

ECONOMIC IMPORTANCE OF INSURABLE RISK

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*„When an insurance against fire is taken out, it
is not the bricks or building material but the
stake of the perspective policy holder in the
value of the premises for which insurance will
be purchased.”*

Unknown English lawyer, 1883

Abstract: The article presents insurable risk as the necessity which determines the decision of signing an insurance contract. It also outlines all relationships between the insurer and the insured which are presented as the driving force behind the motivation for using various insurance services. An emphasis is put on the fact that insurable interest is a specific concept from insurance law and cannot be identified with the concept of “interest” as it is used in everyday life. The article also discusses certain definitions and statements regarding insurable interest expressed by a number of authors, including foreign ones, who worked in this field. The authors support the idea that not only a particular insured party has an insurable risk but also the entire insurance pool.

Key words: insurable interest, insured – insurer relationship, insurance contract

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1. Introduction

Insurance theory provides different views on insurable interest in terms of its essence, types, meaning and practical motives for signing an insurance contract.

Unfortunately, there is still no definitive evaluation of insurable risk as one of the main economic categories of insurance.

Nobody questions the fact that an insurance contract is valid only if users of insurance services have insurable interest. This is explicitly stated in the Code of Insurance. According to Article 349 (1), "Insurable interest is the legally recognized need for protection against the effects of a possible insured event". The next paragraph of the same article says that "an insurance contract concluded in the absence of insurable interest shall be null and void...". In other words, if there is no insurable interest, an insurance contract cannot be signed. The law, however, provides a further clarification that in order to provide insurance protection, there should be future insurable interest (Article 349, paragraph 3). It is defined as "...the need for protection from harmful effects of an expected but not yet occurred property right, or the need for protection of the own liability during and in the course of a not yet taken up or pending business activity". This article of the Code of Insurance raises many questions but they are not the focus of interest of the present study. The important thing is that insurable interest is considered a main requirement for concluding an insurance contract.

With reference to this, one of the main issues of both the theory and practice of insurance is to find answers to the questions of the economic essence of insurable interest and how it affects the insurance business.

Insurable interest is a basic requirement for the issuance of an insurance policy. It is the basis for developing relationships between the insurer and the insured¹. In every society these

¹ In other articles we state that the insurance contract is a reciprocal arrangement between two parties, i.e. the insurer (insurance company) and the

ECONOMIC IMPORTANCE OF INSURABLE RISK

relationships are the motivation for supplying and demanding insurance services.

It is also important to note that insurable interest is a specific term from insurance law. It cannot be identified with the concept of “interest” in the way it is used in everyday life.

Although insurable interest is an important economic category, it has not been studied and discussed in the insurance theory. We cannot but admit that there are many authors who have attempted to specify the reasons for concluding an insurance contract, but they have always neglected the insurable interest as the subject of insurance. And this is perfectly logical, because in this case the organization of the insurance business and insurance as an economic category are confused with its inherent features. This is best illustrated by the provisions of the Code of Insurance.

2. Basic requirements to insurance contract

2.1. Essence of insurance contract

Insurance is one of the ancient economic categories. It has a clearly defined public purpose, namely to compensate damages in the event of dangers (risks), which accompany the human society, arise.

As an economic category insurance illustrates certain economic relationships, i.e. the insurance legal relationships. They occur, as already mentioned, between the insurer/ insurance company and the insured.

The insurance contract requires from the insurer to assume a particular risk against the payment of an insurance premium by the insured person and, upon the occurrence of the event insured against (risk), to pay the insured or a third party insurance

insured, who have particular rights and obligations. Or, in the insurance contract there is no place for “the insurer”. This is something that is not understood not only by the insurance practice but also by the insurance theory.

indemnity (insurance amount). Therefore, the insurance contract is determined by its content, i.e. the obligations and rights of the parties to the contract. Moreover, the given definition outlines the actual, typical content of any insurance contract.

The insurance contract has been discussed by many authors in the specialized legal literature. There are many definitions but in most cases, it is defined as follows:

- This is a special type of purchase – sales contract, which may explain the reason why in insurance practice specialists often talk about “sales of insurance policies”;
- A special type of insurance contract, i.e. insurance is considered as a service, which is offered to the clients of insurance companies.

Both definitions, however, do not take into account the essence of the insurance contract.

In insurance theory there are also attempts to reject the bilateral nature of the insurance contract. Thus, according to the Monetary Consideration Theory, “the insurer has no obligation to carry the risk!! but only to pay the amount due, so if an insurance event occurs, the insurance relationship becomes unilateral”.

The Theory of Monetary Consideration appeared in an attempt to oppose insurance to charity. It was also a result of the inability to have the principles of life insurance explained.

For V. Raiher, the monetary consideration theory, which sees insurance only as the obligation of insurance companies to make payments, is the epitome of formalism and abstraction.

The insurance contract creates future legal relationships. These rights and obligations are manifested in the different phases of development of the insurer - insured relationship as well as in various forms of insurance

In the case of compulsory insurance, the insurable interest of the insured is realized by law. This type of insurance does not require from the insured to have insurable interest. This interest is determined by the government and is the basis on which the insurer – insured relationships arise.

ECONOMIC IMPORTANCE OF INSURABLE RISK

Unlike compulsory insurance, voluntary insurance requires from the insured to have insurable interest in order to conclude an insurance contract with the insurance contract with an insurance company.

2.2. Main reasons for concluding an insurance contract

Insurable interest (economic interest) is required in order for an insurance contract to be concluded. Unlike the insurances, where the insurable interest is not directly related to the person who buys the insurance, e.g. the liability insurances such as the civil liability and certain types of financial insurances, the economic interest also involves third parties, to whom the insured was found guilty of causing damage.

The insurable interest was recognized as an element of insurance contracts back in 1883 by an English lawyer. He claimed that when an insurance against fire was bought, it was not the bricks or building material but the stake of the perspective policyholder in the value of the premises for which insurance would be purchased. If it is established that the insured person has no economic interest in buying insurance, he will not use the services of the insurer.

In the theory and practice of insurance we always seek the motive and purpose that is pursued with the conclusion of an insurance contract. And these are, as it is well - known, the risks of living in the human society. In other words, these are the customer needs of insurance services. They can be:

- Current (urgent, pressing) real needs;
- Future (probable, possible, stochastic) needs.

The presence of future needs that may arise from the occurrence of accidental events is especially important when concluding an insurance contract. These needs are uncertain and therefore possible. They are just an opportunity.

Danger is the factor that modifies the relationship between the consumer of insurance services and the means for satisfying

the need. This is the reason why each business entity is interested in meeting its future needs that may arise upon the occurrence of a particular hazard (risk). It is permissible for a business entity to refrain from reimbursing future damages, even though its economic interests are affected. In this case, the business entity does not value the need of buying insurance. The Italian Ulysses Gobbi, basing his ideas on the Necessity Theory, defines insurance as an economic activity, which “combines cares taken in advance to meet future potential needs” (Gavriiski, 1958 – 1959, p. 33). According to Gobbi, if a business entity feels the need of a future necessity related to the occurrence of risks, it starts looking for ways of removing it.

This future need must be covered with minimum amount of money. Insurance is the institution which can cover serious future damage with the smallest amount of money spent.

Therefore, based on the fact that insurance is mutual cover for an occasional and assessable monetary need, each individual must consider it. For this purpose, they must have a motive that is related to certain economic consequences that arise when the risk and damage caused by it occur.

When we talk about the motivation to conclude an insurance contract, we should clarify certain issues, including the occasional nature of insurable risk and the possibility of its assessment. This can happen only if occasional risks are independent of each other and occur with little probability. This is one of the conditions that must be met by an interest in order to be classified as insurable.

With reference to this, one problematic area is related to entrepreneurial risk. It is true that it depends on the economic situation. However, this does not mean that it cannot be considered as insurable. It implies motives of a different nature but they are always related to the economic interests of the entrepreneur. This also applies to all the risks inherent to the intellectual property system.

In order to have an insurable interest in concluding an insurance contract, it must involve certain occasional elements, i.e.

ECONOMIC IMPORTANCE OF INSURABLE RISK

timing, amount of expected loss and duration of even insured against.

Occasional occurrence of risk is a specific form of manifestation. It is only one of the poles of interdependence, while the other one is the necessity. Insurers seek to understand the pattern and regularity with which an event (risk) occurs. However, necessity is of great importance for those who seek to purchase insurance.

Assessing accurately the chance of occurrence of the insurable risks is of particular importance for concluding an insurance contract. Each inaccurate assessment leads to an increase in the insurance premium, which puts off potential clients of insurance services. On the other hand, a low insurance premium, i.e. offering a competitive premium, attracts clients and increases the insurance pool. This is also a prerequisite of unfair competition that is, however, only temporary. With reference to this, we should mention one of the ideas of the Necessity Theory advocates. According to them, in most insurance contracts where the risk is not appropriately assessed, one of the parties in the insurer – insured relationship is always overbilled at the expense of the other.

In order to avoid incorrect assessment of risk that leads to positive or negative result for one of the parties to the insurance contract, appropriate statistical information is needed. This is the only way to estimate the frequency and severity of damage of future risks. This requirement obliges insurers to monitor risks over longer periods of time. Only in this way random events can become meaningful patterns.

Based on this we can conclude that if there is no probability of an adverse event (risk) to occur, there is no motive of taking out insurance, i.e. potential policy buyers do not have insurable interest. What is more, the occurrence of risks creates the necessity of finding methods of dealing with them. Using the services of an insurance company is a potential motive. With reference to this we should say that we do not question the need of insurance services

but this demand is related to the presence of particular conditions which will motivate the potential clients of insurance companies.

We cannot accept the widely-spread opinion that the occurrence of risk – related need is the basic category of each insurance. This idea rejects insurable interest and its economic importance.

Insurance has been developing and will continue to develop not because of needs but because of the feeling of satisfying these needs.

2.3. Basic requirement for concluding insurance contract

Certain requirements must be met when concluding an insurance contract in order to satisfy the insurable interest. Upon conclusion of the insurance contract, the insured is obliged to notify the insurer of any circumstances known to them which are essential for determining the possibility of occurrence of the insurance event and, therefore, for determining the amount of the possible damage. Essential are the circumstances that are precisely defined in the terms of the insurance. They can be given in a standard form or as written questions to the contract.

For all types of insurance including liability insurance, the actual policy limit paid by the insurer for a covered damage is an essential element of the insurance contract. In cases of Civil Liability insurance, it acquires a new meaning. For all types of personal and property insurance, the amount of the policy limit paid by the insurer represents the upper limit of its liability. This limit has a different meaning under the Civil Liability insurance. As mentioned earlier, the insurer's liability can be limited or unlimited. The liability limits can vary on the different insurance markets and with reference to the different insurance sectors and types of insurance. Liability is also related to the number of insurance events that have happened over a certain period of time.

ECONOMIC IMPORTANCE OF INSURABLE RISK

Insurable interest as a subject of liability insurance has some peculiarities. Therefore, under the various types of Civil Liability insurance, insurance contracts also differ significantly. The mandatory basic requirements for each concluded contract for Civil Liability insurance are as follows:

- unlawful offense by the person to whom obligations have been imposed to another person;
- presence of damage caused by adverse events;
- causal link between the unlawful conduct and the harmful consequences of the damage caused;
- proven guilt of the offender.

An important element of insurance contracts signed when buying liability insurance is harm. In insurance theory and theory some authors do not make difference between harm, damage and loss. An article claims that “in the event of an accident the insurer covers harm, damage and loss”. Harm is a concept from law. It involves financial/ material harm and non-pecuniary (moral) harm. Damage, respectively loss, is caused to movable and immovable property. Insurance practice and theory considers every damage caused to the personal and property-related well-being harmful. Insurance companies cover both material and non - material harm caused.

Material harm is always related to the property interest of the person who has suffered any damage. Until the end of the 20th century, it was considered that moral harm liability was not material because violations of personal and non – pecuniary/ non – material relations were not subject to moral (value - related) assessment. Insurance practice shows that in many cases the violation of personal property rights can also lead to significant material consequences. They may include protection of honour, dignity and business reputation. In the case of legal entities, these may include good faith, fulfillment of contractual obligations to partners, taking responsibility for inaccurate advertising (providing unethical or incorrect information), etc.

3. Interest and insurable interest

3.1. Interest

Every interest appears on the basis of a certain need. The etymology of "interest" (from the Latin *interesse* – "differ, be important", from *inter-* "between" + *esse* "be") is related to an individual's motivation to take action or inaction.

There are always difficulties when we have to define the concept of "interest". That is why there are more than 250 definitions.

Interest is defined as an external, objective reason, which, being an ideal or subjective evaluation is the immediate reason for people's actions. In addition, interest can be the direct, immediate reason for making a particular decision.

Interest can also be defined as a person's attitude towards something, a benefit from something. In addition, interest is what is important at a certain point, that is, any behavior is motivated by a certain interest. Interest can be a basic need or a conscious ability to satisfy it.

The notion of "interest" can also be related to a legally recognized need for protection against the adverse consequences that accompany human society. Many authors view interest as an objective irritant, which, as an ideal expression, is the cause of human activity.

3.2. Insurable interest

3.2.1. Insurance contract and insurable interest

It is well - known, as already noted, that the insurance contract is valid only if the person as a potential user of the insurance service has insurable interest. This legal requirement is also recognized by insurance theory and practice worldwide.

In England, as early as 1774, a special act stipulated that insurable interest was required when life insurance was taken out.

ECONOMIC IMPORTANCE OF INSURABLE RISK

German law also states that the validity of the relationship between the insured and the insurer is necessarily linked to the existence of an insurable interest at the time of the insurance contract conclusion.

According to North American law, the fundamental requirement for the validity of the insurance contract is the insurable interest of the policyholder in relation to the subject of the insurance.

According to the Bulgarian Code of Insurance, any contract concluded in the absence of insurable interest is considered to be invalid Article 249 (2). An exception is made only in cases where there is a future insurable interest.²

With reference to this, we should answer the question of the meaning behind the term of “open insurance contract”. Unfortunately, although the Code of Insurance provides a definition, we consider that it is not clear enough. This is due to the fact that the insurance contract (the insurance policy) is concluded only in the presence of insurable interest. All subsequent changes must be made with the appropriate annexes.

The accepted requirements are also not followed when specialists use the terms “reactive insurance coverage” and retroactive insurance coverage”.

3.2.2. Characteristic features of insurable interest

Insurable interest a specific concept used in insurance law. It should not be identified with the widely-used concept of “interest”.

As already mentioned, back in 1883, during a court hearing about the compensation principle in fire insurance, the lawyer said: “In my opinion, for any situation outlined by the Insurance Act the insured person must receive full compensation in the event of a

²The insured interest is present at the conclusion of the insurance contract and continues throughout the term in which it is in force. In Article 349 (3) of the Code of Insurance, it is defined as “the need for protection from harmful effects of an expected but not yet occurred property right, or the need for protection of the own liability during and in the course of a not yet taken up or pending business activity”.

loss covered by the policy but in no case must the compensation exceed the damage caused". What conclusions can be drawn based on this judgment?

- The concluded insurance contract is also a contract for the damage occurred;
- The insurable interest must be fully compensated as stated in the insurance contract;
- The insurance contract represents the legal relationship of the insured (their insurable interest) with property and non-material goods or with individuals or with individuals by virtue of which the possible damage to these goods or individuals due to events referred to in the concluded insurance contract.

Insurer interest exists both for physical and legal entities. Therefore, the pecuniary interest is related to the damage occurred if their own property is damaged. It may, however, also relate to the interests of other persons with whom the insured person is not in a legal relationship obliging him to indemnify, in whole or in part, the damage caused by him. In this case, the insurable interest is associated with the third party in the insurance relationship.

The insurable interest is always associated with a certain type of insurance. Whether it is present at the time of conclusion of the insurance contract, i.e. in the insurance policy, depends on the particular type of insurance. For example, a carrier has an interest in insuring passengers against an accident that may occur during their transportation. In the case of bank insurance, the bank is the one that has the interest to insure depositors against possible insolvency, but not against death and permanent loss of ability to work.

Insurance interest is also present with respect to the person who concludes the insurance contract, i.e. the person who, in the event of the statement made, is constituted as a party to the contract. In doing so, they assume the respective obligations and acquires the respective rights under the insurance contract.

Where, under the law, a person is allowed to insure the property or intangible assets of third parties, there is insurable

ECONOMIC IMPORTANCE OF INSURABLE RISK

interest for both the person whose possessions are being insured and the person who takes out the insurance. For example, a dispatching company or a carrier may conclude an insurance contract that will be beneficial to the company / person receiving the cargo. In the case of life insurance, any insurance taken out in favor of a third party is invalid if there is evidence that the beneficiary of the insurance contract does not have insurable interest. According to Prof. P. Goleva, in practice, the person taking out the insurance (this is the beneficiary according to us) can force or motivate poor or ill persons by donation to consent to the subsequent collection of the amount insured.

Therefore, there must be evidence of insurable interest. This is the reason for our next question about the paid insurance premium in case of proven lack of insurable interest. If the insurable interest stops being valid during the term the life insurance, the insurance premium, paid up to this time, has to be returned in proportion to period during which the insurance has been valid.

The well-known author A. Shipkovenski, a specialist in liability insurance, speaks about the following characteristics of insurable interest:

- it is the subject of all types of insurance;
- this is the interest, financial or economic, of the insured in the thing/person being insured;
- the insurable interest is obligatory at the moment, not in the future, of concluding the insurance contract;
- insurable interest must be determined by law (Shipkovenski, 1999, p. 134).

When reference to insurance, insurable interest must be distinguished from the economic and legal interest. Insurable interest should only be considered as the subject of insurance (the insurer – insured legal relationship).

With reference to law, insurable interest involves not only material but also non – material, intangible valuables but most of all it is the attitude of one person or a group of people towards them. Therefore, the subject of insurance legal relationships is not

particular property but the attitude of its owner towards it, i.e. their insurable interest.

Insurable interest always has financial, material value. However, insurance practice allows for compensations in the form of products/ property or services. For this reason it has certain property-related characteristics. This allows for more accurate assessment of its value which is manifested in the amount of the insurance coverage.

Very often, another characteristic feature of the insurable interest is also neglected. It cannot exist on its own as an abstraction.

When studying the essence of insurable interest, a much more important aspect should not be excluded, i.e. the fact that not only a particular insured has insurable interests but also all people/organizations that have taken out the particular insurance.

3.2.3. Objective and subjective insurable interest

A question that has to be answered with reference to the insurable interest present at the time of concluding an insurance contract is whether the interest is subjective or objective.

The subjective insurance interest shows that insurance only protects the insurable interest of a particular physical or legal entity in whose favor the insurance contract is concluded. All other entities, having their own insurable interests in the good insured, are not objectively protected by the insurance and cannot on their own request claim from the insurer the payment of insurance indemnity (insurance sum) for damage suffered.

In the case of objective insurable interest, the economic interests not only of the insured person but also of all other persons having insurable interest in the insured object, i.e. landlords, carriers, commissioners, etc., are also protected.

However, it is difficult to overcome the opinion that the conclusion of an insurance contract involves only subjective insurable contract (Raicher, 1952, p. 327). This opinion is related

ECONOMIC IMPORTANCE OF INSURABLE RISK

to understanding, dominating the insurance theory that insurance contracts are of personal character only.

We should definitely note that subjective insurable interest is beneficial to insurers and serves their interests. This is due to the fact that insurer liability is limited only to the person who has taken out the insurance.

The objective insurable interest is in favour of the insured and serves their economic interests. The insurers' liability is not limited to the insured but it is assumed to all other parties that are related to one way or another to the insured entity.

According to the most prominent supporters of the subjective interest, the insurable interest is the monetary value of a given good. However, it does not match the insured object. For them, the interest is related to the particular subject, provided the transfer of the insured object remains with the original owner.

Insurance theory supports the belief that there are difficulties in applying the principle of subjective insurable interest in insurance companies that offer mainly the basic types of property insurance. It can be concluded, therefore, that objective insurable interest is the most acceptable concept with reference to insurance law (Raicher, 1952, p. 329).

Such an opinion can hardly be accepted because nowadays insurance companies offer such types of insurance policies, which combine both objective and subjective insurable interest with the former being the more widely-spread one.

The insurance practice is familiar with cases, which combine different insurable interests in one property, i.e. the interests of the property owner also represent the interests of other people. In this way, the insurable interests under an insurance policy are cumulated. This raises the issue of insurance premiums paid by insurance policy buyers, i.e. do their amounts increase with the cumulating of insurable interests?

The immediate response is "yes" but if we are aware of the methods of determining the amount of insurance premium we will understand that it does not increase, i.e. the price of insurance

does not increase. What is more, there is no contradiction between the interests of the insured and the insurer, as some specialists in the field of insurance theory try to convince us.

In addition, the cases of additional and double insurance of the same insurable interest – subjective and objective, do not belong to the cases of interest cumulating.

The advantages of objective insurable interest are manifested above all in the universality of insurance coverage (principle of universality)³. In other words, “the universality” is related to the legal aspect of insurance, i.e. the scope of the insurance protection. Again, too many questions arise about the existence of insurable interest in compulsory and voluntary insurance. It is necessary to clarify issues concerning the characteristics the objective insurable interest in cases of different scope of insurance liability. This is in favour of the insured and is a prerequisite for expanding the sphere of the insurance cover.

We support objective interest but raise the question whether it is preferable to apply the theory of subjective insurable interest only in certain situations. We believe that this is possible and maybe it is preferable with reference to the implementation of certain ideas of insurance law. In addition, the concept of objective insurable interest matches to a greater extent the principle of universality of insurance coverage compared to the concept of subjective insurable interest. This does not mean, however, that objective insurable interest is a prerequisite for expanding the scope of a particular type of insurance and respectively for increasing the insurance amount or compensation.

The conclusion is only one and it refers to the fact that regardless of the opinions of the advocates of different insurable interest theories, insurable interest can be objective and subjective in case of different insurance policies. A typical example of this idea is the different types of Liability Insurance. It is well-known that Civil

³ The “universality” aspect of insurance refers to the scope of operations of insurance, i.e. the type of property or people that can be insured against different risks or the insurance cases that an insurer can deal with.

ECONOMIC IMPORTANCE OF INSURABLE RISK

Liability Insurance is related to people who take out the insurance but its actual user is any physical or legal entity that may suffer damages caused by the insured. For these insurances, the concept underlying the arrangement of the subjective boundaries is that anyone who owns and uses insured property is considered to be insured regardless of their relationship with the property owner.

4. Theories of insurable interest

4.1. Theory of Interest supporters

The nature of insurable interest has been treated in many different ways by the insurance theory and business over the years of their development. According to the most conservative opinion, insurable interest is an element of property insurance only. However, the theory that studies insurable interest in details is the **Theory of Interest** (Gavriiski, 1958 – 1959, p. 32). It was developed by the German philosopher A. C. Ehrenberg. According to him, interest is the attitude of an individual towards an object as a result of which the person may suffer pecuniary damage as a result of an adverse event.

For Ehrenberg interest is the economic relationship between an individual and an object/thing and the individual may have suffered a loss due to the faith of the object. Therefore, according to Ehrenberg, insurable risk is determined by the availability of an object/property, attitude towards it on behalf of an individual and risk. "The thing/property can be material or non – material".

The attitude (interest) must be assessed while the risk in the event of damage or loss threatens the insurable interest. If there is no insurable interest, there is no need to sign an insurance contract.

While Ehrenberg is an advocate of objective insurable interest, Kisch supports the subjective insurable interest. According to the representatives of this school, an economic attitude cannot

be subject to insurance. According to the representatives of the subjective interest, the subject of insurance is particular "good". For them, the insurable interest is lost only when the value of the specific property/"good" (e.g. the value of the property, the right to work, the right to profit, etc.) is affected by an adverse event.

In addition, according to the supporters of subjective interest, damage is not the value of the loss of a building but the loss of its value.

According to the most popular supporters of the subjective interest theory, the interest is the monetary value of a given good. The interest does not coincide with that good. For them, the interest is related to a particular individual, provided that the transfer of the insured item remains with the original owner. According to another opinion, the insurance contract is concluded with reference to the good.

Even more interesting is the definition according to which the interest is the attitude of the insured to the good to be insured. In this case, the danger to which the good is exposed becomes for the insured danger of losing the good.

The ideas of some French authors who support the Theory of Interest are also interesting. For them, insurable interest is the attitude of the insured towards a certain good, which can be affected by adverse events, i.e. the relationship between an individual and property that is exposed to danger. In other words, the subject of insurance is the security of the property value.

Other authors think that insurable interest is independent from risk but when they define insurance they believe that insurable interest must be related to property. With reference to this we can make a rather interesting conclusion, which, however, is not important from a scientific point of view, namely risk is the subject of insurance.

According to some Italian authors who support the Theory of Interest, insurable interest is not the relationship between an individual and a thing/property but a state of being purposeful, the pursuit of man to master (in the broad sense of the word) certain

ECONOMIC IMPORTANCE OF INSURABLE RISK

objects that affect their consciousness. Interest is also a socially determined phenomenon. It cannot exist outside of society.

The opinion of another group of philosophers is also interesting. They are also supporters of the Interest Theory but according to them:

- insurable interest is not identical with the value interest;
- it can be future, possible, unknown, suspicious, questionable, etc. or in other words uncertain.

Nevertheless, the authors belonging to this philosophical school do not accept that:

- subjective interest is always related to the value, which the insured object can have, but only for a certain period of time;
- cumulating insurable interest is possible when there are different insurable interests in the same property, e.g. the interest of the owner, the person who rents it, the stakeholder, etc. In this case, however, this is objective insurable interest and it is related to a number of subjective, personal insurable interests.

Philosophers also speak about coinciding insurable interest, primary and secondary insurable interest, material interests and profit and claims interests, personal interests, useful and negative insurable interests, etc.

The analysis shows that none of the supporters of the Interest Theory comments on the characteristic features of insurable interest as the main element of the insurer – insured legal relationship. Therefore, they cannot make the final step to clarify the essence of insurable interest and its importance for the insurance business. This is the reason why their opinions, according to which in insurance contingency is “chained” in wise sentences, throws the doctrine of insurable interest in chaos.

4.2. Other theories of insurable interest

It is not only the supporters of the Interest Theory who have different opinions about the nature of insurable interest. Other theoretical movements and their advocates as well as individual

authors also deny the existence of insurable interest and its importance for the insurance business. According to some of them, property (good) is subject to insurance. They even claim that for certain types of insurance insurable interest is not important. What is more, according to the majority of authors, the subject of insurance is not the insurable interest, because it is necessary to differentiate property insurance from property rights and obligations insurance⁴.

Although these supporters deny the fact that insurable interest is an element of insurance legal relationships, they do not deny the role of insurable interest as the main motive for concluding an insurance contract.

Adam Smith did not discuss the issue of insurance and its subject because he considered insurance as a type of trade. He wrote in his "An Enquiry into the Nature and Causes of the Wealth of Nations" that "the trade of insurance aims at providing greater security for private wealth".

The opinion of the authors who have developed the Game Theory is also interesting. According to them, some public relations can be called "a play", while others are "a stake". Games often depend on chance or the throw of a dice but this is not enough to assume that without insurable interest the insurance contract is "just a game". Some supporters of the Game Theory believe that in insurance, one does not oppose the organized play of fate, but an organized game of damage. This opinion also justifies the property interest. However, it does not clarify the role of insurable interest legal relationship that arises upon the conclusion of an insurance contract. The reason for this is their inability to understand the simple truth that in games and betting chance is usually not related to the players' property. However, in both games and insurance

⁴ Objects own or property (in general) involve all movable and immovable property, living and non-living as well as physical and non – physical things. Property insurance includes all cases where property is protected against risks after paying an insurance premium or transferring the expenses for taking out the insurance (e.g. Third Party Liability insurance; insurance against work suspension, expected earnings, rain; travel insurance; etc.).

ECONOMIC IMPORTANCE OF INSURABLE RISK

there is interest. But these are two different types of interest. In insurance, the insured protect their economic interests, while in games players bet against their personal interest in order to even a probable, unfavorable score.

There is a widely spread opinion among practitioners in the field of insurance that certain specialists usually try to find arguments to prove that insurance is a way of saving. This opinion cannot be accepted. This allows for discussions about the investment character of insurance. This opinion is very close to the principles of the Savings Theory (Grigorov, 1956, p.448). According to the advocates of this theory, taking out an insurance policy is a collective act of saving achieved through distributing all single risks among the insurance pool. The conclusion of an insurance contract contains elements of fiduciary management of funds provided by the insured to the insurer.

In conclusion, it should be noted that every property owner needs to protect their property against risks that may cause damages. This need can be describes as a sense of lack, which is related to the pursuit of eliminating this lack.

Despite the opinions of the theoreticians in the field of insurance, every individual does their best to protect their economic interests. This can be done, in spite of the various theories, only if:

- individuals are aware of the need to so;
- the property they own must have attributes, which satisfy certain needs;
- the property is personal property or property for which responsibility is taken.

One conclusion, related to the various insurance theories allows us to assume that their supporters do not provide a comprehensive definition of insurable interest as the subject of insurance.

Clarifying the essence of insurance is not possible only by using logical constructions. It is difficult to understand insurance theory and practice without explaining in details the economic

importance of insurable interest. This also applies to its significance for the physical and legal entities and the government.

It cannot be denied that there are many books on insurance. Numerous authors have tried to find ways to clarify the subject of insurance. This explains the difference in the opinions on this important issue.

Conclusion

Too many questions arise whenever a problem is studied, especially if it has not been discussed in the specialized insurance theory. Not surprisingly, insurance law researchers have not reached agreement on one similar problem.

Insurance practice also treats the subject of insurance legal relationship, i.e. the insurance contract, differently. In this case there is also misunderstanding as of the subject and object of insurance.

We understand that many issues, some of which being more important than others have not been discussed in the present study. There are also certain principles that are taken for granted but can still be further clarified. The only aspect, however, that cannot be questioned, is that insurable interest is the subject of every concluded insurance contract. With reference to this, we have pointed out several times that “if there is no insurable interest, there is no insurance policy”. If we do not consider insurable interest as the subject of insurance, this does not mean that legal relationships can arise without insurable interest. It is neither the content, nor the subject of insurance. It is a prerequisite, a motive for purchasing insurance. It is the motivation behind the behaviour of both the insurer and the insured as the two parties of an insurance contract.

We assume that there may be disagreements regarding our understanding of the nature of insurable interest. In addition, these concepts require further clarification and concretization. This, however, does not change our main conclusion that insurable

ECONOMIC IMPORTANCE OF INSURABLE RISK

interest is the subject of insurance contracts. Whether this subject is objective or subjective depends on the essence and content of the particular insurance.

The complexity of the researched problem depends on two factors, i.e. insurable interest has many important economic aspects and consequences as well as legal features, which are studied by other since. This is one of our reasons for providing a detailed description of the essence and features of insurance contracts. This part of the study may contain certain inaccuracies with reference to their legal aspects and we would like to ask you to show understanding.

We also think that it is appropriate to present the opinions of well-known specialists in the fields of insurance and law in the last part of the study. In this way, the various philosophical trends on the issue of insurable interest as the subject of insurance are best outlined.

With reference to this, specialists in the field of insurance will say whether we have achieved the goals set in this study. However, we are satisfied with the fact that we have opened up a discussion on insurable interest.

The attempt to clarify the economic aspects of insurable interest is just a “weak” attempt to fill the gap on this issue in insurance theory. Insurance practice also needs to reconsider its understanding of the subject of insurance. This, in turn, necessitates changes to the legal framework, which regulates the insurance business.

We are aware of the fact that many of the raised questions need further clarification. This, however, is completely normal when we discuss one of the main aspects of the insurance theory and practice.

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Year XXVIII * Book 2, 2018

CONTENTS

MANAGEMENT theory

PROBABILITY METHODS FOR ASSESSING FINANCIAL RISKS FOR ENTERPRISES

Vladimir Gorbunov

Dmitry Denisov 5

COMPANY competitiveness

THE INNOVATION RECEPTIVITY OF ENTERPRISES AS THE BASIS OF THEIR ECONOMIC GROWTH AND DEVELOPMENT

Prof. Nataliya Golovanova

Assoc. Prof. Nataliya Kulikova 21

MARKETING

INFLUENCE OF BRANDS ON PRODUCT SATISFACTION

Assist. Prof. Atanaska Reshetkova, PhD 35

BUSINESS practice

ECONOMIC IMPORTANCE OF INSURABLE RISK

Professor Hristo Draganov, DSc (Econ.)

Dipl. Eng. Georgi Draganov, PhD 51

INFORMATION technologies

BLOCKCHAIN – AN OPPORTUNITY FOR DEVELOPING NEW BUSINESS MODELS

Assoc. Prof. Nadezhda Filipova, PhD 75

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