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Impact of citizens' phenomenological risks assessment on the development of voluntary insurance market

Abstract. Risk is a characteristic feature of modern society. According to U. Beck's conceptual idea, continuous generation and distribution of technogenic, sociogenic, environmental, political and other risks take place in the «risk society».

In every country insurance is one of the main tools for risk management and economy's strategic management. We examine the relationship between the level of the people determination of the phenomenological risk occurrence and the expansion of the corresponding type of voluntary insurance, such as life insurance, accident insurance, property insurance, etc. The article presents the results of the analysis of foreign scientists' works, which confirm the direct correlation between the characteristic features under study in the European countries. The results also include the analysis of the trends in the Russian society which did not reveal direct correlation. This conclusion is based at the poll conducted by the authors in Kursk region as well as the results of similar studies in other regions of Russia. The authors singled out the reasons explaining why high assessment of risk occurrence by the population is poorly reflected in public involvement in voluntary insurance.

Keywords: Voluntary Insurance; Phenomenological Risk; Behaviour in the Insurance Market

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Вплив оцінки населенням феноменологічних ризиків на розвиток ринку добровільних видів страхування

Анотація. Ризик є характерною рисою сучасного суспільства. Відповідно до концепції У. Бека, у «суспільстві ризику» відбувається безперервне створення й поширення техногенних, соціогенних, екологічних, політичних й інших ризиків.

Страховання є одним із основних інструментів управління ризиками й стратегічним розвитком економіки будь-якої країни. У цій статті розглядається взаємозв'язок між рівнем визначення населенням можливої появи феноменологічного ризику й поширенням відповідного виду добровільного страхування: страхування життя, страхування від нещасного випадку, страхування майна. Вивчаючи це питання, ми проаналізували результати дослідження закордонних учених, в яких підтверджується прямий взаємозв'язок між розглянутими процесами в європейських країнах, у той час як у російському суспільстві прямого істотного взаємозв'язку не виявлено. Такий висновок зроблено на основі проведеного авторами соціологічного дослідження в Курському регіоні та вторинних даних аналогічних досліджень в інших регіонах Росії. У статті наводяться причини, що пояснюють, чому висока оцінка населенням настання ризику слабо відображається на його страховій активності.

Ключові слова: добровільне страхування; феноменологічні ризики; страхова поведінка.

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Влияние оценки населением феноменологических рисков на развитие рынка добровольных видов страхования

Аннотация. Риск является характерной чертой современного общества. Согласно концепции У. Бека, в «обществе риска» происходит непрерывное производство и распространение техногенных, социогенных, экологических, политических и других рисков.

Страхование является одним из основных инструментов управления рисками и стратегическим развитием экономики любой страны. В этой статье рассматривается взаимосвязь между уровнем определения населением возможного наступления феноменологического риска и распространением соответствующего вида добровольного страхования, например, страхования жизни, страхования от несчастного случая, страхования имущества и др. Изучая этот вопрос, мы проанализировали результаты исследований зарубежных учёных, где подтверждается прямая взаимосвязь между рассматриваемыми процессами в европейских странах, в то время как в российском обществе прямой существенной взаимосвязи не обнаружено. Такой вывод сделан на основе проведённого авторами социологического исследования в Курской регионе и вторичных данных аналогичных исследований в других регионах России. В статье приводятся причины, объясняющие, почему высокая оценка населением наступления риска слабо отражается на его страховой активности.

Ключевые слова: добровольное страхование; феноменологические риски; страховое поведение.

1. Introduction. One of the basic needs of an individual is a need for stability. A. Maslow (1943) considers this need as an existential one, i.e. a need which is essential for a human productive life. Even though changes often have many positive aspects (new perspectives, progressive changes, effective results), along with the favourable results, there is always a possibility of adverse circumstances occurrence, which may be a result of the same changes. This phenomenon is called a risk [1]. Risk is the possibility of unfavourable

situation or unsuccessful outcome of activity of any kind. Everyday risks, or phenomenological risks, are the object of this study.

Risks of everyday life (phenomenological risks) are risks that arise in everyday human environment, in which, traditionally, often from generation to generation, a human being felt completely safe. These are risks, which threaten those practices that do not depend on a human decision, do not facilitate reflection, and do not require additional re-

sources (efforts, information, etc.). Such risks suddenly break the most familiar, everyday human practices [2].

Insurance is one of the most important effective risk management mechanisms. It protects the property interests of both individuals and legal entities. Moreover, insurance reduces budgetary expenses on the consequences of natural or technogenic disasters elimination by compensating the damage caused to the state, businesses, and citizens. Insurance stabilizes economic and social conditions in the society when speaking of socially important types of insurance (pension insurance, life insurance, etc.) [3].

2. Statement of the research problem. In this study, phenomenological risks assessment by the population and risks impact on the development of insurance market as one of the main tools for risk management and the management of strategic sector of the economy are examined. It is voluntary insurance that is studied in this article, as in this case, human actions are determined by their motives. Statistical data, obtained in the authors' sociological research in 2014, and secondary empirical data on the issue under study are used in the analysis.

3. Brief literature review. The analysis of studying rational and irrational in the behaviour at the insurance market is based on M. Weber's (1919) approach to social behaviour and T. Parsons's (1951) unified structural functionalist paradigm [4]. Sociological approaches to studying risks and their social formation in a specific cultural context are derived from the works of U. Beck (2011), M. Douglas (2011), A. Wildavsky (2011), O. N. Yanitsky (2011) [5]. Theoretical and methodological tools developed by R. Emerson (2006), J. Coleman (2006), P. Sztompka (2006) allowed studying the characteristic features of the rational choice of insuring parties in terms of the risks of trust occurrence [6].

4. The purpose of the article is to determine the specific character of Russian people behaviour at the insurance market and find out the reasons which discourage the population from voluntary insuring as a mechanism of stabilization when there are high risk factors of specific situations occurrence.

5. Results. Our research shows that very concept of «risk» is understood as a possibility of being subjected to any peril or hazard by the majority of respondents (56%). At the same time, a significant part of the respondents suggests that primarily, a risk brings new opportunities (46%).

Awareness of the possibility of risk occurrence has a significant impact on human behaviour. Most often, risk occurrence is related to some changes and new circumstances. Acting habitually and each time getting similar desirable results, a person considers them as a verified and relatively safe scenario, where the risk is reduced to negligible values [7]. On the contrary, each new scenario of actions always has a lot of unexpectedness, and such situations are considered to be more risky. Thus, personal risk assessment is subjective and emotional to some extent. Other people experience or the actions of any social system giving stable results may also affect an individual when a person assesses risks [8]. The results of our study have shown that people assess the risks with which they faced themselves or their close people faced as the most probable risks which can occur [9]. A certain principle of possible facing phenomenological risks in life can be laid down: if, in the immediate environment of a person, this or another risk occurred less frequently, then it is less probable. Global insurance practice proves this principle; insurance experts say that the higher the population assess risk occurrence, the more common the corresponding types of insurance are [10].

There is a variety of different types of insurance in the world practice. If we consider insurance on a legal basis then it is common to distinguish between compulsory and voluntary insurance. Compulsory insurance is defined by its name, i.e. there is no choice in the given circumstances and it is determined solely by the law. Voluntary insurance is quite a different thing, possible only on a voluntary choice of an insuring party; it is also regulated by the law, but on a contractual basis [11].

One of the most developed insurance markets functions in the UK. Its principles were used as a framework for the

development of insurance business in many countries. The UK share in the global insurance market is 20% which allows it to hold the fourth position in the world [12]. In the UK, voluntary insurance is common among the population, in particular, property insurance, when property is insured not only against robbery and a variety of disasters, but also against heat and gas supply systems failure. In Germany, insurance is considered as the most reliable among the European countries, where property insurance is also the most popular one. 90% of the US population also have property insurance [13].

According to the experts, Russian insurance market started forming with the demonopolization in the 1990s, focusing primarily on the trends from the Western markets, and all traditions that existed in the pre-revolutionary Russia were not taken into consideration. It is difficult to define why it happened in such a way, but at the moment, it is possible to state that the insurance market in Russia is rather young. This fact explains some peculiarities of the culture of the population in Russia, which were not taken into account and which have become evident in the behaviour at the insurance market [14].

Currently, in Russia about 5-7% of owners have property insurance. Property insurance market has grown in recent years. However, the rate of this growth is rather moderate: by one percent compared with 2013 according to the data obtained in 2014. At the same time, according to the Russian Public Opinion Research Centre, 52% of Russian citizens believe that money spent on property insurance is not a waste, because fortuitous events can happen to property. In Kursk region in 2014 property insurance incomes decreased by 4% compared with 2013, while payments increased by 76%. And this data are given taking into account the fact that property insurance is a must when buying property in the mortgage, as well as a requirement in certain circumstances for the activities of legal entities.

Life insurance is one of the most common types of voluntary insurance in the world. Even the Romans used burial clubs as a form of life insurance, providing funeral expenses and payments for their members. In European countries, life insurance is a traditional practice; its entire share was about 60% in the development of the whole European insurance market at the end of the first decade of this century [15]. In Russia, this figure does not exceed 5%. In recent years, the share of life insurance premiums among the Russian population is growing significantly; it is the most popular type of voluntary insurance. However, according to statistics, the majority of life insurance is caused by the need to obtain credit as well as buying a new car on credit.

In this research, when studying population phenomenological risk assessment, we found out that one of the most significant risks to our population is the risk of traffic accidents, i.e. in the opinion of the population it has a high degree of occurrence and is the most common risk.

Figure 1 shows that almost half of the respondents (48%) have been involved in traffic accidents for the past 3 years, while 52% have not had such problems.

Among the overall list of everyday risks, traffic accidents are ranked the second by the respondents. The respondents were asked to evaluate the possibility of this risk occurrence for them according to ten-point scale. The average score was 6. It should be noted that it is the highest average score

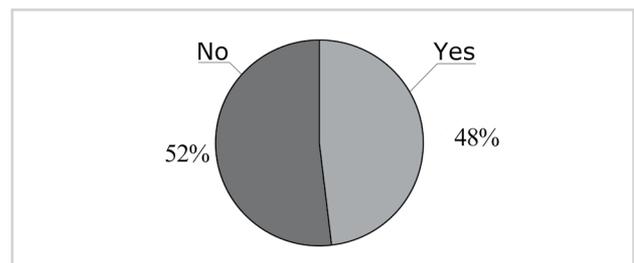


Fig. 1: Have you had traffic accidents in 2012-2014?
Source: Authors' own research, Kursk region

among the whole list of risks after the «severe frosts and snow storms».

It is not unreasonable to assume that this situation should affect positively the development of voluntary insurance market. In this case we consider auto-hull insurance (motor own damage insurance). However, considering the statistical data obtained in Kursk region, it can be seen that the amount of money of the regional insurance market decreased by 5.7% for the period of 2013-2014. Moreover, experts suggest further reduction of insurance premiums on this type of insurance. It is possible to note an increase in the amount of money on the premiums for compulsory vehicle insurance. However, this increase is caused by an increase in the cost of the services provided, rather than an increase in the number of insuring parties. At the same time, Compulsory Motor Third Party Liability does not cover all kinds of vehicle risks because it covers only the losses of the damaged party who is not guilty, and does not always cover the whole amount of damage inflicted.

6. Conclusion. Considering the facts given in the article, it can be concluded that the population in Russia assesses fully and rightly risks existing in our society. However, they do not consider voluntary insurance as an effective way to reduce the risks. Among the experts, there is an opinion concerning low insurance culture. However, in our opinion, there is a reasonable explanation to such behaviour and the majority of experts on insurance hold it. First, it is a well-known fact that insurance activity is directly proportional to the share of GDP per capita. Currently, in Russia the income per capita is falling while the cost of insurance services is growing.

In particular, having analyzed the income of the population of Kursk and Kursk region for 2011-2013, it can be concluded that a significant part of the population is experiencing a decline in the standard of living, with the exception of the social group with an income of more than 15,000 rubles.

Wealth inequality is becoming more and more evident. That the social group with an income less than 15,000 rubles is the most vulnerable, there is a constant downward trend of their income during the period under study.

When adopting the law on the increase of the cost of the Compulsory Motor Third Party Liability, a group of the Russian State Duma Deputies expressed their particular opinions on the disproportionate ratio of the minimum salaries and the approved costs. However, this viewpoint was marked as a dissenting opinion, and the law was enacted without taking into account this remark because the State is interested in the development of this economic sector. This is the reason why being obliged to pay insurance contributions for compulsory insurance, the population does not seek to add to this burden voluntary insurance. Only in the cases when people are under necessity of being insured, e.g. when obtaining a credit or when buying a car on credit they take out life insurance, or auto-hull insurance as a must. In recent years, using this method of regulation, voluntary insurance market is increasing cash inflow but this insurance can be hardly called voluntary.

Currently, the number of insuring companies is decreasing in the Russian market. This phenomenon is due to several reasons such as lower incomes, the need for significant amount of capital to carry out insurance activities, etc. According to the experts, in particular, I. Kotlobovsky (2011), in terms of its characteristics Russian insurance market is an oligopoly, which is much more dangerous than a monopoly, since the simulation of market relations gives the appearance of implementing consumers' interests, but in practice, this is not confirmed and, therefore, leads to the reduction of trust from population. Thus, it is difficult to say under which circumstances, when taking out voluntary insurance or avoiding it, the population risks less.

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