

## **RATING AS AN ASSESSMENT INSTRUMENT OF THE INSURANCE MARKET PARTICIPANTS SECURITY**

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Ratings are widely applied for state risk, assessment financial stability of emitents, security risk level, company strategies credit risks and internal assessment of a borrower. It is estimated that there exist from 130 to 150 agencies determining companies and securities rating. The most trustworthy and influential of these are Standart&Poor`s, Moody`s и Fitch.

Standard Ratings (rate means evaluate) having qualitative division into distant and individual ratings traditionally share a leading role in popularity among products. Reliability and credit worthiness ratings present an aggregate indicator meant to reflect the quality of company or bank performance in consistence with full volume of information. To determine insurance company rating is used a model of the dependence of rating functional on factors characterizing various aspects of company activities. As factors are considered financial economic indicators of company activities determining current solvency and poorly formalized characteristics of company internal risks, determining its financial stability.

Traditional ratings of financial stability are granted by the rating committee Fitch which uses methodology including comprehensive analysis of both quantitative and qualitative factors. Detailed discussions with the management of rate companies are of great importance in assessment conducted by Fitch.

Rating may be valid in situations when it is not possible to carry out detailed research of the subject of financial stability and also to simplify and facilitate this process. This assumption may be exemplified by Insurance Association of Latvia and its supervision legal requirements which fully conform to the European Union directives. According to 42 article insurer may relate securities debt to technical reserve cover only then when at least one international rating agency granted them assessment investment category. In addition 60 article part 3 clause of the law states that insurer is entitled to transfer risks for reinsurance only to those reinsures or non-member state (state which is not the member of EU) insurer which has assessment of international rating agency in investment category and which is able to fulfill its obligations beyond any doubts of any international rating agency.

The first attempt of establishing Latvian insurance society rating in Latvia in 1998 was made by brokerage "KRG-Unipolise". Latvian Insurance Brokerage association began to carry out brokerage assessments according to the quantitative and qualitative indicators of Latvian insurer's activities. Insurer's ratings made by insurance brokers reflect only subjective opinion of insurance broker's society members about Latvian insurer's friendliness towards their clients. Insurer's ratings assessment criteria are the following: speed insurer's activities, quality of service and offered price for this service, publicity, insurer's recognition, insurer's relationship with brokers and equal attitude towards their own and insurer's clients indemnity, payment time as well as relation ship with broker's clients. No one Latvian insurer so far has obtained any assessment from internationally recognized international agency. The only insurance company "BTA" 5 years in succession (2002-2006) gained the highest Russian rating agency "Эксперт ПА" assessment rating A++.

The authors applying taxonomic method investigate possibility of creating public rating of insurance companies based on public quantitative information. Feasibility of including indicators characterizing insurer's ability to rake risks into assessment criteria is well founded. Establishing rating functional the authors assess solvency, ability to perceive risks and competitiveness of an insurance company by using 13 indicators for this purpose.