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## INSURANCE FOR SMALL AND MEDIUM BUSINESS IN RUSSIA

### Summary

The paper sets out the insurance for small and medium business in Russian Federation, showing disparities, the basic problems and direction of development, with particular attention paid to the need of create and implement special development insurance strategies, definition the tasks taking into account different specific factors small, medium business.

**Keywords:** small and medium business; Russian insurance market; territorial imbalances insurance market; insurance companies; specific insurance program

### Introduction

Implementation the main objectives of the state policy on small business development in the Russian Federation implies the formation a competitive environment, the creation of favorable conditions for development of small businesses, ensuring the competitiveness of small businesses. It is also assisting small businesses in promoting their goods, services, intellectual property, increase the number of small businesses and providing employment, increasing the share produced by small and medium entrepreneurs in the GDP. These objectives of small and medium-sized businesses require comprehensive support of insurance system.

State policy in the field of insurance assumes the implementation of complex measures directed to creating a competitive environment, the level and quality of insurance services, insurance market infrastructure and investment institutions. The National Insurance Scheme should effectively protect the property interests of small businesses and individuals - small business managers, legal entities and state acting program to support small businesses upon occurrence insurance cases.

### Small and medium enterprises in the Russian economy

Russian legislation identifies criteria for assigning enterprises subject to small, medium and micro depending on capital structure, number of employees, revenue volume, Table 1.

Table 1

Criteria for the classification of Russian enterprises to the various categories of business

Criteria	Meaning		
	Microenterprises	Small enterprises	Medium enterprises
Average number of employees	≤15	≤100	101 ≤ 250
Limiting values of revenue of the goods (works, services), million rubles	60	400	1000
The structure of the share capital (only for legal entities)	The total share of participation Russian Federation – subjects of the Russian Federation municipalities – foreign legal entities, foreign citizens – social and religious organizations (associations) – charitable and other funds in the authorized (share) capital (mutual fund) shall not exceed 25%		

Source: compiled by the author according to legislation.

Number of employees in small and medium business in Russia according to various estimates reaches 25%, the contribution to GDP – 21%, 13 per 1000 small businesses. Over the past 8 years the growth rate was 30%, and due to increased deductions over the past two years in different regions closed to 20% of individual enterprises, Table 2.

The main problems of small and medium business in Russia are:

- long-term absence of private property,
- high costs of opening and running a business,
- administrative barriers,
- financial illiteracy,
- frequent changes in the “rules of the game”,
- difficult access to financial resources,
- the lack of real information, administrative, social support of entrepreneurship.

Small business development is impossible without balancing the interests of owners, staff, enterprises, social and environmental satisfaction, which confront the risks involved. Real mechanism to counter risks – the insurance system.

Table 2

## Key indicators of small and medium businesses

Parameter	Year	Medium enterprises	Small enterprises	
			Total	Including micro-business
Number of enterprises (end of year )	2009	15 547	1 578 769	1 339 345
	2010	25 170	1 644 269	1 415 186
	2011	15 856	1 836 433	1 593 755
Average number of employees, th.	2009	2063,1	11 281,7	3823,2
	2010	2582,9	11 149,0	3883,3
	2011	2051,5	11 480,5	4354,5
Turnover of enterprises bln RUB	2009	3030,5	16 443,5	4534,2
	2010	7338,5	18 301,3	5459,6
	2011	5102,9	22 613,1	7028,3
Fixed assets, bln RUB	2009	597,0	1329,2	581,9
	2010	700,6	1540,4	690,0
	2011	908,3	2228,1	1063,0
Capital and reserves, bln RUB	2009	713,7	5539,5	4450,2
	2010	850,4	14 631,1	13 234,6
	2011	986,1	15 211,5	13 751,9
Net financial result (profit less loss), bln RUB	2009	93,0	424,6	198,2
	2010	139,4	536,0	241,0
	2011	162,1	474,2	199,1
Return on assets of enterprises (%)	2009	3,1	2,3	1,5
	2010	4,1	1,8	1,0
	2011	4,1	1,5	0,8

Source: www.gks.ru.

### The insurance market in Russian Federation

In 2012 in Russia in the state register of insurance entities at 31 December 2012 were registered 469 insurers, including 458 insurance companies and 11 mutual insurance companies. In 2011 the same indicators were – 579 insurers, including 572 insurance companies and 7 mutual insurance companies. This reducing the

number of insurance companies is due to the increase capital requirements of insurers (an increase of 4 times since 01.01.2012). Thus, in 2012 the number was reduced in comparison with 2011 about 20% (in 2011 as compared with 2010 – 14.3%).<sup>1</sup>

The insurance market in 2012 in the Russian Federation was characterized by the following figures. Total sum of the all types of insurance:

- insurance premiums 812.47 billion rubles (121.5% to 2011),
- payments 370.78 billion rubles (121.4% by 2011),<sup>2</sup>
- insurance premiums to GDP 1.3% (GDP – 62,599 bln RUB).<sup>3</sup>

Premium growth occurred due to growth insurance against accident and sickness insurance and transport, Table 3.

Table 3

Premiums and payments in Russian Federation, 2012<sup>4</sup>

Type of insurance	Premiums		Payments			
	bln RUB	% of total	%(prevyear)	Bln.r.	% of total	% (prev year)
Life insurance	52.88	6.5	151.1	13.35	3.6	172.5
Personal insurance (non life)	183.97	22.6	124.7	92.35	24.9	112.3
Property insurance	375.71	46.3	112.2	181.6	49.0	123.3
Liability insurance	30.03	3.7	108.3	5.35	1.4	145.4
Business and financial risks	19.66	2.4	159.1	2.04	0.6	135.1
Total voluntary insurance	662.25	81.5	118.8	294.69	79.5	121.5
Compulsory insurance of civil liability motor owners	121.44	14.9	117.1	64.13	17.3	113.6
Other than medical and motorcycle	28.78	3.6	381.7	11.96	3.2	184.3
Total compulsory	150.22	18.5	135.0	76.09	20.5	120.9
Total voluntary and compulsory	812.47	100.0	121.5	370.78	100.0	121.4

Source: [www.gks.ru/bgd/regl/B12\\_04/IssWWW.exe/Stg/d05/1-strah.htm](http://www.gks.ru/bgd/regl/B12_04/IssWWW.exe/Stg/d05/1-strah.htm) SSC (State Statistics Committee) The insurance industry in 2011.

Beginning in 2012 the amount of insurance contracts was 81.7 (+7.5% per year) (133.2 mln – in 2011)<sup>5</sup>, including:

<sup>1</sup> [www.fcs.m.ru/ru/contributors/insurance\\_industry/statistics](http://www.fcs.m.ru/ru/contributors/insurance_industry/statistics).

<sup>2</sup> [www.fcs.m.ru](http://www.fcs.m.ru).

<sup>3</sup> [www.gks.ru/wps/wcm/connect/rosstat\\_main/rosstat/ru/statistics/accounts](http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/accounts).

<sup>4</sup> [www.fcs.m.ru](http://www.fcs.m.ru).

<sup>5</sup> [www.gks.ru/bgd/regl/B12\\_04/IssWWW.exe/Stg/d05/1-strah.htm](http://www.gks.ru/bgd/regl/B12_04/IssWWW.exe/Stg/d05/1-strah.htm) SSC (State Statistics Committee) The insurance industry in 2011.

- individuals 74.3 million (+12.8%),
- entities – 7.4 million (–26.6%).

The main share of 90.9% – contracts with individuals (previous period – 86.7%), fig. 1.

### Insurance for small and medium business in Russia

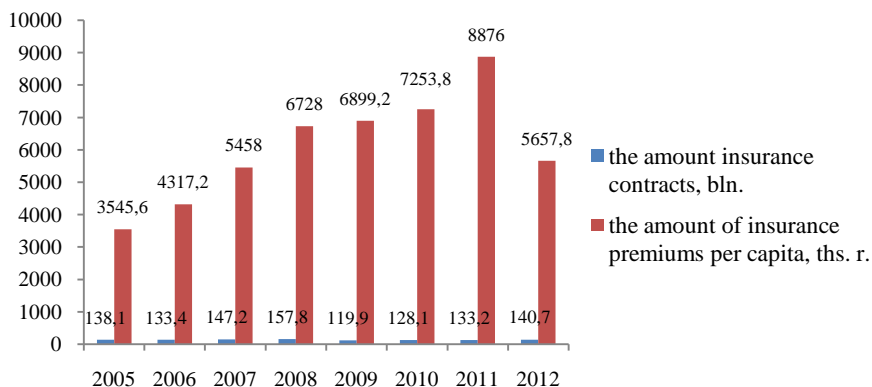


Figure 1. The number of insurance contracts and premiums per capita

One of the significant challenges for insurers are disparities Russian insurance market, Table 4, Fig. 2.

Table 4  
Premiums and payments (claims) in Federal Regions of Russian Federation, 2012

Federal Region	Premiums			Payments (claims)		
	bln RUB	% total	% prev.per.	Bln.r.	% total	% prev.per.
Central	455,9	56,4	121,4	205,88	55,7	126,0
Northwest	80,33	9,9	118,0	40,36	10,9	106,5
South	37,49	4,6	123,2	17,72	4,8	133,6
Volgian	98,43	12,2	116,4	46,62	12,6	115,1
Uralian	58,73	7,3	124,7	27,85	7,5	113,8
Siberian	51,23	6,3	123,6	21,7	5,9	121,1
Far Eastern	16,83	2,1	121,5	5,36	1,5	111,4
North Caucasus	10,08	1,2	126,6	3,95	1,1	125,8
Total	809,06	100,0	121,0	369,44	100,0	121,0

Source: www.fcsn.ru.

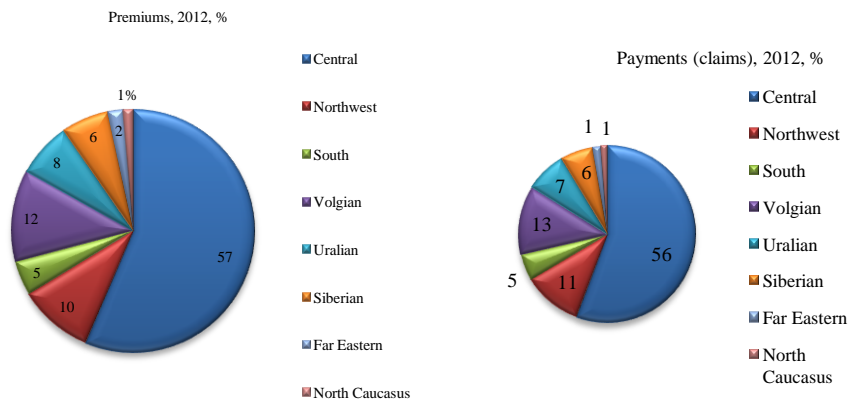


Figure 2. Disproportions territorial distribution of premiums and payments (claims) in Federal Regions of Russian Federation, 2012

There are subjects where insurance companies are not represented, table 5.

Table 5

Number of subjects of the Russian Federation  
by number of insurance companies registered in their territory

Insurance organizations, units	Number of subjects of the Russian Federation	
	2012	2011
< 10	38	38
11 < 20	4	6
21 < 40	2	2
41 < 60	—	—
> 61	1	1

Source: [www.fcsм.ru](http://www.fcsм.ru); [www.gks.ru](http://www.gks.ru).

The insurance market is growing, table 6, but share of insurance premiums to GDP remains low – 1.3% and qualitative changes that could affect the insurance of small and medium-sized businesses do not turn up.

Table 6

Key indicators of the insurance market of the Russian Federation

Parameter	2012 y., bln RUB	To 2011, %	Change over 5 years, 2007–2011
Total authorized capital	198,2	106	increase from 156,4 to 187,9 bln RUB
The average size of the authorized capital	422,6	131	increase by 80% to 324,5 bln RUB
The total premium	809,06	121	increase of 37% to 663,7 bln RUB
Insurance payments	369,44	121	increase of 49% to 303,1 bln RUB

Source: [www.fcsм.ru](http://www.fcsм.ru), [www.gks.ru](http://www.gks.ru).

### **The main problems of insurance small and medium-sized enterprises**

Insurance problems of small and medium-sized enterprises generally repeat common problems consumers of insurance services:

- negative insurance experience,
- development by binding species,
- unfavorable legal framework,
- absence of federal and regional support,
- low quality of sales channels of insurance products and regional insurance network,
- lack of practice of dispute resolution,
- lack of insurance coverage rural population,
- unfriendly insurance services,
- lack of formalized rules and contracts,
- harsh conditions of settlement of losses,
- lack the necessary quality proposals,
- lack of representation of insurers in some subjects,
- historical, social and mental,
- poor quality of life, insurance illiteracy,
- lack of skills and habits of insurance,
- low purchasing.

Thus the main problems, that require solutions, submitted introduction of understanding the importance of insurance, formalization of insurance business processes, guarantee of getting payments. Discussion measure – the so-called imputed insurance: necessity of obtaining loans, construction projects abroad, the need to enter into contracts with foreign contractors, specific professional activities.

Currently, some insurers offer different types of insurance to medium and small businesses: real estate (buildings and rooms for various purposes – administrative, production, storage, retail, office, entertainment; structures (technological, manufacturing, sports, etc.); unfinished construction sites; land, apartments, buildings, etc.); equipment (production, trade, technological, electronic, office, agricultural, computer and office equipment), material assets: products, goods, raw materials and other goods and materials; civil liability in connection with economic activities and operation of the property; motor transport; third party liability in the operation of a vehicle; director and the company's employees, etc. But these proposals do not have specifics, scattered and do not meet the needs of small and medium entrepreneurs.

Enhancing the role of insurance in the economy of small and medium-sized enterprises could contribute to the following:

- improving insurance literacy,
- formalization and standardization of rules and insurance contracts,
- adequate insurance rates , especially through banking channels,
- improving the quality of assets of insurance companies,
- formation standard insurance programs for small and medium businesses,

- strengthening the legal liability of intermediaries, formalization standards insurance sales.

These actions will solve certain problems of small and medium-sized businesses and along with improved quality of life and economic growth will solve some social problems.

## **Conclusion**

Thus, insurance – one of the necessary conditions and possible support for small and medium business in Russia. Currently, the insurance market will not provide acceptable security conditions necessary quality for small and medium enterprises. The materials allocated the priority problems to be solved. Basic – the formation of special standard insurance programs by the kind of activity; formalization rules, contracts; facilitation of settlement of losses, expansion of regional insurance networks, improving insurance literacy.

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[www.cbr](http://www.cbr).

## **Streszczenie**

W artykule zaprezentowano rynek ubezpieczeń w Rosji a także podstawowe problemy i kierunki rozwoju produktów ubezpieczeniowych oferowanych dla małych i średnich przedsiębiorstw na rynku rosyjskim.

**Słowa kluczowe:** małe i średnie przedsiębiorstwa, rynek ubezpieczeń w Rosji, zakłady ubezpieczeń, specyfika programów ubezpieczeń

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