ОЦЕНКА И АНАЛИЗ ТЕКУЩЕГО СОСТОЯНИЯ И ТЕНДЕНЦИЙ РАЗВИТИЯ СИСТЕМЫ СТРАХОВОГО РЫНКА

**Аннотация**

Положительная разница между всеми активами страховщика и его обязательствами используется для выполнения страховых обязательств в случае недостаточности страховых резервов. Суть действующей методики оценки платежеспособности страховой организации сводится к сопоставлению фактического размера маржи платежеспособности (фактического размера чистых активов страховщика) с ее нормативным размером, рассчитанным на основе данных оцениваемой страховой организации в соответствии с инструктивными материалами.С экономической точки зрения нормативный запас платежеспособности представляет собой минимальный объем собственных свободных средств, которым должна располагать страховая организация с учетом принятых и выполненных обязательств.

**Ключевые слова:** маржа платежеспособности, уставный капитал, дополнительный капитал,резервный капитал, стоимость собственных акций, нематериальные активы, задолженность акционеров.

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