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ACTIVITY OF THE INSURANCE MARKET IN UKRAINE

The insurance services market is one of the value elements of the market infrastructure and financial system of developed market economies. Quite often, according to international ratings, the level of economic development of a country is determined by the level of insurance business organisation, getting ahead of the industrial and banking sectors in many countries. In addition, in the course of their activities, insurance companies ensure the formation of effective market mechanisms for attracting investment resources into the national economy.

The insurance market continues to hold the second place in terms of capitalization among other non-banking financial markets. The total number of insurance companies (IC) was 281 at the end of 2018, including life insurance company – 30 companies, non-life insurance company – 251 companies [1].

Over the last years, the number of insurance companies has continued to decline, so the number of companies decreased by 13 IC in 2018 compared to 2017, and by 29 IC compared with 2016.

One of the main reasons for the decrease in the number of IC is the approval by the National Commission for State Regulation in the Market of Financial Services (Natcomfin Services) of the order № 850 «On Regulations on mandatory criteria and standards for capital adequacy and solvency, liquidity, profitability quality of assets and riskiness of operations of the insurer in summer 2018» [2]. According to the document, within two years, insurers should make an additional stock of liquidity and clear their portfolios of substandard assets.

The basic laws of functioning of the insurance market of Ukraine reflect the analysis of industry indicators by the main and most common types of insurance, determining among which are the volume of insurance premiums and the volume of insurance payments of companies.

The tendency to the increase of the gross insurance premiums and net insurance premiums volumes remains positive within 2018 compared to 2017 by 22.2% and 14.9% respectively.

Table 1. Dynamic of the main indicators in the activity of the insurance market

The main indicators in the activity of the insurance market	2016	2017	2018	Growth rate 2017/2016	Growth rate 2018/2017
Number of insurance contracts concluded during the reporting period, thousand units	222005,8	252398,1	273537,7	113,6	108,4
Insurance activity, UAH million	82209	96189,8	113698,8	117	118,2
- Gross premiums	37926,4	46345,5	53273,6	122,2	114,9
- Gross insurance payments	44282,6	49844,3	60425,2	112,5	121,2
Reinsurance, UAH million	27858,1	39143,5	40891,4	140,5	104,5
- Paid for reinsurance	21767,4	36667,2	35881,4	168,4	97,8
- Payments offset by reinsurers	2466,4	2416,4	4917,2	98	203,5
Reinsurance, UAH million	41873,4	45728,8	53951,2	109,2	118
Insurers' assets and share capital, UAH million	91147,5	106296,9	116796,4	116,2	109,9

Compared to 2017, gross insurance payments / claims increased by 21.2%, and insurance payments compensated by reinsurers increased by 21.2%. Growth in gross insurance premiums for 2018 has increased overall through property insurance.

Compared to the same date in 2017, indicators such as total assets of insurers increased by 9.9% [1]. Effective asset management should provide the insurance company with financial reliability, the ability to fulfill insurance obligations in the event of insufficient insurance reserves, to obtain investment income and to mobilize resources to build up equity.

The main indicators of activity of the insurance companies of Ukraine during 2016-2018 indicate the strengthening of the tendency to the increase of the domestic insurance market volume. Positive factors include stable growth of insurance reserves and assets, that is a prerequisite for stable functioning and development of the insurance market.

The main problems that adversely affect the development of the insurance market in Ukraine will be defined as: lack of political and economic stability,

sustainable growth of production, insolvency of the population, shortage of financial resources; weak foreign economic relations of Ukraine in the sphere of insurance with other countries; inadequate and fragmented legislative framework, lack of state preferences in the insurance market, ineffective control by the state, manifestations of monopoly; high inflation impeding to implement sound investment programs, as well as real financial mechanisms for long-term provisioning of insurance reserves; weak development of the stock market, which makes it impossible to use securities as a category of assets for secure placement of the insurance reserves; lack of secondary market for insurance services, mechanisms for effective interaction of banking and insurance sectors of the economy, low level of development of ancillary infrastructure of the insurance market; inadequate level of information on the status and opportunities of the insurance market, lack of public confidence in insurance.

Therefore, the insurance market of Ukraine, being at the stage of formation, gradually adapts to the requirements of European and world markets. In order to improve the situation, it is necessary to more actively introduce foreign insurance experience and to change its own models of functioning of the insurance market, in particular: to improve the mechanism of state regulation of insurance companies; adapt insurance legislation to world standards; implement the latest insurance technologies and the latest standards of service quality in this area.

References:

1. Official site of the National Commission for the State Regulation of Financial Services Markets URL : <http://nfp.gov.ua/>
2. On approval of the Regulation on mandatory criteria and standards for capital adequacy and solvency, liquidity, profitability, asset quality and riskiness of operations of the insurer: Order from 07.06.2018 p. № 850 / National Commission for the State Regulation of Financial Services Markets. URL : <https://zakon.rada.gov.ua/laws/show/z078218/ed20180607#n38>