

## SOCIO-ECONOMIC NATURE AND THEORETICAL FOUNDATIONS OF COMPULSORY INSURANCE

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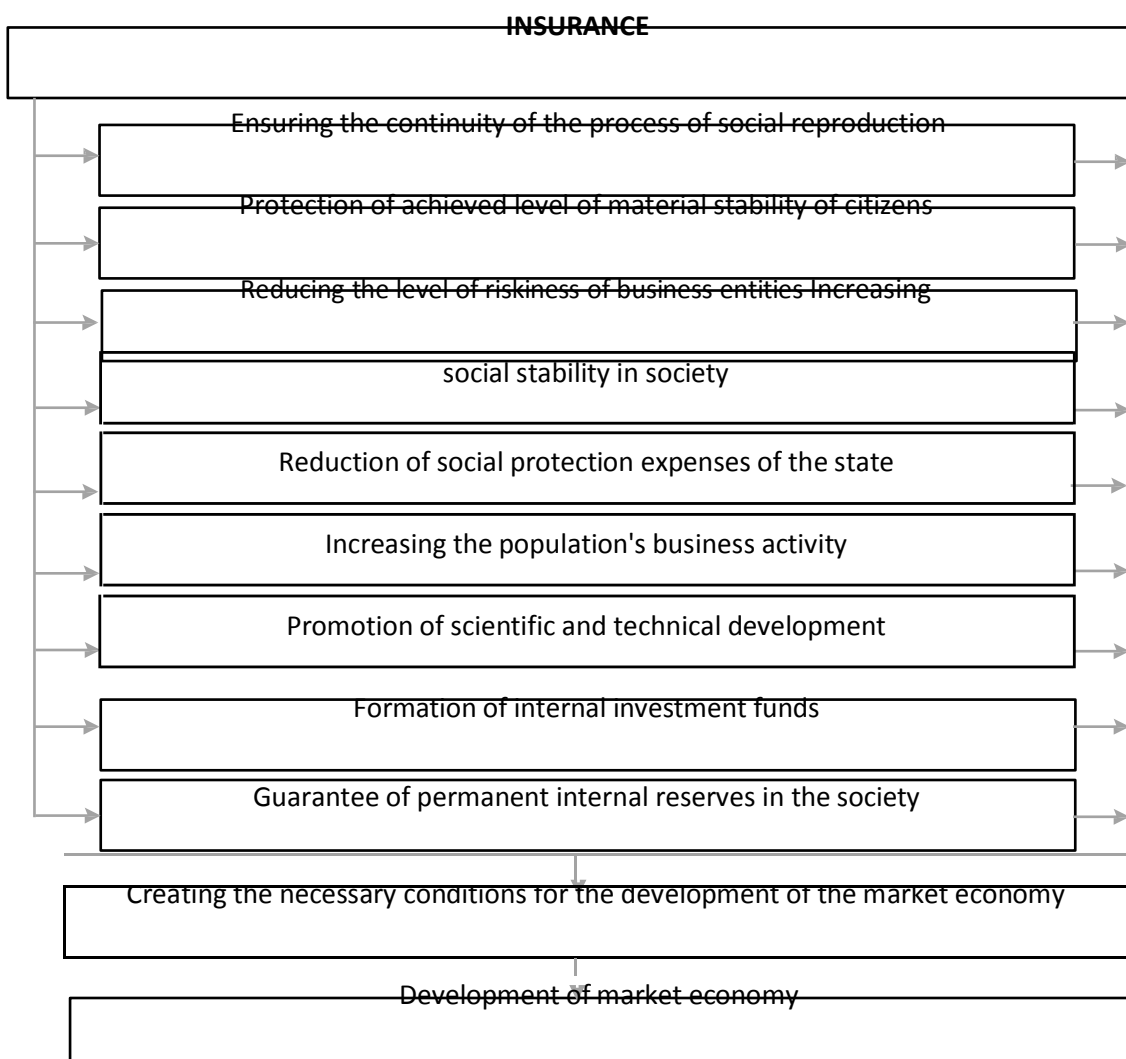
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### INTRODUCTION

Currently, it should be considered as a system of economic relations related to the provision of mandatory insurance guarantees and measures against various crises, which involves the formation of insurance funds at the expense of insurance premiums of legal and natural persons and their subsequent use in compensation for damages caused by the occurrence of insurance events.

In the process of realizing its economic and social role, insurance creates the necessary conditions for the development of the market economy (Fig. 1).



**Figure 1. Insure the development of the market economy mechanism of action**

Currently, compulsory insurance is different from other types of insurance in terms of its legal implementation and regulation, its obligation for the insured, the significance and full coverage of the objects covered by insurance for the interests of society, and the uniformity of the insurance amount and premium for everyone.

**Table 1**

**Features and principles of mandatory and voluntary insurance types**

Features of optional and mandatory types of insurance	Principles of compulsory insurance
In voluntary insurance, the insurance liability depends on the insurance premiums of the insured. In the case of compulsory insurance, insurance premiums do not depend on insurance liability	1. Compulsory insurance is determined and regulated by law, according to which the insurance company must insure the relevant objects and the insured must pay the specified insurance premium
In voluntary insurance, the term of the insurance contract is terminated when the insured ceases to pay insurance premiums, while in compulsory insurance, the insured cannot terminate the insurance contract, where the obligation is usually determined by law and the relationship is carried out within the framework of the law.	2. Full coverage of objects specified by law
	3. The objects specified in the law on compulsory insurance are automatically accepted for insurance
In voluntary insurance, insurance organizations comply with the terms of the insurance contract, and in compulsory insurance, the state can make changes to the terms of insurance contracts by adopting regulatory and legal decisions at its discretion.	4. Implementation of compulsory insurance regardless of the payment of insurance premiums
	5. Continuity of compulsory insurance (unlimited period of introduction of compulsory insurance type)
In voluntary insurance, bankruptcy management is organized when the solvency of insurance companies decreases, in compulsory insurance, the decrease in insurability is eliminated from state funds or by increasing insurance premiums.	6. strict determination of insurance coverage under compulsory insurance

Despite the differences in the implementation and regulation of compulsory insurance in different countries, practice shows that the above aspects are characteristic of almost all countries and show the closeness of their implementation mechanisms.

Compulsory and voluntary types of insurance are basically similar to each other in terms of methodological and organizational forms, but there are features and principles that distinguish and distinguish them (Table 1).

The main purpose of compulsory insurance is to protect the interests of third parties in the event of damage, as well as to provide additional guarantees in the protection of their property interests, to protect against risks to the life and health of persons performing any socially beneficial functions.

Based on the above, we can highlight the following, that is, compulsory insurance is a form of insurance of insurance relations that arises on the basis of law. The state was considered the main initiator of compulsory insurance, which, in the form of law, ensures that legal entities and individuals enter into economic relations to ensure the interests of society. The types, terms and procedure of compulsory insurance are determined by national legislation.

The initiative to implement compulsory insurance belongs to the state, therefore, such insurance always has a social character, in which the state protects a certain class of citizens or certain properties. In other words, compulsory insurance refers to determining the insurance protection of objects and interests that are important for the whole society.

Specific symptoms (signs) of compulsory insurance are divided into economic and legal types, including:

Economic features of compulsory insurance include:

1. Popularity - attracting the majority of policyholders to insurance;
2. Generality - involvement of all who belong to the category of insured persons or insured persons;
3. Comprehensiveness – everything that needs to be insured must be insured.
4. Broadness of coverage – coverage of a large number of insurance objects;
5. Affordability - availability of the infrastructure to provide insurance to policyholders without difficulties and additional hassles;
6. Uniformity - the procedure and conditions of insurance are determined by law, which ensures the uniformity of insurance, regardless of who is the insurer and the insured, as well as where such insurance is carried out.
7. Efficiency - the amount of insurance premiums is determined as low as possible, taking into account the fact that people with low income can be attracted to insurance.

Legal signs (signs) of compulsory insurance include:

1. State regulation of insurance.
2. Compulsory insurance is determined by a legal document in the form of a law.
3. The terms of insurance are not the same as voluntary insurance contracts, but are determined by regulatory legal documents.

The fact that compulsory insurance has the nature of coercion, that is, it is carried out regardless of the wishes and desires of the insured.

Insurance is carried out with the establishment of separate protection of the interests of both insured persons and beneficiaries.

Evasion of compulsory insurance by the insured is the reason for the specified liability.

The state is interested in applying minimum tariffs, ensuring sufficient funds to make all payments with a high level of security guarantees. Therefore, the question of finding possible ways to reduce the costs of compulsory insurance, while maintaining the coverage and reliability of the system, is relevant for any country, especially in the conditions of economic crisis and social tension related to it.

Depending on the number of insurance funds and the nature of the organizations that manage them, two main options for establishing a compulsory insurance system can be distinguished, including:

- 1) insurance using a single state-managed fund that covers the entire complex of objects to be insured;
- 2) insurance with the participation of several insurance companies (that is, several insurance funds), which compete with each other and share the existing insurance market among themselves.

All other schemes are actually modifications of the above options. The main dividing criterion is how many funds (one or several) and who manages them (public or private insurance companies).

Currently, their second option is implemented in our national insurance market. Most of the types of compulsory liability insurance introduced in the last 15 years are based on the principle of funds with the participation of several insurance companies.

Correctly achieving the lowest price of compulsory insurance can be done only if the following conditions are met (Table 2):

- effective risk classification in conditions of prohibition of risk selection;
  - achieve full collection of insurance premiums;
  - the unity of the terms of settlement of claims and compliance of payments with the terms of insurance;
  - combining the maximum possible number of risks into one fund;
  - optimization of costs for the operation of the fund and, first of all, maximum reduction of acquisition costs;
  - removed the commercial component from the compulsory insurance system.
- Therefore, in our opinion, when planning the introduction of new types of compulsory insurance and the reorganization of existing ones, it is appropriate to implement it in the form of a single insurance fund under state control. It is this form that makes it possible to approach the "theoretical minimum" of the insurance price with a single fund under state control and ensure the achievement of social and economic goals of compulsory insurance.

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