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## **TRENDS IN THE DEVELOPMENT OF THE UKRAINIAN INSURANCE MARKET**

*The article is devoted to the analysis of tendencies of development of the insurance market of Ukraine. The author analyzes the dynamics of the number of domestic insurance companies, presents the insurance company leaders, TOP-10 companies in life insurance and non-life insurance, and substantiates the factors of the external and internal environment that hinder the development of the insurance market.*

*Keywords:* insurance, insurance company, insurance market, environmental factors, factors of the internal environment, life insurance, risk insurance types.

*Селиверстова Л. Тенденції розвитку страхового ринка України. Проаналізовані тенденції розвитку страхового ринка України і динаміка кількості вітчизняних страхових компаній. Указані страхові компанії лідери, ТОП-10 компаній по страхованню життя і ризикових видів страхування. Обосновані фактори зовнішньої і внутрішньої середовища, які замедляють розвиток страхового ринка.*

*Ключевые слова:* страхование, страховая компания, страховой рынок, факторы внешней среды, факторы внутренней среды, страхование жизни, рискованные виды страхования.

**Background.** The current stage of the transformation of the economic system in Ukraine in the context of civilization development and the successful confrontation with the globalization challenges lead to the formation of a qualitatively new model of the functioning of the insurance market. The development of the insurance institute is capable of generating a positive synergistic effect, and substantially increasing the level of favorableness of the national business environment.

Today, in an unstable economy, the role of insurance as a mechanism of accumulation of money supply and a source of long-term investments into the economy increases in the whole world, which in turn promotes financial stabilization, raising the quality of life of the population and ensuring the continuous production activity of enterprises and organizations. The insurance market of Ukraine is at the stage of gradual integration into the global financial market, therefore, the issue of modern development of

the insurance services market and finding directions for its improvement is relevant and requires in-depth study.

The issues of the development of the theory and practice of the formation and functioning of the insurance market in their works were studied by such domestic scientists as Bazylevych V. D., Vasilik O. D., Vygovska V. V., Klepikova O. A. [1], Muzyka O. M. [2], Rotova T. A., Tkachenko N. V. Despite the wide range of problems mentioned in the writings of scientists, the question of planning and prospects for the development of the Ukrainian insurance market requires the further research.

*The aim* is to analyze the trends of the insurance market development and to substantiate the directions of effective development of insurance companies.

**Material and methods.** To achieve this goal, general scientific and special methods of knowledge of phenomena and processes of the insurance market are used in the article. System, structural and comparative methods are used when disclosing the peculiarities of insurance and justifying the recommendations for stimulating the development of the Ukrainian insurance market.

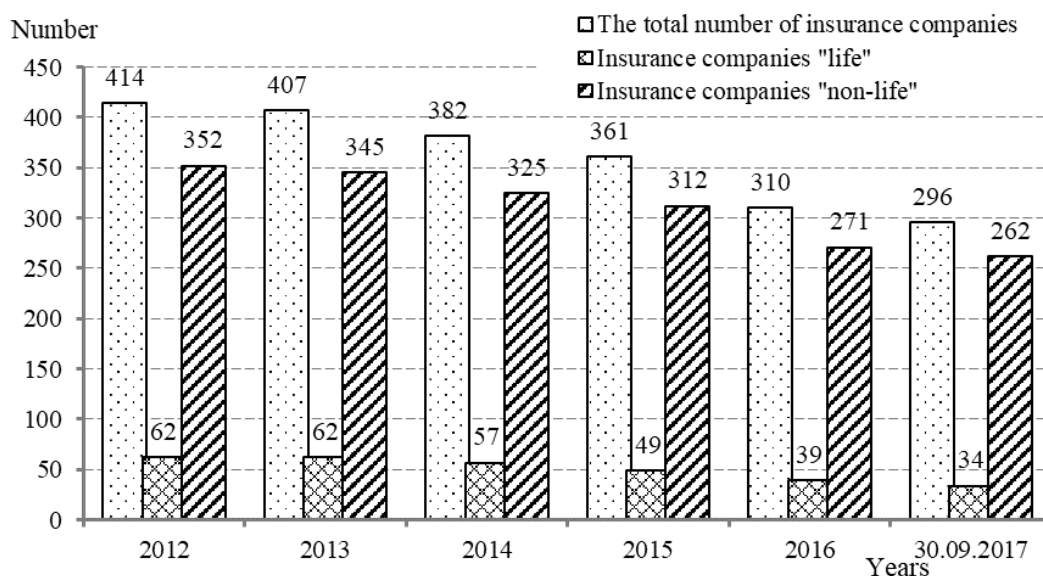
**Results.** The place of the insurance market in the financial system of Ukraine is due to the role of various financial institutions in financing insurance protection, as well as their significance as objects of placement of investment resources of insurance organizations and maintenance of insurance, investment, financial and other activities. The specificity of insurance determines the direct connection of the insurance market with the finances of enterprises and population, the banking system of the country, the state budget and other financial institutions, within which the insurance relations are implemented. In such a relationship, the relevant financial institutions act as insurers and consumers of insurance products. Specific relationships are formed between the insurance market and the state budget and the state extra-budgetary funds, which is associated with the organization of insurance [2, p. 248].

The insurance market is an important component of the financial market of the country and is closely connected with the industrial sphere and the level of welfare of the population. The positive changes in the economy, increasing welfare of the population contribute to the activity of insurance companies, and the stable development of the latter, creates favorable conditions for improving the general state of the economy by investing their accumulated funds in various areas and industries.

The modern insurance market in Ukraine is currently experiencing not the best time, since it is negatively affected by external and internal factors. Given the instability of the domestic economy and the military conflict in the country, insurance, as an investment instrument, is not developing sufficiently but steadily and demonstrates a tendency for further growth.

The insurance market is the second in terms of capitalization among other non-bank financial markets. The total number of the insurance companies for 30.06.2017 was 300, including the insurance companies for life insurance (IC "life") – 36 companies, other types of insurance (IC "non-life") – 264 companies [3].

The dynamics of the changes in the number of insurance companies in the domestic insurance market for 2012–2017 years is shown in *figure 1*.



*Figure 1.* Dynamics of the number of the insurance companies in the domestic insurance market for 2012–2017 years [based on data 3]

Despite the fact that the number of the insurance companies tends to decrease, the volume of revenues from gross insurance premiums and net insurance premiums indicate the effectiveness of development.

According to the National Commission of the regulation of state financial services markets, gross insurance premiums for 9 months of 2017 increased by 26.4 % to UAH 31.4 billion, of which individuals account for UAH 11.1 billion, which is 35.4 % and legal entities persons for 20.3 billion UAH (64.6 %). Thus, net insurance premiums for the 9 months of 2017 increased by 6.1 % to UAH 20.8 billion, which is 66.2 % of gross premiums.

As for risk insurance, UAH 29.4 billion was received, representing 93.6 % of the total premiums, and life insurance – UAH 2 billion or 6.4 % of the total premiums.

Gross premiums increased for almost all types of insurance: financial risk insurance (+58.6 %), property insurance (+35.2 %), fire and risks insurance (+57.3 %), car insurance (+13.6 %), liability insurance +54.6 %), cargo and luggage insurance (+22.6 %), health insurance (+ 20.2 %), accident insurance (+51.9 %), and air insurance (+55.6 %).

Consequently, the negative characterization of the trend of reduction of insurers is incorrect, since: firstly, the practice of 2004–2007 years, the

characteristic feature of which was to increase the profitability of insurance companies on an extensive basis, was evidenced by the fact that the quantitative growth of the insurance portfolio does not lead to a qualitative change. The rate for the "scale effect" is not justified, as a result of which the effectiveness of Ukrainian insurers does not reach the efficiency that is characterized by foreign insurance companies. Secondly, the insurance market has long overdue the issue of consolidation of insurers, since the concentration of insurance market for the receipt of gross insurance premiums of the first 20 insurers, for example, at the end of 2016, accounted for 99.0 % of "life" insurance, and "non-life" insurance – 60.3 %. This state of affairs is characteristic not only for 2016; it is typical for the insurance market of Ukraine during the investigated period (*table 1*).

Table 1

**The concentration of the insurance market during 2012–2016 years**

First (Top)	Part at the insurance market "life", %				
	2012	2013	2014	2015	2016
Top-3	51.3	44.0	51.7	44.8	42.8
Top-10	87.1	90.4	90.9	91.2	87.9
Top-20	96.7	97.9	98.3	98.7	99.0
Top-50	100.0	100.0	100.0	100.0	100.0
Top-100	–	–	–	–	–
Top-200	–	–	–	–	–
Totally at the market	100.0	100.0	100.0	100.0	100.0
	Part at the insurance market "non-life", %				
Top-3	13.7	9.9	13.5	15.6	14.7
Top-10	34.4	28.6	30.7	35.0	36.3
Top-20	53.6	46.8	50.3	53.8	60.3
Top-50	76.8	70.8	77.5	78.8	85.0
Top-100	92.1	84.3	92.1	93.4	96.1
Top-200	99.2	91.0	99.2	99.5	99.0
Totally at the market	100.0	100.0	100.0	100.0	100.0

The source: [4, p. 12].

It should be noted that the ratio of the insurance payments to GDP is still at a level that is far from the desired or the one that is typical of the developed economies, where it is 8–12 % of GDP. Thus, at the end of 2016, the share of gross insurance premiums in relation to GDP was 1.5 % remaining at the level of 2015 and by 0.2 pp less compared to 2014. Such a downward trend is characteristic for the Ukrainian insurance market since 2008, when the change in certain macroeconomic recovery of the insurance market in 2006–2008, with the growth of this indicator from 2.5 % in 2006 to 2.7 % in 2008, came to its gradual decrease to 1.7 % in 2014 and up to 1.5 % in 2016. This situation is evidence of a failure to fulfill the insurance market, inherent in its functions, and insurance, unfortunately, is enjoying the weak demand from the population and the business entities.

TOP-10 of the largest insurers for bonuses for 9 months of 2017 are given in *table 2*.

Table 2

**TOP-10 of the largest insurers for bonuses for 9 months of 2017, ths UAH**

Insurance companies	N in rating	Gross premiums, ths UAH	Growth, %	N in rating	Pure premiums, ths UAH	Growth, %
UNICA	1	1 255 657	65.16	2	764 233	21.90
AHA INSURANCE	2	1 235 114	23.02	1	1 188 510	22.47
ARSENAL OF INSURANCE	3	1 160 151	33.21	7	494 583	-2.82
PZU UKRAINE	4	957 250	13.96	8	489 389	24.50
INGO UKRAINE	5	771 394	17.14	6	528 675	12.98
TAS SG	6	726 641	36.04	4	632 950	33.66
WIRED	7	654 583	5.15	3	639 033	8.32
USG	8	593 071	10.02	5	538 914	9.38
CREDO	9	572 576	423.79	-	-	-
UNIVERSAL	10	498 449	33.96	-	-	-
ALPHA INSURANCE	-	-	-	8	414 741	17.63
ORANTA	-	-	-	9	403 518	14.64

The size of gross insurance premiums for 9 months of 2017 increased by 17.6 % and amounted to 7.4 billion UAH, including 6961.5 million UAH (94.4 %) for risk insurance, and 413.6 million UAH (5.6 %) for life insurance. Net insurance payments increased by 18.4 % and amounted to 7.2 billion UAH.

The largest increase in gross payments occurred in the following types of insurance: motor insurance (+29.7 %), financial risk insurance (+94.5 %), health insurance (+26.2 %). At the same time, gross insurance payments (-84.6 %), insurance against fire risks and risks of natural disasters (-22.4 %) decreased. TOP-10 of the largest risk companies for 9 months of 2017 are shown in *figure 2*.

The level of gross payments amounted to 23.5 %, the level of net payments was 34.4 %. The high level of gross and net payments was observed for medical insurance – 55.5 % and 59.1 %, by types of voluntary personal insurance – 38 % and 41.6 %, by types of non-state compulsory insurance – 36.4 % and 36.7 % (by OSAGO – 46.2 % and 46.1 %).

The volume of total assets of insurers of Ukraine as of September 30, 2017 amounted to UAH 56.8 billion (+2.6 %). The value of assets determined in accordance with Art. 31 of the Law of Ukraine "On Insurance" increased by 1,048.4 million UAH (+3.1 %) and amounted to 62.2 % of total assets of insurers or 35.35 billion UAH. The volume of assets allowed for the provision of insurance reserves amounted to UAH 35.35 billion, of which UAH 21.3 billion was used to represent insurance reserves.

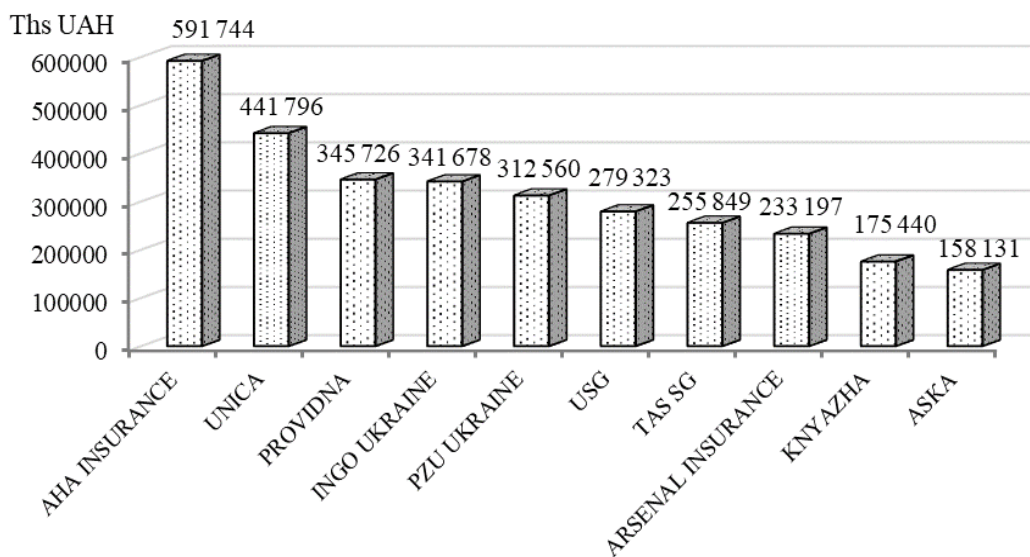


Figure 2. Insurance payments of TOP-10 of the largest insurance companies of Ukraine for the 9 months of 2017 [based on data 3]

TOP-10 of Ukraine's largest risk insurers for 9 months of 2017 is shown in figure 3.

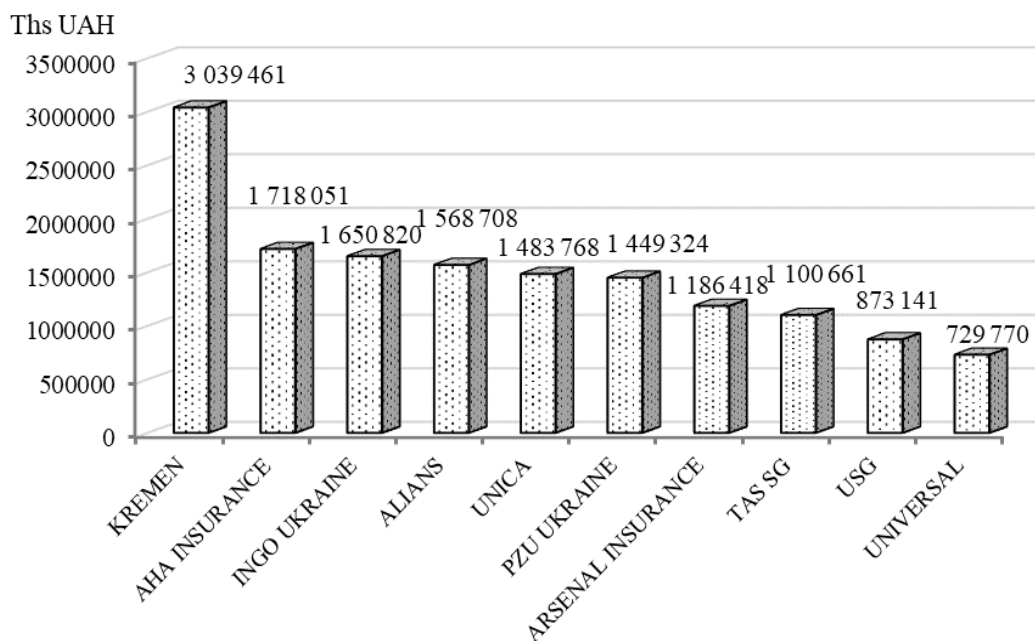


Figure 3. TOP-10 of the largest Ukraine's risk insurers for 9 months of 2017, ths UAH [based on data 3; 5]

Gross insurance payments for life insurance for 9 months of 2017 increased by 1.7 % to 2 billion UAH. The number of insured individuals as of September 30, 2017 increased by 3.6 % to 4.26 million people; during 9 months of 2017, 972 163 people were insured (-21.4 %) [3].

Top-10 life insurance companies showed an increase of 27 %. The indicative group of life insurers accounts for 93.3 % of the life insurance premiums (*table 3*).

Table 3

**TOP-10 of the largest life insurers in terms of bonuses  
and insurance payments for 9 months of 2017, ths. UAH**

Insurance companies	N in rating	Gross premiums, ths UAH	Growth, %	N in rating	Insurance payments, ths UAH	Insurance payments, ths UAH
MET LIFE	1	530 197	22.33	3	68 030	37 925
UNICA LIFE	2	326 697	70.40	6	16 962	8559
TAS	3	322 188	53.57	1	74 887	46 229
PZU UKRAINE LIFE INSURANCE	4	210 013	23.88	2	71 702	5155
ASKA-LIFE	5	173 624	42.12	5	22 251	70
GRAVE UKRAINE LIFE	6	173 113	–	4	66 800	52 500
AHA LIFE INSURANCE	7	44 471	51.78	10	610	8
KNYAZHA LIFE VIG	8	42 535	–36.91	8	5251	9453
INGO UKRAINE LIFE	9	23 635	35.60	7	8620	28
CD-LIFE	10	19 228	11.12	9	1199	1228

The above data suggests that the modern insurance market is developing, but there are still many problems that require urgent solutions. Thus, the external factors of inhibition of the development of the insurance market should be considered: the imperfection of the regulatory framework; low demand of individuals and legal entities for the range of insurance services, which is associated with low solvency of potential insurers; lack of reliable investment programs, as well as real financial mechanisms for long-term placement of insurance reserves; information opacity of insurance companies; distrust of the population to any kinds of investments; political instability; inflation growth; insufficient development of the stock market; insufficient level of information about the state and the possibilities of the insurance market; lack of reliable long-term instruments, as well as guarantees of preservation and return of invested funds; impossibility (in accordance with the current legislation) to store insurance reserves in freely convertible currency, which leads to the impairment of insurance reserves, due to the instability of the national currency; lack of qualitative and timely statistical information and lack of detailed information-analytical materials on the state and problems of the formation of the insurance market in Ukraine.

The internal factors of the inhibitory impact on the development of insurance should include: the insufficient range of insurance services

provided to customers; low level of diversification of services; unsatisfactory condition of service of the insured; lack of manufacturability of insurance operations; lack of effective risk management systems; imperfection of the system of informational and analytical support of insurance activity; low financial reliability and solvency of insurers; inefficiency of the state regulation of insurance in Ukraine; lack of well-qualified insurance experts.

Despite the above mentioned problems, the potential for development of the Ukrainian insurance market is very high. The positive trends in the development of the insurance services market include: the strengthening of the insurance market by means of withdrawal of players – the insurance companies that do not meet the requirements of solvency and reliability of insurers; assets of the insurance companies remaining on the insurance market of Ukraine comply with the quality and diversification requirements established by the National Financial Services Commission; significant increase in the level of the insurance culture among managers of enterprises and among the population.

Ukraine is lagging behind in the process of bringing the regulation of the insurance activities in line with world standards [6]. The development of the insurance market as an integral part of the financial market of Ukraine, its further dynamic development, volumes and directions of economic entities financing will depend on expanding the range of insurance services, increasing their competitiveness, improving the regulatory framework in terms of taxation and increasing requirements to the order the creation of insurance companies, ensuring the optimal structure of the relationship between compulsory and voluntary insurance, engaging the insurance market to the solution of the problems of social insurance, further integration into international structures, involving the insurance market to address critical issues of economic development.

**Conclusion.** The stage of political and economic instability in Ukraine has a significant impact on the development of both the insurance companies separately and the insurance market as a whole. The decrease in the level of solvency of the population and insurers' confidence in recent years has led to a significant decrease in the demand of insurance services. Therefore, today insurers face a difficult task of increasing assortment, volume and quality of insurance services, raising the level of capitalization and financial reliability of insurance companies, gaining trust in legal entities and individuals. Following the above mentioned measures aimed at overcoming the crisis trends, the domestic economy will be able to attract the significant investment resources, strengthen the effectiveness of state supervision of insurance activities, and create the structural framework for the development of various types of insurance. One of the important internal factors in the development of insurance business may be process of underwriting of a separate insurance company that is effectively built. The application of this approach will ensure the profitability and financial stability of the insurance companies through a thorough analysis and selection of risks for their acceptance of insurance.



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***Селіверстова Л. Тенденції розвитку страхового ринку України.***

**Постановка проблеми.** Сучасний етап трансформації економічної системи в Україні у контексті цивілізаційного розвитку та успішне протистояння глобалізаційним викликам зумовлюють формування якісно нової моделі функціонування страхового ринку. Розвиток інституту страхування спроможний продукувати позитивний синергетичний ефект, суттєво підвищити рівень сприятливості національного бізнес-середовища.

Страховий ринок України перебуває на етапі поступової інтеграції у світовий фінансовий ринок, тому питання сучасного розвитку ринку страхових послуг і пошуку напрямів його вдосконалення є актуальним і потребує поглибленого вивчення.

**Мета дослідження** – аналіз тенденцій розвитку ринку страхування та обґрунтування напрямів ефективного розвитку страхових компаній.

**Матеріали та методи.** Використано загальнонаукові та спеціальні методи пізнання явищ і процесів ринку страхування. Системний, структурний і порівняльний методи використано при розкритті особливостей здійснення страхування та обґрунтуванні рекомендацій щодо стимулювання розвитку українського ринку страхування.

**Результати дослідження.** Сучасний страховий ринок в Україні переживає наразі не найліпші часи, оскільки зазнає негативного впливу зовнішніх і внутрішніх чинників. Зважаючи на нестабільність вітчизняної економіки та воєнний конфлікт в країні, страхування як інструмент інвестування розвивається недостатньо активно, але стабільно й демонструє тенденції до подальшого зростання.

Проаналізовано динаміку кількості вітчизняних страхових компаній, наведено страхові-компанії лідери, ТОП-10 компаній зі страхування життя

та ризикових видів страхування та обґрунтовано фактори зовнішнього та внутрішнього середовища, що гальмують розвиток страхового ринку.

Незважаючи на існуючі проблеми, потенціал розвитку українського ринку страхування дуже великий. До позитивних тенденцій розвитку ринку страхових послуг варто віднести: зміцнення ринку страхових послуг шляхом виведення гравців – страхових компаній, які не відповідають вимогам платоспроможності та надійності страховиків; активи страхових компаній, які залишилися на страховому ринку України, відповідають вимогам щодо якості та диверсифікації, встановленим Нацкомфінпослуг; суттєве підвищення рівня страхової культури як серед керівників підприємств, так і серед населення.

**Висновки.** Етап політичної та економічної нестабільності в Україні суттєво впливає на розвиток як страхових компаній окремо, так і страхового ринку загалом. Наявне за останні роки зниження рівня платоспроможності населення й довіри до страховиків призвели до суттєвого зменшення попиту на страхові послуги. Саме тому на сьогодні перед страховиками стоїть складне завдання щодо зростання асортименту, обсягу та якості страхових послуг, підвищення рівня капіталізації та фінансової надійності страхових компаній, завоювання довіри у юридичних і фізичних осіб. Слідуючи зазначеним заходам, спрямованим на подолання кризових тенденцій, у вітчизняну економіку вдасться залучити значні інвестиційні ресурси, зміцнити ефективність державного нагляду за страховою діяльністю, створити структурні основи для розвитку різноманітних видів страхування. Одним із вагомих внутрішніх чинників активізації розвитку страхового бізнесу може стати ефективно побудований процес андеррайтингу окремої страхової компанії. Застосування такого підходу уможливить забезпечувати прибутковість і фінансову стійкість страхових компаній через ґрунтовний аналіз і відбір ризиків для прийняття їх на страхування.

*Ключові слова:* страхування, страхова компанія, страховий ринок, фактори зовнішнього середовища, фактори внутрішнього середовища, страхування життя, ризикові види страхування.