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VIEWS OF WESTERN SCIENTISTS ON THE ESSENCE OF INSURANCE

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Abstract: This paper examines the main theoretical approaches of Western scientists to defining the essence of insurance. The analysis covers the economic, legal, behavioral and sociological aspects of insurance as a mechanism for protecting against risks. The views of such authors as Frank Knight, Kenneth Arrow, Harold Laski, Richard Thaler and others are presented. It is shown that insurance is interpreted not only as a financial instrument, but also as an essential element of the social and legal system of society. The study emphasizes the versatility of insurance and its importance in modern conditions.
Key words: insurance, risk, economic theory, Western scientists, behavioral economics, social protection, underwriting, legal approach, risk theory, risk management

Insurance is one of the oldest economic categories that has gone through more than one stage of evolution and, despite such a long period of its development history, there is still no unambiguous point of view in understanding both its economic essence and the role it plays in the economy and the construction of relationships with other categories. One of the main topics of discussion in the process of discussing the place and role of insurance is its classification as a financial, legal and (or) economic category. This discussion has dragged on for many decades. It should be noted that the scientific views of Russian economists differ from foreign ones. The non-standard views of Russian scientists are largely due to the specifics of insurance in the context of the functioning of a planned and administrative economy and the lack of a single point of view on the economic essence of finance.
At present, a fairly large base of scientific works has been accumulated devoted to, firstly, determining the place and significance of insurance in the economy and economic theory; secondly, disclosing the theory of finance and determining the place of insurance relations in it; thirdly, the relationship between insurance and credit; fourthly, studying the specifics of insurance as an economic category. The absence of a unified point of view on the concept and functions of insurance, as well as its essential interrelations of various categories located in the same plane, once again emphasizes the complexity of this problem, the need to generalize and analyze existing theoretical views.
Statement of the problem. The problem formulated above determines the task of forming a theoretical basis for the issue of the relationship of insurance with other related economic categories, such as finance, credit and investment. The disclosure of the issue of the relationship of these categories is based on the target priority of the party whose interests the relations under consideration are aimed at, namely: the insurer, borrower, investor, taxpayer or budget recipient. In this regard, this study used general scientific methods, such as analysis, synthesis, generalization and induction.
Results. In traditional economic theories explaining the functioning of the economy as a whole, insurance was considered either as a "private moment that is not economically significant, or as

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an ordinary sector of the economy, the mechanism of which is quite explainable within the framework of such theories." Thus, A. Smith emphasized the importance of such an institution as insurance for the economy: “Insurance enterprises ensure a significant stability of the state of individuals; by distributing among many people those losses that would ruin an individual, they make them easier for the whole society.” D. M. Keynes included insurance in the price and considered it within the framework of risk cost management: “The long-term supply price turns out to be equal to the sum of the primary costs of production, additional costs, risk costs and interest expenses; and in analyzing the long-term supply price, one can resort to decomposing it into these components.” P. Samuelson revealed insurance from the position of opposition to speculation: “Insurance at first glance also seems to be one of the forms of speculation, in reality it leads to directly opposite results. Insurance is economically beneficial for the same reasons that speculation is harmful. Where speculation creates risk, insurance helps to reduce it.” In addition, many theories did not take into account the very specificity of insurance relations - the presence of risk. It is the risky nature of these contractual exchange relationships that determines the size of the insurance premium and the obligations assumed by the insurer.

The issue of insurance definitions that would accurately and unambiguously reflect the economic essence of the insurance category also requires attention. In insurance theory, the problem is defining the very concept of insurance as an economic category. The issue of defining the essence of insurance as an economic category has long been controversial in economist circles. For more than 150 years, economists around the world have been trying to define insurance that would cover all its possible manifestations and would not include anything superfluous. Historically, more than 100 different definitions of the economic category of insurance have been formulated. The main difficulty is that the system of insurance relations should cover only relations regarding compensation for damage (it is not without reason that etymologically, “insurance” in Russian comes from the word “fear”). However, there are accumulative types of insurance that are often not associated with causing damage or harm (marriage insurance or life insurance, for example). Therefore, it is quite difficult to combine in one definition the essence of insurance as a means of compensating for direct damage and at the same time as a means of future material provision of any human needs. Recently, insurance relations have increasingly become identified with transfer relations related to social protection of the population. Meanwhile, many types of social insurance (not providing for advance payments and having the nature of insurance coverage), according to some researchers, are not insurance, but fall under the existing definitions. Another difficulty is that there are two areas in insurance that differ significantly in their essence. These are risky types of insurance and savings, traditionally united under the name of "life insurance". If in the first case, insurance is intended to compensate for losses, always material, associated with specific property, then in the second case, life, health, and ability to work of a person are subject to insurance, which, due to their specificity, cannot be assessed in monetary terms.

Thus, economic analysis can be used as a tool for assessing the achieved level of stability in the financial condition of an insurance company.

It should be said that the main factors determining the financial condition are, firstly, the implementation of the financial plan and, if necessary, an increase in own working capital due to profit and, secondly, the turnover of working capital (assets). The criterion indicator that shows the financial condition is the solvency of the organization. Since the implementation of the

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financial plan, first of all, depends on the results of production and business activities as a whole, it can be said that the financial condition is determined by the entire set of business factors.

We will determine the financial condition of the insurer using financial analysis, which is the process of identification, systematization, and analytical processing of financial information.

The purpose of financial analysis is to calculate key parameters that give an objective and accurate picture of the financial condition of the organization, profits and losses, changes in the structure of assets and liabilities, in settlements with debtors and creditors. The information obtained as a result of its implementation helps to determine the prospects and directions of the company's development.

As the analysis of domestic literature has shown, there is no single method of financial analysis, each author introduces his own characteristics into the assessment process, but most financial analysis methods are based on the criteria for assessing the financial condition of an insurance company, namely:

- liquidity (solvency);
- profitability (profitability);
- business activity.

It is important to note that both absolute cost indicators characterizing the volume of activity and relative indicators (coefficients) reflecting the quality of the insurance business are used to analyze various aspects of the insurance organization's activities. Thus, to assess the effectiveness of the balance sheet of an insurance organization, the ratio of assets and liabilities is determined. And, for example, the main indicators of financial stability are the financial independence ratio, the equity capital adequacy ratio, the equity capital mobility ratio and others, after analyzing which one can draw a conclusion about the share of borrowed funds and current assets. When assessing the financial condition of the insurer, one should analyze the level of solvency and the overall financial potential of the insurance company, the under-reserve ratio, the equity capital adequacy ratio. Western scientists interpret insurance as a multi-level phenomenon: it is an economic risk management tool, a contractual legal relationship, a social protection mechanism, and a behavioral phenomenon reflecting a person's choice and perception of risk.

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