

# Russian insurance companies: questionable achievements of recent years, credibility issues<sup>1</sup>

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**Abstract.** It is revealed that the accelerated development of the Russian insurance market over the past two or three years was due to the rapid growth of investment life insurance (ILI) and of household lending combined with a drop in personal income. It is stated that insurers and their agents promoted ILI very aggressively and frequently unscrupulously: they promised super profits from ILI, but glossed over its shortcomings. The study demonstrates that the role of banks that control major insurance companies and act as insurance intermediaries has increased in the insurance market. Providing loans, the banks imposed on borrowers needed and unneeded insurance contracts at an inflated price (borrower life insurance, accident and health insurance, etc.). It is shown that almost all insurance fees paid under these contracts were “guzzled away” by insurers and intermediary banks, and only a small part of payments (10–20%) was used to cover insurance monies. By the end of 2019, these factors of the insurance market growth had largely exhausted their potential (the completed ILI contracts profitability was extremely low; the Bank of Russia took measures against reckless personal loans and unfair insurance activities). Some recovery of the insurance market can be expected in the coming years. But for its rapid development, it is necessary that personal incomes rise significantly and that the population believes in the long-term sustainability of the Russian financial system.

**Keywords:** insurance market, bankassurance, investment life insurance, borrower life insurance, insurance intermediaries, protection of policyholder rights

Among the countries with developed economies the Russian insurance market is at the earliest stage of its development. According to the figures from OECD<sup>2</sup>, by the end of 2017 the assets of Russian

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<sup>2</sup> URL: [https://stats.oecd.org/Index.aspx? DatasetCode=INSIND](https://stats.oecd.org/Index.aspx?DatasetCode=INSIND) (date of access: 11.12.2019).