

INVESTMENT PORTFOLIO OF AN INSURER: RISKS AND RISK MANAGEMENT

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The article examines the nature of the investment portfolio of an insurer as a subject of investment activity. It is noted that most insurers did not have developed and prepared detailed investment strategy and invest in various financial assets or in bank deposits. It is this diversity of possible areas of investment for the insurer that forms its investment portfolio and determines its specificity. The article gives examples of existing investment portfolios of insurers. The structure of the presentation of investment portfolios shows that the largest share in the investment portfolio is occupied by investment insurers' areas such as bank deposits. During the process of the investment portfolio of the insurer is arising a contradictory situation that is related to the ratio of two main options of the portfolio – risk and return: the insurer acting as an investor seeks to both increase profitability and reduce risk, i.e. trying to solve two problems simultaneously contradicting one another, as the interrelation between risk and profitability – direct. For a more detailed consideration of this issue the article determines the possible risks of the investment portfo-

lio of the insurer and marks feature of their investment portfolio – the presence of two components of risk: systematic and unsystematic, and the fact that the unsystematic risk includes a special component, which is linked with the insurance industry and key factors influencing it. It is this non-systematic risk component that determines a feature of the investment portfolio of insurers, forms a part of the overall risk of the investment portfolio of the insurer, and certainly ought to be taken into account in determining the overall risk of the portfolio.

The article proposes areas of managing possible risks of the investment portfolio of insurers as diversification and hedging. Using diversification it is possible to reduce unsystematic risk of portfolio of the insurer that would reduce the overall risk of the portfolio, and using non-standard derivatives insurance companies can create their optimal investment portfolio. It is suggested that the consideration and solving of problems of risk management of insurers investment portfolio will enable further development of insurers as significant subjects of investment.