Regional Social Insurance Funds: Specificities of Reserving Funds

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Abstract — To the present moment, the procedures for the reservation of funds in regional social security insurances haven’t been studied in depth, and they are rather rarely described in the scientific literature. Meanwhile, it is the availability of reserves that makes it possible to classify this field of activity as insurance activity. Reserves provide a certain level of financial stability of the economic system, and, consequently, its functional safety. If reserves are available, we can talk about leveling possible risks with their help. Since the very beginning of the system of social insurance in Russia, a reserve of funds for the implementation of compulsory social insurance against industrial accidents and occupational diseases has been provided. The reserve fund has been accumulated for more than fifteen years, but so far there has been no statistics published as to either the movement of the funds, or the description of the directions of their use, or its annual dimensions and fluctuations in scientific publications. The poor knowledge of properties of the reserve fund leads to the situation when, even at the level of federal reporting forms, there is sometimes no distinction between the reserve fund and temporarily free financial resources. Information on the movement of the reserve funds is included in the sections “Fund Revenues” or “Fund Expenditures”, meanwhile, the reserve is an independent economic category, which can not be described in terms of either expenditure or income. The information on the reserve fund in question which is offered in the regional offices of the Social Insurance Fund is even more scarce. This data is not published frequently. This article describes the contradictions between the purpose of the Reserve Fund, the directions of its spending, as well as the place of the reserve fund in the classification of financial reserves. The author gives some information about reserving in the Volgograd branch of the Social Insurance Fund (SIF) of the Russian Federation.

Keywords — Social Insurance Fund, funds for the implementation of compulsory social insurance against industrial accidents and occupational diseases, financial reserves of the Social Insurance Fund

I. INTRODUCTION

The scientific articles of the last 3-4 years (2015 - 2018) in which the work of the Federal Social Insurance Fund and its regional offices is investigated show that the main unresolved problems in the development of social insurance in the country are “lack of the reserves in the Funds, non-observance of insurance principles, which is explained by a number of external factors: the unfavorable state of the national economy, the strongest differentiation of incomes of the population” [1]. In addition, the articles state that “the social insurance system in Russia still retains features that are more characteristic of social assistance than insurance” [1]. According to some authors, the domestic social insurance system in general “every year becomes less and less able to cope with the tasks it faces” [2]. As a reason for such a radical assessment, statistics are given on deteriorating of the demographic indicators, when the number of employees each year decreases and the number of recipients of insurance compensations (pensions or benefits) only increases. A literature review of scientific articles shows that the issues of adequate financial earmarking in the Social Insurance Fund are extremely rare, compared to other topics.

The aim of our research is to attempt a consistent description of the organization of financial flows associated with the formation of reserves in the federal SIF and in its regional offices. According to some scholars, the reserves of all extrabudgetary funds, including the SIF, are now not being sufficiently formed. In particular, M. A. Rzhevskaya and V. V. Stepanenko notes that ‘the procedure for creating the necessary insurance reserves, as well as their volume, is not clearly stipulated in the legislation’. Therefore, any more or less significant deviation in this system leads to a delay and reduction in the size of benefits paid, as well as shortage of funds for financing meaningful social programs. In the Russian Federation, a similar problem arises systematically, so the question of revising and changing the existing mechanism for forming the resource base of funds is extremely important’ [2]. Sharing this position, we set our own scientific search in several directions. First, we set the task to describe the real and possible sources, due to which these reserves can be formed in the SIF. Secondly, we analyzed the normative instruments that govern these processes. Finally, we examined the statistics of the SIF budget performance for different periods in order to identify trends in the area of reserve funds, their preservation and further involvement in the social insurance turnover.
II. MATERIALS AND METHODS (MODEL)

A significant problem for solving the scientific objectives is the lack of open access to primary materials and reports of regional offices of the Social Insurance Fund of the Russian Federation. Their modern sites are designed in such a way that they provide information only for direct users of the social insurance system, such as employers (insurers) and accountants of enterprises. It is impossible to see here either any statistics, or any analytical reports, on occupational injuries, insurance against temporary disability, or insurance in connection with motherhood. Therefore, the main source of data for analysis is information provided in the Conclusions of the Accounting Chamber of the Russian Federation on reports on budget implementation by the Social Insurance Fund of the Russian Federation for the period 2014-2017. In addition, as primary data, we used documents that had been requested in advance, for example, in the Volgograd branch of the Social Security Fund of the Russian Federation. The main research method was the method of comparison.

III. RESULTS AND DISCUSSION

Our studies have shown the following. There are several main areas in which the Social Insurance Fund of the Russian Federation operates: health insurance against temporary disability and maternity leave, coverage for work-related accidents and occupational diseases (hereinafter, this type of insurance will be abbreviated as “For accidents”), as well as beneficiaries to certain categories of citizens. The reserves in the Social Security Fund of the Russian Federation are accumulated only for accident insurance and only at the federal level. For other types of activities in the Fund, unencumbered balances are recorded, which, strictly speaking, are not reserves. For example, according to the Accounts Chamber of the Russian Federation, “as of January 1, 2018, the balance of the Fund’s budget increased by 21,017,010.7 thousand rubles, or 15%, and amounted to 160,592,683.4 thousand rubles, including 139,903,813.1 thousand rubles of mandatory social coverage for work-related accidents and occupational diseases (including 132,606,648.4 thousand rubles of reserve funds), 16 539,821.5 thousand rubles for compulsory social insurance against temporary disability and maternity leave, 2,463,832.7 thousand rubles of the federal budget, 1,685 216.0 thousand rubles of the Federal Compulsory Medical Insurance Fund budget” [3 p.45]. It is easy to see that the funds in the accident insurance reserve make 82.5%, which is the lion’s share of all balances of the Fund. The reserve created during the implementation of the budget of the Social Insurance Fund of the Russian Federation in 2017 was invested and brought revenue in the amount of 4,554,705.5 thousand rubles, although the planned benefit from investing the reserve was only 3,238,700 thousand rubles. In the previous period, in 2016, the income from the investing the reserve funds amounted to 4,554,705.5 thousand rubles, which is almost 2 times less than in 2017. This led the Accounting Chamber to note that “... when planning budget funds for 2017, the amount of income from investing the reserve was underestimated” [3 p.45].

Let’s turn our attention to the fact, that two years earlier, in 2015, the Social Insurance Fund planned to place not only this reserve, but also temporarily free funds made from insurance premiums for compulsory social insurance against case of temporary disability and in connection with maternity. These funds were planned to be recorded in the line KBK 393 1 11 02061 07 0000 120 of the budget classification code. This code means "Income from the placement of temporarily free funds of the Social Security Fund of the Russian Federation made from the unified social tax.” Meanwhile, the legislation of the Russian Federation does not provide for getting income from the insurance premiums for compulsory social insurance against temporary disability and in connection with maternity. In 2015, these revenues, despite the fact that they had been planned, were not received and were not taken into account, except for 0.5 thousand rubles of accrued dividends from the shares of the Yakutia Railways Joint-Stock Company, worth 2,013.8 thousand rubles and owned by the regional branch of the Sakha Republic (Yakutia) [4 p.13].

Our study reveals some ambiguity regarding the grounds for the formation of reserve funds for compulsory social insurance against industrial accidents and occupational diseases. On the one hand, there is the Decree of the Government of the Russian Federation of December 24, 2012 No. 1396 which prescribes to form this reserve “according to the results of the current fiscal year on the basis of the performance report.” of the Social Insurance Fund of the Russian Federation (Article 2) [5]. In other words, the exact criteria of the “results” that influence the decision on the formation of this reserve are not specified in the Government Decree No. 1396. On the other hand, in several Reports of the Accounting Chamber of the Russian Federation, which conducted an audit of the Reports of the SIF on the performance of its budget, there are indications that the existence of a surplus of the Fund’s budget is counted as such a criterion. Thus, in the SIF RF budget performance report for 2015 it is noted: “The surplus of social insurance budget performance over the past years allows the Fund to form a reserve of insurance premiums for compulsory social insurance against industrial accidents and occupational diseases” [4]. In other words, the formation of the Reserve is conditioned on the general state of the resource base of the SIF, and it can be assumed that if there were a deficit in the Fund, then the Reserve would not be formed. However, in reality this is not the case. In this regard, let’s turn our attention to two circumstances. Firstly, the reserve is called the “Reserve of Insurance Contributions ...” by the auditors of the Accounting Chamber, while in Law No. 125-ФЗ of July 24, 1998 [6] (Article 18, paragraph 11; Article 22, paragraph 3) and Government Decree No. 1396, this Reserve is called the “Reserve for the Implementation of Compulsory Social Insurance against Industrial Accidents and Occupational Diseases”. Secondly, our analysis shows that the Reserve in the SIF of the Russian Federation was formed regardless of whether the organization had a surplus or not (see Tables 1 and 2).
At the same time, it is obvious that the Accident Insurance Reserve is a perfect reserve, the source of which is real money. In Article 5 of the Rules for the Formation, Investing and Use of Reserve Funds for the Implementation of Compulsory Social Insurance against Industrial Accidents and Occupational Diseases, it is stated that “the funds of the insurance reserve that are not placed on bank deposits are kept in the single account of the Fund’s budget opened to the territorial body of the Federal Treasury in division of the Central Bank of the Russian Federation”.


<table>
<thead>
<tr>
<th>Indicators / Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total surplus (+) / deficit (-) of the budget</td>
<td>+23,6</td>
<td>- 70,9</td>
<td>-48,5</td>
<td>+21,0</td>
</tr>
<tr>
<td>Deficit (+) / surplus (+) on compulsory social insurance against temporary disability and in connection with maternity</td>
<td>+5,7</td>
<td>-91,1</td>
<td>-55,5</td>
<td>-3,1</td>
</tr>
<tr>
<td>Surplus (+) on compulsory social insurance against industrial accidents and occupational diseases</td>
<td>+19,8</td>
<td>+ 19,5</td>
<td>+ 7,0</td>
<td>+23,7</td>
</tr>
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<thead>
<tr>
<th>Indicators / Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Amount of funds in the Reserve at the beginning of the reporting period</td>
<td>32723924,5</td>
<td>83420450,8</td>
<td>102616390,5</td>
<td>109443674,6</td>
</tr>
<tr>
<td>2. The amount of funds in the Reserve at the end of the reporting period, including through the investing</td>
<td>3420450,8</td>
<td>102616390,5</td>
<td>109443674,6</td>
<td>132606648,4</td>
</tr>
</tbody>
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In addition to this, our study showed that the Rules, on the basis of which the Accident Insurance Reserve is formed, provide a very vague description of the reasons for its use. They only state (Article 29) that “Insurance reserve funds are used to finance the costs provided for by the Federal Law “On Compulsory Social Insurance against Industrial Accidents and Occupational Diseases”. The insurance reserve funds are used in case the Fund’s expenditures for compulsory social insurance against industrial accidents and occupational diseases exceed its income for a specified type of insurance in the current fiscal year”. That is, there is no specific list of the directions for using this Reserve in the Rules. On the whole, if we evaluate the content of the Rules for the Formation, Investing and Use of the Reserve Funds for the Implementation of Compulsory Social Insurance against Industrial Accidents and Occupational Diseases, most of the articles will be associated with a description of the conditions under which funds of this reserve can be placed in lending institutions. However, the existing rigidity of the procedures for choosing a credit institution to invest the funds of the Reserve is not an absolute protection against non-receipt of income from its placement in banking organizations in full. In particular, in 2015, due to non-fulfillment of the obligations stipulated by the bank deposit agreement, a deposit from OJSC Asian-Pacific Bank and Commercial Bank LOCO-Bank was returned to the Fund. In the same year, OJSC Bank Rossiyisky Kredit was declared bankrupt. The accounts of this bank kept deposits of the Social Security Fund of the Russian Federation worth 907,259.2 thousand rubles. Vneshprombank, which had deposits of the Social Security Fund of the Russian Federation in the amount of 182,550.0 thousand rubles was also adjudged bankrupt in 2015. According to the Accounting Chamber of the Russian Federation, in 2017 there were no other cases of termination of deposit agreements. In 2017, the SIF issued 11 orders, according to which the reserve funds worth 117 155 461.5 thousand rubles were placed on deposits. The reserve funds were placed for a period of 25 to 330 days, the interest rate for placing funds was from 9.05% to 9.95% per annum [3].

Let us pay attention to two more important characteristics that are associated with the formation and investing of the funds of the Reserve for Insurance against Accidents. The first relates to the rates of social insurance against accidents and explains the intensive growth of the Reserve over the past four years. In its Performance Report of the SIF Budget for 2017, the Accounting Chamber noted that there is an imbalance in the tariffs for this type of social insurance. In particular, it was emphasized that “at the expense of insurance premiums for lower classes of occupational risk, funding of payments for higher classes is provided” [3]. Low occupational risk classes include tariffs ranging from 0.2 to 0.6%. This sector, for example, combines such activities as printing newspapers, developing building projects, processing fruits and vegetables, etc. The last 5 classes of occupational risk have a tariff from 6.1 to 8.5%. This includes such activities as mining and beneficitation of coal and anthracite, mining and beneficitation of lead-and-zinc ore, etc. In the Conclusion of the Accounting Chamber of the Russian Federation it is stated that “the volume of assessed insurance payments for the first 5 classes of occupational risk was 2.6 times higher than the cost of insurance coverage, and for the last 5 classes of professional risk, the security of expenses with assessed insurance premiums was only 37.1%” [3]. This imbalance suggests that the existing Accident Insurance Reserve is formed in such
high volumes, as a result of inadequate redistribution of insurance premiums within the SIF of the Russian Federation, and due to the fact that the tariffs themselves are too high. At the same time, it is necessary to take into account the fact that this kind of remark has been made by the Accounting Chamber before.

The second characteristic is related to the fact that in some years the funds received for social insurance against accidents were sent by the government to finance the deficit in insurance of temporary disability on an irrevocable basis. In particular, this happened in 2010, when more than 30 billion rubles were transferred for these purposes. Our observations show that in other years there was a similar internal redistribution of the SIF budget. In addition, the internal redistribution of funds for social insurance against accidents occurs due to the uneven income coverage of expenses in different areas, and it is also necessary to have funds for this. According to the Accounting Chamber of the Russian Federation, in 2017, in accident insurance at work and occupational diseases, the lowest income security was in the regional offices of the Social Insurance Fund for the Republic of Ingushetia (18.4%), for the Karachay-Cherkessia Republic (19.2%), for the Chechen Republic Republic (39.6%), the largest - in Moscow (3.79 times), in St. Petersburg (2.39 times), in the Chukotka Autonomous District (2.22 times) [3].

Table 3 presents data showing the movement of financial resources within the Volgograd branch of the Social Insurance Fund. Such statistics was obtained after the official request to the regional office of the fund.

Table III. Data on the overall deficit (surplus) of the Social Insurance Fund of the Russian Federation for 2014-2017

<table>
<thead>
<tr>
<th>Year</th>
<th>2014 r.</th>
<th>2015 r.</th>
<th>2016 r.</th>
<th>2017 r.</th>
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<tbody>
<tr>
<td>Overall surplus (+) / deficit (-) of the budget</td>
<td>- 207,1777</td>
<td>- 473 622,5</td>
<td>- 552,5065</td>
<td>-256,8273</td>
</tr>
<tr>
<td>Deficit (+) / surplus (+) on compulsory social insurance against temporary disability and in connection with maternity</td>
<td>- 161,37767</td>
<td>- 433,5777</td>
<td>- 503,7249</td>
<td>- 279,8073</td>
</tr>
<tr>
<td>Deficit (+) / surplus (+) on compulsory social insurance against industrial accidents and occupational diseases</td>
<td>- 45,80002</td>
<td>- 40,0448</td>
<td>- 48,7816</td>
<td>22,9800</td>
</tr>
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</table>

During the period under study, the budget of the Social Insurance Fund of the Volgograd region has been characterized by chronic deficit. This trend continues for both types of insurance, with the exception that in 2017 “accident insurance” had a positive effect. These statistics take into account administrative expenses, which are distributed as follows: 28% of expenses cover the insurance “against accidents”, and 72% is spent on the insurance “in connection with maternity”. Without taking into account administrative expenses, insurance “for accidents” is always positive.

Unfortunately, the law does not require the official publication of such data; therefore, it is impossible to find such data on the official websites of regional offices of the Social Insurance Fund or regional governments, for example. This data is not accessible for scientific research, so today there are only fragmentary data for individual regions or for different research periods, which constitutes a big problem for conducting a comparative assessment and analysis of the work of the regional branches of the social insurance fund.

IV. CONCLUSION

A. The reserve of funds for the implementation of compulsory social insurance against industrial accidents and occupational diseases should fall into the category of perfect insurance reserves for the following reasons: a) it represents real financial assets that are kept either on deposits at credit institutions or on a single account of the Fund opened to the territorial body of the Federal Treasury in the branch of the Central Bank of the Russian Federation; b) this Reserve is invested in order to preserve its value; c) there are Rules for the formation, placement and use of the Reserve which are contained in the Decree of the Government of the Russian Federation No. 1396 of 2012.

B. Regulatory documents regulating the sphere of activity of the Federal Social Insurance Fund contain contradictory and incomplete information about the goals of the formation of the Reserve and the directions for using the Reserve funds for compulsory social insurance against industrial accidents and occupational diseases. A description of the overall goal - to ensure the financial sustainability of the social insurance system - must be supplemented by a list of circumstances that may adversely affect this sustainability. Such reasons may include sharply increasing social insurance costs for accidents due to large-scale technological and environmental disasters or extreme destruction, leading to increased injuries at the insured objects that are not covered by the usual amount of income for this type of insurance. The directions of expenditure of the reserve in question should include:

- leveling, at the expense of a part of its income and expenditure base for this type of insurance in different territorial offices of the Social Insurance Fund of the Russian Federation which have budget imbalances;
- reduction of tariff rates for this type of insurance for those insurers who have not had insurance claims for a period of time;
the use of a part of the Reserve for the prevention of industrial injuries and occupational diseases which lead to their chronic decline, etc.

C. Report forms that reflect the movement of funds when implementing the budget of the SIF of the Russian Federation must necessarily have a section that will reflect the movement of the Reserve of Funds for the implementation of compulsory social insurance against industrial accidents and occupational diseases. In particular, this section should provide information about the size of the Reserve at the beginning and end of the period under review, as well as a list of activities that were funded from the specified reserve. In particular, in this section it is necessary to reflect the results of the investing of the Reserve funds and the investment income received. Currently, the SIF report forms have only two sections, namely, the Fund's Income and the Fund's Expenditures. However, the Reserve is an independent economic category, which cannot be included either in income or in its expenses.

D. To clarify the numerous features accompanying the movement of the Reserve, it is necessary to conduct permanent scientific observations on the basis of which conclusions can be drawn about the sustainability of trends that guarantee the insurance nature of this reserve and the effect of its use in social insurance. For this purpose, I recommend that information about the work of the territorial units of the FSS of the Russian Federation should be made open and reports on their work should be published on existing sites. In particular, it could be possible to publish there data on statistics of occupational injuries, occupational diseases, financing of measures for the prevention of occupational injuries, as well as statistics of one-time and monthly benefits to persons injured and occupationally ill.

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