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THE WAYS TO OVERCOME INFORMATION ASYMMETRY BETWEEN THE MAIN COUNTERPARTIES OF INSURANCE COMPANIES

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Abstract. *This article explores existing approaches to counteracting information asymmetry. For insurance companies asked to part ways to overcome this asymmetry into two groups depending on the specific conflict of interest arising between its main stakeholders. The ways of overcoming information asymmetry between the insurer and the insured, the management of the insurance company, its owners and creditors are revealed.*

Key words: *information asymmetry, insurer, the insured, screening theory, market signal theory, insurance market infrastructure.*

Contradictions between the parties of the insurance process can be divided into two groups: contradictions due to the peculiarities of the insurance relations that arise between the insurer and the insured, and contradictions due to the peculiarities of the insurer's functioning in the form of an insurance company.

To avoid information asymmetry on the part of the insurer, the following tools can be identified: completing the declaration and/or the insurance proposal form by the insured; determining the policyholder's liability for the providing with the knowingly false information; restrictions and exceptions to insurance; list of insured accidents; procedures and terms of payment of the insurance indemnity; determining the parameters of the insurance contract; inspection of the insured object. The insurer may also ap-

ply informal procedures that affects the willingness of the insurer to assume the risk.

The use of these instruments generates significant transaction costs. The main problem for the insurer remains to determine the minimum amount of information required to make a risk insurance decision and consider the conditions.

To avoid asymmetry of information for the policyholder, the following can be highlighted: leading into the terms and conditions of insurance contract; availability of a license for insurance business; the company's website contained the complete information about the insurer; brand and business reputation; payment of dividends by the company to its shareholders.

The government should compulsory intermediate as a regulator to provide the

transparent information field for the potential insureds and to protect their rights (licensing of insurance; certification of the management; registration of Insurance Rules; implementation of financial monitoring; maintaining a state register of financial institutions etc.)

Besides the state, appointed institutions of its infrastructure have to provide with the information the main participants of the insurance market. There are: self-regulatory organizations, exchanges and rating agencies.

For the second group of contradictions to avoid information asymmetry, the following tools can be identified: compensation and dismissal threat of managers; threat of company takeover; direct interference of shareholders in the operational management of the company; using of debt contracts; using of so-called restrictive measures; conducting audits; publicize the results of the current analysis of the company as well as forecasts of its future prospects.

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