

SOCIAL INSURANCE WITHIN THE INSURANCE RELATIONS SYSTEM IN THE RUSSIAN FEDERATION

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The article is devoted to the theoretical problems of insurance. The main aspect is devoted to social insurance. Installation of the social insurance into the official classification of insurance relationship is recommended.

The essence of any kind of insurance lies in reducing and remedying the loss of property risk by means of distributing its negative consequences among the maximum possible number of insurance parties (both legal entities and individual persons) that are subjected to certain kinds of risks. In order to achieve the insurance goals, these parties build up funds to use for specified purposes in case of the occurrence of the insured event leading to losses. What makes insurance different from other financial categories is the apportionment of material damage incurred by those who suffered from an undesired event among the great number of the more successful parties, with the help of GDP (the ultimate income of market entities) redistribution into the insurance funds and thus making the compensatory payments.

Depending on the coverage objects (the kind of risk), alongside the legal basis of the insurance relations, we may classify insurance by form, branch and kind. With reference to the Russian legislation governing insurance relations, the following insurance classification can be suggested:

As can be seen from the above, the structure of insurance relations in the Russian Federation, according to the Russian law "On the Organization of Insurance in the Russian Federation", does not include social insurance either as a sub-branch or as a kind of insurance. The latter is governed by the Russian law "On the Fundamental Principles of Mandatory Social Insurance". At the same time, the financial relations and the corresponding cash flow connected with social insurance form an integral part of the insurance sector of the Russian financial market.

Insecurity arising from sickness, disability or unemployment which lead to the inability of a worker to take part in the production process and therefore to a salary loss, is seen as a chance phenomenon by individuals, but, on the whole, it is definitely a constant mass phenomenon in the context of a market economy. L.V. Zabelin called this form of employees' financial insecurity due to the above mentioned reasons "social insecurity", highlighting its mass character, whereas the reasons leading to it were referred to under the umbrella term of "a social risk or social insecurity"¹. According to V.G. Yarotskiy, a characteristic means of joint self-protection formation is "the formation of various groups based largely on the self-sacrifice of one of their members in favour of the others or vice versa".

Thus, the phrase "social risk" emphasizes the objective, social (mass) character of this kind of risk as potentially dangerous to an individual due to its widespread occurrence in social life, as well as the key role of the society in organizing the social coverage forms. Taking into account the large scale of social production, social risks can be quantitatively assessed and predicted, both from the point of view of the probability of a risk event's occurrence (the quantity of the sick, the disabled, the dead, the pensioners, etc.) and of the cost parameters (disease duration, average disability age, retirement age established by law, etc.), which becomes an objective prerequisite to using the insurance mechanisms for their remedying.

An additional point to emphasize is that the key point in social insurance methodology is the quantitative characteristic of the correlation between wage labour's financial insecurity

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Russian Federation Insurance Classification

Branch	1. Personal		2. Property	
Sub-branch	1.1. Life insurance		2.1. Insurance of property	
Form	Mandatory	Voluntary	Mandatory	Voluntary
Kinds		1.1.1. Whole life, endowment or other contingency insurance	2.1.1. Vehicle insurance	2.1.1. Vehicle insurance
				2.1.2. Freight insurance
	1.1.2. Retirement	1.1.2. Retirement	2.1.4. Insurance of property of legal entities	2.1.4. Insurance of property of legal entities
		1.1.3. Life insurance with regular insurance payments		2.1.5. Insurance of property of citizens
Sub-branch	1.2. Insurance against risk of damage to life and health of other persons		2.2 Liability insurance	
Kinds	1.2.1. Personal accident and sickness insurance	1.2.1 Personal accident and sickness insurance	2.2.1. Liability car insurance	2.2.1 Liability car insurance
	1.2.2. Health	1.2.2. Health	2.2.2. Insurance of civil liability of organizations	2.2.2. Insurance of civil liability of organizations
			2.2.3. Insurance of civil liability for damage resulting from deficiencies of goods, work and services	2.2.3. Insurance of civil liability for damage resulting from deficiencies of goods, work and services
				2.2.4. Insurance of civil liability for damage caused to third parties
			2.2.5. Insurance of civil liability for the non-fulfillment of contractual obligations	2.2.5 Insurance of civil liability for the non-fulfillment of contractual obligations
Sub-branch			2.3 Business insurance	
Kinds				2.3.1. Business risk insurance
				2.3.2. Insurance of financial risks

and existing social risks of diseases, accidents (leading to temporary or permanent disability), old age, and loss of breadwinner or place of employment. Consequently, from the point of view of economics, social insurance acts as an institution of economics and social protection incorporating the mechanisms of:

- ◆ insurance (the accumulation of insurance reserves in order to cover potential losses);
- ◆ prognosis evaluation and statistical estimate of the insured event, distributing the losses among those exposed to the risk;
- ◆ social protection based on the combination of the principles of solidarity and compensation within the framework of social co-operation and mutual assistance.

N.A. Vidgorchik defined social insurance as a special form of organized mutual assistance when the risk of a known accident is calculated beforehand, and the financial burden connected with this risk is divided among all the participants of the organization.

Such an interpretation of the essence of the relations between the insurance parties allows us to consider it both a complex of social, economic and legal relations concerning the accumulation and distribution of funds intended for securing working people against social risks (economic aspect) and a complex of rights and obligations directed at the provision of social protection to the insured entities (legal aspect).

However, in modern countries with a market economy, social insurance is not the only financial mechanism which allows to compensate for the loss (absence) of earnings due to disability: it is used for this purpose alongside social security and social aid within the framework of the social protection institution. L.P. Yakushev mentions the following major characteristics of the “social protection” category: kinds and organizational legal forms of social protection, the categories of people eligible to qualify for social protection or social insurance.

This methodological approach is based on ILO position, which is, in turn, rooted in the institutional structure of the national social protection systems, a combination of various institutions of social insurance and social aid.

As far as the methodology is concerned, the issue of social protection forms and mechanisms has been studied by western scientists in detail. For instance, H. Lampert describes the following forms of social protection: a) various kinds of social insurance (retirement insurance, health insurance against industrial accidents, unemployment insurance); b) social aid in the form of various kinds of donation; c) national labour protection systems; d) government education assistance programmes; e) social protection systems at the level of companies. Some Russian researchers have similar approaches.

Sharing the point of view of the above mentioned authors, we have, on the basis of their theories, worked out the definition of social insurance as an element of the financial system: social insurance is a mechanism of funding the social protection of the population and concerns the redistribution of market entities' financial resources, by operation of law, by means of setting up monetary funds using target contributions of employers, employees and the state, for the indemnification of damage to those who have been subjected to a social risk.

Over-one-hundred-year experience of social insurance development all over the world allows to name the following underlying principles of its formation:

- ◆ personal (individual) financial liability;
- ◆ joint mutual aid;
- ◆ optimal support (subsidiarity);
- ◆ cross liability (reciprocity) concerning the fulfillment of the obligations established by law by the insurance parties: the state, the employers and the employees.

One of the key roles in organizing social insurance is played by the principle of personal liability of the employees. This is caused by the nature of economic relations within the capitalistic system. The granted (formal) legal freedom of the citizens is conjugated with the liability of every individual to make independent decisions as to the way in which they will take part in the economic life of the society and as to how they will organize their life (the choice of profession, education, change of domicile

and a job change), which, as a result, makes every individual responsible for the decisions they have made.

Some scientists, like Zokol, Lienbach and Kaltenbach from Western Germany, think that, for market economies, the principle of personal liability is the key principle of forming and developing the national social insurance systems, and it is implemented through the financial mechanism of remedying the consequences of a social risk by their own efforts. For that, the employees have to make contributions, i.e. act as both the insurer and the insured party. This is explained by the fact that the payable benefits should be a right rather than help, and the contributions made by the insured parties should serve as a means for ensuring the dignity of the benefits' recipient.

However, the personal liability for social risks does not always guarantee the insurance coverage. There can be situations which do not depend on an individual, such as technological disasters and occupational hazards. The nature of these risks results from a whole complex of technical, economic and social reasons.

Furthermore, the insured event may occur at the early stages of an individual's professional life when they haven't accumulated enough insurance rights, and the considerable extent of the loss of earning and the lengthy periods of independent payments lead to a rather vulnerable position of the insured party. Therefore, social insurance also needs the principle of joint mutual aid. It follows the logic of mutual aid: "today it's me who helps others, but I expect that if I am subjected to an insured event in the future, I will also receive some financial benefits".

Besides, an important part in the formation of national social insurance systems is played by the principle of subsidiarity (from the Latin "subsidium" meaning help, support, subsidy), or optimal support.

Within the social insurance system, the principle of subsidiarity is implemented in self-directed reciprocal insurance associations in which the major roles are played by the representatives of the employers and the employees.

The principle of cross liability (reciprocity) concerning the fulfillment by the insurance parties of the obligations established by law results from the public legal nature of mandatory social insurance institution.

The object of coverage of social insurance is the risk of loss of earnings (salary) of the working population and the risk of incurring additional costs in connection with medical treatment, birth and death. The kinds, the subjects and the social relations circle that have similar reasons for financial insecurity of hired workers are united under a universal social-economic and legal category of "social risks". A social risk event may occur as a result of:

- ◆ loss of the working capacity itself (caused by a disease, a labour injury, loss of breadwinner, delivery of a child and childcare, old age, etc.);

- ◆ lack of demand for labour (unemployment).

It is easy to notice that the above mentioned risks coincide with the risks insured within the framework of personal insurance (retirement insurance, insurance against accidents and diseases, health insurance). All of them concern the damage incurred by a person, an individual. Therefore, it seems reasonable to include social insurance in the widely accepted categorization of insurance into "life" and "non-life" insurance, defining, in the structure of personal insurance, a sub-branch "disability insurance", which is implemented as social insurance and voluntary insurance.

Experience shows that protection against certain kinds of social risks can be organized effectively within the framework of separate sec-

tors (kinds) of social insurance. In accordance with the structure of social risks as stated by Convention 102 of ILO, we can single out the following kinds of social insurance: retirement insurance, health insurance, temporary disability insurance, maternity insurance, insurance against industrial accidents and work-related diseases, loss of breadwinner and unemployment.

Therefore, the classification of insurance relations in the Russian Federation can be extended with the following elements: "disability insurance" sub-branch; form - "Social" kinds: retirement insurance, health insurance, temporary disability insurance, maternity insurance, insurance against industrial accidents and work-related diseases, loss of breadwinner and unemployment.

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