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Doctoral Thesis

REZUMAT

CHALLENGES AND PERSPECTIVES OF INTERNAL CONTROL IN THE FRAMEWORK OF INSURANCE COMPANIES

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**CRAIOVA
2018**

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KEY ARGUMENTS AND WORDS

The separation between uncertainty and risk given by F.H.Knight (1921) allowed us to understand the role of insurances protecting individuals and property against events with disastrous effects. In other words, these events are the basis of insurance and, at the same time, they are the main subject of knowledge in this area. Their shocks affect everyone, shattering at random the capabilities of people and companies. As U.Beck (2001) asserts, this reality is amplified today by various initiatives to modernize society. Risk has become more than a threat nowadays it has become the measure of our action. In this context, the activity carried out in the insurance system cannot be achieved effectively without the existence of a functional internal control and risk management system. Given the importance of internal control, it has led us to focus on a number of issues related to its mission and possible models that outline a new philosophy of the effectiveness of its application in insurance companies

KEY WORDS

- insurance
- segmentation
- internal control
- risk
- uncertainty
- probability
- fraud
- mission
- detection
- analysis
- concepts
- models
- statistical research
- efficiency

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INTRODUCTION

From birth, every human being is confronted with an uncertainty in the action he takes for himself and for others. According to D. North (2005), the initial uncertainty is reduced by learning two things, those from the physical environment and those from the socio-cultural and linguistic environment. These acquisitions vary from one culture to another. Therefore, all companies are organized to reduce uncertainties, including insurance companies.

Reflection on insurance is often focused on technical considerations and business issues. And yet, in a modern economy, the insurance activity plays an important role and deserves attention so that to understand its environment and interaction with other sectors of the economy. A well-organized insurance sector with good national or regional government is one of the catalysts of the socio-economic development process of a country or region. Due to daily uncertainty, security research is a fundamental need of every human being in anthropological, cultural and political-legal terms.

Insurance companies began to develop in our country in the 19th-20th century due to the development of more intensive economic activities, as well as the export of cereals mainly to other European countries. Various forms of insurance have existed since ancient times, but have manifested themselves in various forms adapted to the way of life of the time. After 1900, insurance companies began to expand, adapting to times and needs, as well as policies developed and applied at each stage of economic development.

In the current economic, social and political context in which the phenomenon of globalization and internationalization generated many contradictions, it was inevitable that new risks and uncertainties would arise with unprecedented consequences for all areas of activity. Avoiding, diminishing or eliminating the impact of the materialization of such events brings to the attention of governments, organizations, entities and even individual individuals the primacy of identifying viable solutions, i.e. internal control.

In the new context, both regarding the business environment and the public sector, new management directions have emerged from each and every entity, based on reconsideration of how they can manage their new evolutionary circumstances.

The organization of internal control and the generalization of risk management have become over the past few years some of the major concerns of businesses and their managers. Many countries, like the United States, passed laws to clarify the leadership obligations regarding internal

control, as far as leaders on de facto are concerned, based on a process of standardizing the effectiveness of the internal control system put in place by companies.

If in some countries, such as the US, the regulator chose to focus on financial information to restore confidence in the financial markets, in other countries, such as France, the regulator opted for a different, broader approach in its area of application thus providing greater freedom with regard to the steps to be followed.

Definitions found in the literature on internal control indicate that they are based on several fundamental concepts, namely:

- internal control is a set of measures that are a means of achieving goals and not an end in itself;
- internal control is not an isolated event or a single circumstance, but a set of actions that spread throughout the company's activities. It is a management tool for management that cannot be replaced. Internal control procedures are particularly effective when integrated into infrastructure and part of organizational culture;
- internal control is implemented by people. It's not just a collection of manuals, procedures, and documents. It is provided by people who make the company's activity viable at all levels;
- Management expects reasonable assurance from control and not absolute assurance. The likelihood of achieving the objectives is subject to limitations inherent in any internal control system, even if the decisions taken were based on a cost / benefit study;
- Internal control focuses on achieving objectives in one or more distinct but overlapping areas.

Internal control is not an end in itself. It is organized to ensure a fair and efficient administrative activity in compliance with the law. The issue of the relationship between these advantages and the cost of the measures should not be ignored in this respect by the Financial Supervisory Authority.

The need for greater rigor felt by insurance companies to guarantee the fundamental balance of their financial sources has led to increased concerns about preventing and combating fraud. Undoubtedly, the insurance industry is faced with an important part of fraudsters trying to get illicit gains.

The scope of the controller's mission is variable and its limits are determined by the control program that has been established. In assessing the fairness of the damage caused, the key role of the controller is to put an end to fraud and to prevent the damage from being collected earlier. Through his accumulated experience and knowledge of insured psychology, the controller can criticize each fraud index. Once a first index is identified, he must look for others and inform the insurer as soon as possible by revealing those contradictions and anomalies that have been recorded to his manager.

However, it is imperative for insurance companies to focus their attention on certain implicit fraud issues and to create a rigorous climate of relations between the insurer and the insured.

With the evolution of internal control systems, risks have also evolved, especially in the insurance and reinsurance field. Not often, the management of the insurance and reinsurance entities asks: how would it be better? to

set up more controls or to better target control?

Even if internal control provides only reasonable assurance, quantity-based reflections have proven in terms of effectiveness that they leave room for a foolish soothing logic, namely risk control. In such a context, we appreciate the importance and timeliness of the research theme which has **as main objective** the outline of the challenges and perspectives of internal control within the insurance companies and for the development of which four specific objectives have been set, namely:

- OS1 - analysis of the main features of the insurance market and their impact on economic growth;
- OS2 - clarification of the control concept associated with risk management;
- OS3 - identifying and analyzing the internal control mission regarding fraud;
- OS4 - identifying the extent to which internal control is tailored to the specificity of the insurance entities and its effectiveness.

STRUCTURE OF THE DOCTORAL THESIS

Each of the four specific objectives mentioned *constitutes one separate direction or research axis* within the thesis, trying to delimit the actions pursued, despite the interconnections between them.

The first research axis, entitled "*The Insurance Market - Present and Perspectives*", has the role to highlight the way in which the assurances came into being and developed and their role in the formation of GDP in our country and the dynamics of insurance from a regional perspective.

In essence, this research axis will aim to create the conceptual and motivational framework of the research.

We propose to address this research axis from four perspectives, namely:

- an overview to highlight how insurances came into being and their evolution in order to support the idea that the future of a society can only be conceived in a new world characterized by freedom, democracy, modernity and progress, capable of giving man the power to be, but also the ability to have for oneself and for others. How will we support this statement? Of course, by revealing the contribution of the insurance sector to GDP formation, by analyzing the segments of the insurance market, as well as by analyzing the DDP degree of penetration and the density of insurances;
- secondly, we propose a presentation of the impact of assurance on economic growth, given that the insurance sector can contribute to economic growth, both as a financial intermediary and as a supplier and risk transfer identifier, respectively realizing an effective risk control and mobilizing people's economies;
- thirdly, we will address the correlation between the insurance market and the degree of financial intermediation in Romania, starting from the fact that the association between the insurance sector and the banking sector must be seen through the insurance investments that have a significant

contribution to the economic growth and which contribute to encouraging loans by reducing the capital cost of enterprises;

- the fourth perspective will be linked to the dynamics of insurance in Romania seen at regional level.

The research that we will undertake within this research axis will be based on statistical data collected at European, national and regional level, processed and interpreted.

The second survey axis will be called "*Internal Control, a component of corporate governance within insurance companies,*" starting from the idea that this is a device implemented by a company's management to allow it to verify risky operations that they have to take their company. Moreover, the temptation of fraud is much higher than in other sectors, whatever the level of computerization of the economic operations carried out. For this reason, company resources are measured, targeted and supervised so that management can achieve its goals.

The existence of several regulatory control systems (CFP, CFG, damage investigation and verification, control and internal audit) creates the false impression that they involve the same issues and lead to the same results, which is why they can be neglected.

This is actually the mobile for which we plan to clarify the control concept to which we associate risk management.

To achieve the desired goal, we will rely on five activities relevant to research, namely:

- to clarify the concept of corporate governance and see what its evolution is taking into account that the issue of governance, far from being a new issue, continues to be the focus of attention because entities have not learned anything from the bankruptcy of companies all over the world;
- to present some aspects of the internal control without which we cannot know and track the slips within the economic entity's financial and economic activity, we cannot identify the intensity and gravity of the risks specific to the contracting and insurance management activity and we cannot achieve the self, so necessary, protection of material and monetary resources of society. Knowledge, evaluation, monitoring and control of past and potential future influences that may have a negative impact on the business of insurance companies will be relevant to research towards a theoretical-methodological approach of the internal control and risk management system based on the definitions, patterns, types and principles underlying it;
- we will try to make a distinction between internal control and internal audit, which, in spite of the fact that they have a number of common elements, are different. We propose to approach this relevant activity based on the fact that each of the forms of control, through the different functions they have, cannot be confused with each other,

even if some of them follow the same goal, finding the irregularities in the activities carried out and protecting the patrimonial interests of the economic entity;

- starting from the fact that the economic entities differ according to their object of activity, given the particularities of the insurance sector, we briefly present the specific risks of the studied activity, the objectives following the internal control and the main internal control procedures implemented;
- starting from the question "why it is necessary to associate risk management of internal control" we will consider A.T. Băiescu's opinion that the risk insurance "is like a spare wheel: it is good to have it with you, you want it you do not have to use it, but if you happen to stumble, it helps you get out of the impasse (the obvious financial one)." This relevant activity of the second research axis will have the role of pointing out that insurance companies, constantly confronted with new challenges, should remain reactive when it comes to managing emerging risks.

The approach of this research axis will be based on local and foreign literature in a logical succession of ideas, as well as on the regulations in force regarding the organization and functioning of internal control, as well as the implementation of risk management, thus defining the stage of knowledge in the field.

The third research axis "*Detection, Analysis and Prevention of Insurance Fraud - Internal Control Mission*" will specifically aim to analyze various fraudulent behaviors, to point out the underlying issues and to draw insurers attention to neglected or forgotten areas , a mission that relies exclusively on internal control.

The content of this research axis converges towards making scientific contributions to the state of knowledge, which is why we will consider more relevant activities to meet the established objective.

In the scientific approach that we will undertake, we will start from the concept of fraud, its characteristics and the way in which it will materialize in the insurance companies, after which we will try to analyze the internal control mission on the detection and prevention of frauds with view three directions of research:

- a first research direction will address the four areas of the internal control mission: the environment in which it is conducted, the risk assessment of the insurance product sales cycle, the assessment of the risks of the payroll cycle and the financial risk assessment, the research we will carry out on the basis of the perception of the organizational structures involved in conducting, organizing, monitoring, conducting and controlling the activity using mainly the interview technique. The data obtained will be subjected to statistical processing and the results will be interpreted;
- The second research direction will be a predictive analysis of fraud prevention and detection processes at the level of insurance companies,

reinsurance companies and brokers based on a series of statistical data collected from the annual ASF reports, processed and interpreted in order to obtain pertinent conclusions;

- The third research direction will refer to the competences of internal control in the prevention and detection of insurance frauds given the skepticism that is manifested in this direction both internationally and nationally.

The fourth research axis entitled "*Lean Six-Sigma - a New Philosophy of Internal Control Effectiveness Assessment: Perception or Reality?*" is on the same line as the previous axis, namely to bring scientific contributions to the state of knowledge.

Initially, Lean Six-Sigma was designed as a useful tool for waste disposal and improved manufacturing capabilities. Considered within this context, it could be said that it is a myth to compare the productive activity with that of the services in the insurance sector. By analyzing the insurance sector, I considered that, like any other activity, it is made up of a series of processes and therefore the same managerial tools can be applied. All that needs to be done is to analyze the critical processes through which activity is being conducted in order to satisfy customers.

But in order to understand the Lean Six-Sigma methodology and its articulation in the internal control system, we will first have to make a brief presentation of each of the two components of the Lean and Six-Sigma word game and put it at the heart of the DMAIC methodology (definition, measurement, analysis, improvement, control).

We aim to demonstrate the possibility of customizing the DMAIC model on an insurance company for the purpose of estimating market risks, in which we will integrate the Value at Risk (VaR) model - one of the latest models that have emerged and is widely used for asymmetric risk assessment, such as those associated with financial investments.

On the other hand, we will try to conduct a comparative study among three insurance companies in order to assess the effectiveness of internal control based on the indicators that can be built on the annual financial statements of 2016. To that end, we will consider the criteria set out in DMAIC components combined with COSO components: environmental assessment, risk assessment, information and communication, monitoring and internal control assessment.

The conclusion of the paper will be "*Conclusions, suggestions and further pursuit*", through which we will report the challenges and perspectives of internal control within the insurance companies and will highlight the contributions by substantiating and advancing concrete proposals for improvement of the researched field.

Taking into account the objectives proposed and described in the four research axes, for their realization, **the research methodology** will be based on an adequate methodological and theoretical-scientific support found in the literature in the form of published scientific papers, published articles and studies, ASF reports, published statistical data, and research papers or doctoral theses available. The information support will be complemented by

the operational procedures issued by the Romanian Government and MFP, international standards applicable in the field of research, to which we will add a series of websites of the bodies regulating the insurance activity in order to consolidate the research carried out. Along with the theoretical documentation we will make on the basis of the mentioned informational support, we will consider the practical documentation at the level of the insurance companies and their structures in order to identify the real problems they are facing, the consultation of the specialists in the field, the collection and selection of the necessary data analysis to ensure correctness and veracity.

In order to finalize research and bring a contribution to the knowledge stage, we will use a number of research-specific tools such as participative and non-participatory observation, data collection and processing, analysis, synthesis, induction, deductive reasoning, comparison, case study and exemplifying, and for processing statistical data we will use the SPSS v.18 program.

Some of the research results have been disseminated, which results from the List of papers attached to this doctoral thesis.

CONCLUSIONS, SUGGESTIONS AND FURTHER PURSUIT TRIGGERED BY RESEARCH

A. CONCLUSIONS

The world is changing and insurance with it. In order to adapt to the environment, the insurance sector needs to propose new measures to better adapt to market requirements, all the more so, as uncertainty becomes more and more frequent.

Insurance companies began to grow in our country in the 19th-20th century due to the development of more intensive economic activities, as well as the export of cereals mainly to other European countries. Various forms of insurance have existed since ancient times, but have manifested themselves in various forms adapted to the way of life at that time. After 1900, insurance companies began to expand, adapting to times, needs, and policies at the time.

In the period between the two world wars, when exports and imports of all kinds of goods, but mainly grain, were carried on, the felt need to minimize risks has made the insurance market grow. Various insurance companies with a Romanian name were set up, while others merged, so that they can adapt their offers to the needs of those times. During the communist era, the insurance was under state administration, and the area of their deployment was restrained.

After 1990, various insurance companies began to appear, trying to cover a range of risks, offering various services, trying to adjust their offers to the market's request.

The insurance system has increased from year to year, more and more insurance companies have been set up and the supply of insurance and reinsurance services has become more and more extensive.

Until 2005, the level of the insurance market followed a fluctuating, but slow growth trend, starting 2005, and especially since 01.01.2007 when Romania entered the EU. and the borders were free and the economy was on an investment trend, the insurance had an upward trend until mid-2008 when the global crisis began and the world economy fell sharply, the whole economy became chaotic, and the insurance could only follow the trend of the whole economy.

Until 2011, the insurance market fell steadily, since 2011 the insurance market experienced small but insignificant fluctuations, fluctuations generated by political situations both internally and internationally, fluctuations measurable by the degree of penetration of insurance in GDP and the density of insurance.

The insurance and reinsurance study has led us to the conclusion that it contributes to economic growth, both as a financial intermediary and as a provider and risk transfer identifier, i.e. performing effective risk control and mobilizing population savings.

The parallel performance of the same activities and / or the sale of the same products by the insurance sector and the banking sector has contributed to the emergence of new risks and new techniques, especially with regard to the actuarial system.

In addition, products and sales techniques are less and less identified in one sector or another. The products can be dressed up or otherwise there are various forms in each sector. Finally, the financial sector is rapidly moving towards similar prudential and accounting approaches according to the different areas of which it is composed. The banking and insurance system should gradually become a common area of intervention, the first steps being made by creating bancassurance.

In this case, the joint effect obtained next to the banking sector makes the development of insurance activity encourages bank lending by reducing the cost of capital for businesses - which influences economic growth by increasing demand for financial services. However, it should not be concluded that the insurance business is the same as that of the banks, especially given the structure and profile of the risks.

The deepening of insurance and the banking system seem to play complementary roles in the growth process. Although insurance and the banking sector make a positive contribution to economic development, their individual contributions are more significant if they are both present.

From the analysis of the data presented in the paper, it can be noticed that in our country the level of development on the insurance market has a slight tendency to increase, but this tendency is differentiated at national level depending on the level of investments and the degree of development of the respective region.

According to the latest information provided by insurance specialists, the insurance market is experiencing a period of uncertainty, and specialists in the field are highly cautious.

Currently, the economic environment requires many changes in the way entities are managed and structured. This is due to the fact that organizations operate in an unstable environment, characterized by rapid and time variations, numerous, dispersed, unpredictable, which make the information uncertain. For managers, it is a real challenge to identify the most important avalanche of indicators to stay afloat.

In this context, it can be said that the appreciation, of the degree to which the pursued routes correspond to the predetermined objectives, is achieved through a surveillance using various mechanisms combined, generically known under the name of control.

The control word can have several meanings and can be used as a synonym for the words examination, verification, mastery, supervision. With the evolution of activities, control has become a device implemented by a company's management to allow it to check the risky operations the company has to take.

So, from the role of controlling the use of resources, allocated to

various departments, and the activities within an organization, internal control has now become a function of performance piloting. This fact justifies the actual choice of the theme of this research report which aims at a theoretical and methodological approach within the insurance companies. By drawing attention to the concept of corporate governance and its evolution, we learn from the literature that the issue of control is related to the delegation of a part of the responsibility that involves the control of the person who received this delegation.

Paradoxically, **the term internal control** is not as old as the concept that defines it, because in reality it is a literal translation of the English contemporary term "internal control."

By reviewing the definition of the control term and noting that it is at the same level in COSO's view, Turnbull guidance and AMF, being sensibly equivalent, we have raised the question of whether the internal control system is applicable to the insurance sector, a sector with multiple features.

Insurance is above all a trust-based business. In essence, an insurance contract is on the one hand neither more nor less than a promise to pay in the event of a disaster, or on the other hand, a commitment in return for a premium payment. The promise or warranty only materializes in the future, when the disaster or an event that causes the payment of the commitments. This mechanism, by which the insured first pays and receives, is called **the reverse cycle of production**.

Therefore, any insurance company should be able to fulfill its commitments to the insured in the future, in other words it should be solvable and not be bankrupt in the meantime. This notion of commitment in the future is specific to the insurance sector and requires prudence and management rules that are much more important than within a classical activity because failure cannot be accepted as long as not all commitments have been honored.

Thus, in order to protect the insurance, the public power that controls the solvency of the insurance companies has emerged in the sense that they verify the extent to which they maintain their commitments. **As a result, insurance companies are subject to particular legal obligations and prudential supervision.**

Concluding the above, we can answer **the question that we have ask in making the following statement:** insurance companies are subject to the same management issues as all other entities, they must ensure the reliability of accounting and financial information, control the risks, and be efficient, and therefore to organize its internal control, which is based on two more important models, namely COSO and CoCo.

We believe that the CoCo model is much more formal than the COSO model, although some authors consider it a weak model.

The common endorsement of the two models lies in focusing on the use of COSO through monitoring and learning (CoCo).

Put into perspective, internal control remains channeled to risk management, which forces members of management teams to clearly define

objectives by enabling them to make informed decisions about issues to solve and to help target resources to get the best results.

In our opinion, the perspectives of internal control creates the image of a dual paradigm, respectively the guardian of the temple, on compliance and fraud prevention, on the other hand, a business partner with the role of lowering the level of exposure to risk. The flexibility of internal control and its adaptation to the efficiency requirements of any activity is a consequence of the fact that at present internal control is applied too mechanically - internal control is done for internal control, test for the test, while its purpose is to reduces residual risk.

Placing ourselves **at the level of insurance companies**, it is noted that "although almost all internal control systems are regulated by the legislation in force and by the internal rules of the insurance companies, some of them, such as: preventive financial control; financial management control; investigation and verification of damages, internal controlling and internal audit are often confused with each other, considering that they are too numerous and that they have the same tasks and tasks."

Although the area of competence assigned to internal control is all-encompassing, subordinated to the internal audit that appears as an over-controlling and paradoxical part of the internal control system, **in our opinion** each of the control forms under discussion has different functions which cannot be confused with each other, even if some of them pursue the same goal, ascertaining the irregularities in the activities carried out and protecting the patrimonial interests of the economic entity.

In general, the approach of internal control, of objectives, principles and certain procedures within the insurance companies does not differ from those found in other companies in the financial sector, but the application of specific procedures must take into account, on the one hand, the particularities of insurance operations , on the other hand, the need to protect policyholders.

In order to be traced and managed, the internal control features are manifested in relation to the risks associated with different functions within an insurance company and which has a number of objectives, including: risk acceptance (life insurance); Reserves for unpaid claims (general insurance); protecting investments (investments); active-passive management; term financial instruments (derivatives); computer risk; the role of intermediaries; outsourcing of services; money laundering.

Reviewing each of the above-mentioned objectives, we see that risk management is a priority objective and insurance companies, constantly confronted with new challenges, must remain reactive when dealing with emerging risk management.

Beyond the distinction between risk and uncertainty, as well as between risk and probability, risk management is currently associated with several issues, which may be either analytical or concrete. The diversity and complexity of associated issues, as well as the subjectivism of perception and the relationships between them, almost exclude a general hierarchical presentation, leaving the possibility of hierarchy on defined processes and systems or peculiarities of action.

The risk management model is a true learning process that is divided

into four logically sequenced components that combine to form a whole, namely risk identification, risk assessment, risk tolerance and risk response / risk control.

In practice, a classical scheme cannot be identified regarding the establishment of a risk profile to be used in the control and forecast activity on new risk factors as it depends on the specificity of each activity area of each individual entity, as are insurance companies. The need for greater rigor felt by insurance companies to guarantee the fundamental balance of their financial sources has led to increased concerns about preventing and combating fraud.

The scientific approach that has been undertaken has been aimed at measuring the types of fraud that may occur, their existence, and investigating whether routine internal control assessments, burden-sharing, and effective supervision have an impact on the discovery of fraud.

The theoretical study considered two essential aspects, namely: on the one hand, the concept of fraud and the characteristics of the one that generated the question of "how big and sophisticated is insurance fraud?", On the other hand we sought to position the internal control mission in relation to insurance fraud.

Fraud, regardless of how it is defined, or from what point of view it is grouped, must be seen as an illegal act involving three components, namely:

- its intended character that differentiates it from error;
- its dissimulated will (character of deception);
- its operating mode.

The insurance fraud phenomenon is quite high (around 10% of the gross premiums earned) and only 2% -3% is detected.

A big problem for the extent of frauds is that the subject is almost taboo for insurers and the cases detected are not made public.

Although we are talking about two major categories of fraud, underwriting and damages, they also have a lot of subcategories that we have been trying to outline to highlight the magnitude and complexity of insurance frauds, thus creating a cartography that has to stay in attention of the control system.

Regarding internal control techniques and procedures that allow a check of the tasks performed to limit possible errors or frauds, it is necessary to delimit the control mission between the detection and prevention of frauds, which in turn are internal and external. In this context, we discussed four possible missions of control, namely:

- the fraud detection mission,
- mission to detect external frauds;
- the internal fraud prevention mission;
- mission to prevent external fraud.

In order to see how the internal control on fraud detection and prevention is being carried out, we launched an online survey that followed:

- analysis of the environment in which internal control is conducted;
- analysis of the risk assessment of sales;

- risk assessment during the payroll cycle;
- financial risk analysis.

Looking at the whole, our conclusion is that the security of the internal control system has certain limits. We need to be aware that there is a risk that two rogue or collaborating people will overwhelm the best possible control system.

Given that fraud techniques are constantly changing and fast, it has become very complicated, if not impossible, to reduce their financial impact by relying solely on manual procedures or human judgment.

This has prompted us to conduct a predictive analysis of fraud prevention and detection processes at the ASF level from three perspectives:

- of the insurance companies;
- reinsurance companies
- brokering insurance brokerage.

The descriptive statistical analysis and the comparative analysis we have made raised the question of whether internal auditors are able to cope with the risks of fraud if they have the necessary skills.

Studying this issue through an international approach has revealed that there can be five directions that can better contribute to managing the risk of fraud, regardless of the type of organization, recommendations on:

- defining the role of internal audit on fraud;
- raising awareness of the risk of fraud;
- developing a database based on experience gained;
- discovering the necessary skills.

It is necessary to ensure that the control team has the necessary skills to prevent and detect fraud. This involves recruiting, training or outsourcing. The control team must be able to assess the risks of fraud and to pay attention to warning signals that require experience and maturity.

Along with the evolution of internal control systems, risks have also evolved, especially in the insurance and reinsurance sector, as outlined above. Not often, the management of the insurance and reinsurance entities asks: how would it be better? to set up more controls or to better target control?

The opinions are divided. Some authors argue that, at present, control structured in accordance with information systems, the priority should be given to the legitimacy of these risk-related controls.

Our research was less relevant to the quantitative (technical) side of control because it was at the forefront of the qualitative side of control, if it is adapted to the specific nature of the insurance entities and if it is effective. That is why Lean Six-Sigma's approach was considered to be an opportunity to reconcile operational objectives and risk control into a common performance target.

The Lean Six-Sigma methodology had to be researched by integrating it into the particular sector of the insurance sector and focusing on DMAIC (definition, measurement, analysis, improvement, control).

The result of the research undertaken as a conclusion of the scientific approach was to customize the DMAIC model on the example of an insurance company for estimating market risks in which we integrated the Value at Risk (VaR) model - one of the latest models and widely used for the

assessment of asymmetric risks, such as those associated with financial investments.

Going along the line of assessing the effectiveness of internal control, the comparative study between three insurance companies, starting from the indicators that can be built on the basis of the annual financial statements of 2016, revealed that such a score-based analysis of the effectiveness of control internally, on a total and per component basis, allows an analysis of strengths and weaknesses within each company to determine the required measures.

The conclusion we reached is that it is time to find the notion of efficiency within new control systems, and Lean Six-Sigma is an opportunity from this point of view.

Lean Six Sigma application requires rethinking the control system as a separate process with clear objectives to be achieved.

The results of an audit cannot be effective control unless they take into account the quality of the process throughout the process and its relevance to those who receive it, ultimately referring to the deliberative and executive bodies of society.

B. OWN CONTRIBUTIONS

All our research has been based on a series of questions that we have put on the whole of the thesis, and the desire to find answers and to demonstrate that there are solutions to the measures and actions that can be taken by insurance companies have materialized in a series of own points of view that can make a contribution to improving the literature.

Within **the first research axis** "*The Insurance Market - Present and Prospects*", which is purely theoretical and which aimed at creating the conceptual and motivational framework of research, our own contribution lies in the manner in which we approached the way they appeared and evolved insurance, their role in the formation of GDP in our country and the dynamics of insurance from a regional perspective.

The whole scale of this research axis has been built on the question of whether the assurance has an impact on economic growth? The answer to this question has highlighted the fact that the insurance sector can contribute to economic growth, both as a financial intermediary and as a supplier and risk transfer identifier, respectively performing effective risk control and mobilizing the savings of the population.

Within **the second research axis** "*Internal Control, a component of corporate governance within insurance companies*," our own contributions follow the five relevant activities that we have proposed and which led us first to clarify the concepts governance, control system and its models, and audit.

By asking us if the risks can be controlled by the organization and if YES, how much can they be controlled? through the presentation of risk management and its customization at the level of insurance companies, we consider that we have managed to draw attention to the fact that insurance

companies, constantly confronted with new challenges, must remain reactive when it comes to managing emerging risks.

The third research axis entitled "*Undertaking, Analysis and Prevention of Insurance Fraud - Internal Control Mission*" started from the question of *what can be done to have the best control over the activities?*

Starting from the concept of fraud, its characteristics and the way in which it is embodied in insurance companies, the personal contribution is contrived by the answer I have given to the question put forward and which addresses three directions:

- a first contribution, based on the interview technique carried out within the 10 branches of the insurance companies existing on the territory of Craiova, implicitly at the level of 8 brokers and statistically processed with the help of SPSS, was brought to the analysis of the way of realization the internal control mission on the detection and prevention of four-level frauds related to the environment in which it is conducted, the risk assessment of the insurance product sales cycle, the assessment of the risks of the payroll cycle and the assessment of the financial risks;
- the second contribution envisages the predictive analysis of fraud prevention and detection processes at the level of insurance companies, reinsurance companies and brokers on the basis of statistical data collected from the ASF reports and statistically processed with SPSS;
- the third contribution is an answer to the question of how competent internal control is in the prevention and detection of insurance fraud based on the five CBOOK recommendations 2015 edition.

The fourth research axis we have called "*Lean Six-Sigma - a New Philosophy of Internal Control Effectiveness Assessment: Perception or Reality?*" Is an original scientific approach that Lean Six-Sigma methodology integrates the custom DMAIC model on the example an insurance company to which the VaR model was associated - one of the most recent models that have emerged and widely used to assess asymmetric risks, such as those associated with financial investment (placements).

Secondly, we extended the research through a comparative analysis of three insurance companies to assess the effectiveness of internal control over financial reporting, in which the criteria set out in the DMAIC components were combined with the COSO components: assessment of the control environment, risk assessment, information and communication, monitoring and internal control assessment.

C. FURTHER PURSUIT

As in any research there are limits that can be eliminated through future research, limits related to:

- lack of adequate criteria for measuring the quality of internal control;
- limited knowledge of the proper understanding of the particularities of the activity from one insurance company to another, even if they operate in the same field;
- the complexity of the internal control process;
- lack of access to some data and staff reluctance;

- the impossibility of generalizing research results, which makes us believe that we have conducted a case study, rather demonstrative, which requires further research.

We are aware that we have not been able to respond to all the problems involved, but, as Leonardo da Vinci said, "in life we must also cherish small things like a candle that does what the sun will never manage to do in the dark."

An old aphorism says *God does not ask you to succeed, he just asks you to try*, which is why we tried to clarify some aspects of internal control in the insurance sector and make a modest contribution to the enrichment of the specialized literature.

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