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## **PROBLEMS OF INSURANCE BUSINESS DEVELOPMENT IN MODERN CONDITIONS**

In modern conditions, the development of insurance business is becoming one of the strategic directions of socio-economic policy of the state, as the insurance industry makes a significant contribution to economic growth and is designed to ensure a high level of activity. According to the Concept of long-term socio-economic development of Ukraine until 2020, insurance should promote the formation of an effective pension system, improve risk management of financial markets, development of small and medium-sized businesses, protection of the rights of policyholders. However, the difficult economic situation, falling stock markets, unfavorable forecasts of experts on the income of both individuals and legal entities indicate a possible weak growth in insurance premiums. The effective functioning and progressive development of the insurance system largely depends on the diversity and harmonious interaction of the subjects of the insurance business. It should be noted that in recent years there has been the introduction of the position of insurance as an integral and significant part of the financial system, but the problem of improving the efficiency of the insurance business is acute.

A study of the special literature suggests that over the past few years, insurance companies have focused on a model of extensive growth, but Ukraine's accession to the WTO has led to a transition to a more cost-effective way to achieve maximum profitability of the insurance business. The most important strategic task in the field of insurance is to ensure law and order in order to develop the insurance business and competitiveness in world markets. Liberalization of the insurance market will ensure the transfer of international experience, high standards of compliance with insurance standards, changes in business practices, increasing the importance of pension and investment insurance, commercial risk insurance. In this case, according to experts, a special role is given to insurance marketing, which enhances the professionalism and competitiveness of insurers [4].

Quantitative characteristics of the insurance market indicate unstable trends in its development. The capitalization of insurers has led to a reduction in their number by 83 units (and over the past five years – by 40.6%). Structural transformations (mergers, acquisitions, liquidations) led to the fact that some insurance companies in case of insufficient funds to increase capital revoked insurance licenses, others underwent transformations, as a result of which they joined larger insurers, the rest – closed their activities. The main reasons holding back the insurance market are both intra-system and related to the peculiarities of the Ukrainian economy. These include staff qualifications, level of financial potential, traditional channels and quality of insurance sales, non-compliance with international standards of solvency requirements of insurance companies, the degree of solvency of enterprises and individuals, regulatory and regulatory framework, high monopolization of insurance companies, insurance fraud and unfair competition. Nevertheless, the position of insurance as an integral part of the financial system is strengthening. This is evidenced by both the increase in demand for certain insurance products and the development of many types of insurance, which is reflected in the growth of insurance premiums [1].

Assessment of trends in the formation of the insurance market, its features and prospects for further development reveals a certain growth potential. It is necessary to stimulate insurance as a specialized industry to stabilize the economy and ensure the welfare of citizens. Creating an effective system of insurance protection of property interests of individuals and legal entities

determines the formation of a reliable and sustainable economic environment necessary for economic growth. In modern practice, there is more "moderate insurance", ie forcing consumers to purchase insurance services (compulsory, credit insurance). According to experts, the level of insurance culture of citizens and businesses is very low [5]. This is primarily due to the negative attitude to insurance protection, distrust of insurance companies. An important factor is that the cost of purchasing insurance products is associated with an additional burden on the budgets of individuals and legal entities. In order to protect citizens and businesses, it is necessary to increase the role of insurance in the system of socio-economic and financial relations. At the same time, the importance of strengthening the reliability of insurance companies, state regulation and supervision of tariff policy of insurers is growing; creation of a favorable tax regime in order to stimulate the development of the insurance industry; improving the quality of education in the training of specialists in the field of insurance, especially for underwriters and insurance actuaries.

Improving the quality of education and retraining of specialized specialists remains a serious problem for the insurance industry. To solve it, first, you need a combination of theoretical training with the practice of development and sales of insurance products, insurance marketing, financial management of insurance companies in order to form special knowledge, skills, skills of planning and forecasting the insurance portfolio, ensuring its balance; selection and substantiation of channels of promotion of insurance products; optimization and ensuring efficient allocation of insurance reserves; pricing using planned and actual actuarial calculations. Secondly, certification of all specialists of the insurance company is required, not only the manager, chief accountant and actuary. One of the current problems of the insurance market is supervision. Since 2013, control over the insurance services market has been carried out by the Security Service of Ukraine, which controls all sectors of the financial market, which provides for a single approach to regulating and supervising the entire financial system. The role of the mega-regulator is to ensure integral control over all participants in financial markets. In particular, this applies to solvency, reporting, reserves, capital adequacy, transparency of the quality of insurers' assets. The result is strengthening the regulation of the insurance market, accelerating the introduction of the necessary legislation, increasing the efficiency of supervisory actions. Accordingly, there is an objective need to move to international standards of accounting and reporting, the development of Ukrainian insurers risk-oriented system Solvency I and II.

The integration of the Ukrainian and European insurance markets determines the need for integration and insurance law. Therefore, domestic insurance legislation should be based on the principles of international legal standards: honesty of insurance market participants, openness and predictability of supervisory actions, financial stability and investment efficiency of insurers, responsibility of all participants in insurance relations.

It should be noted that the current system of supervision and regulation of the insurance market in Ukraine is similar to the European system Solvency I, when supervisors have a limited set of control tools and basically it comes down to maintaining the solvency of insurers, control the formation and placement of insurance reserves. The Ukrainian legal framework for the solvency of insurance companies today includes four main requirements: the formation of insurance reserves, the composition and structure of assets accepted to cover insurance reserves, the composition and structure of assets accepted to cover the insurer's own funds, compliance with the regulatory ratio the insurer's own funds and commitments. Also, the guarantee of solvency is a sufficient amount of authorized capital. In 2011, the procedure for bringing the authorized capital to the requirements of the law "On the organization of insurance business in Ukraine" was completed. The minimum authorized capital for health insurers is set at UAH 20 million, for life insurers – UAH 24 million, for reinsurers – UAH 38 million, for companies engaged in exclusively risky types of insurance – UAH 12 million.

Conceptually, the new Solvency II approach involves the ability to control the internal systems of insurance companies, the capital adequacy of the insurer. The methodology for calculating the solvency margin is based on compliance with the rules not of calculating

coefficients, but of the principles of their modeling and stress tests. The main requirements are not only quantitative (capital is formed at such a level that the probability of bankruptcy during the year does not exceed 1/200 or 0.05%), but also qualitative characteristics (internal system of risk control and solvency). Currently, insurers are controlled not only by the Security Service of Ukraine, but also by the Antimonopoly Service. The existing system of supervision over the activities of insurance companies does not contribute to total control and detection of financially unstable companies.

At the moment, the following areas of insurance market development remain relevant. In the medium term – this is not only the formation of a strict system of quality control of the insurer's assets, but also the introduction of effective ways to interact with consumers of insurance services (CRM – systems), enhancing the participation of insurance companies in investment programs, expanding insurance capacity, able to solve modern problems. First, the development of infrastructure through the stimulation of trade unions and associations of insurers, which will promote self-regulation of the insurance market, is of paramount importance. Secondly, due to the specifics of the organization of the insurance business, which provides for the mandatory placement of insurance reserves, the insurance company is a powerful investor at the regional level. The development of priority investment programs for the development of territories should include participation in their implementation by insurance companies. This will link the interests of the state and regions in capital investments with the interests of insurers in the placement of insurance reserves. In addition, insurance companies should be involved in the process of placing securities at the municipal level and the level of the subjects of Ukraine. In order to intensify investment policy, it is advisable for the authorities to coordinate insurance activities. It is possible to assist insurance companies in preparing documents for obtaining a license; introduction of a regional register of insurance companies and their insurance products, monitoring; formation of a statistical base for the insurance system in the region; substantiation of perspective directions for investment of insurance reserves; informational influence through the media to promote voluntary insurance; application of tax mechanisms (investment tax credits for insurance companies in the implementation of venture financing of important sectors of the economy). Third, the expansion of insurance potential has been a topical issue for the development of insurance for many years. Each territory is characterized by climatic, geographical, socio-economic, environmental and political features, which causes a different need for insurance protection.

The set of information, production, financial, labor and socio – cultural resources concentrated in a certain area, the level of need for insurance protection reflect the insurance potential of the region. Quantitatively, the potential can be considered through changes in the indicators of premiums received and payments made per capita, the level of socio-economic risk, the degree of reinsurance and investment activity of insurers. But the development of an integrated indicator of insurance potential can serve as a flexible combination of the system of state influence on the supply of insurance services and the system of monitoring insurance risks. Fourth, it should be noted that most companies focus on aggressive policies to promote insurance services. To some extent, this policy pays off, but the sales structure is virtually unchanged. Enhancing the effectiveness of advertising, the development of sales of insurance products through direct, agency and banking channels, the expansion of public relations is not enough to expand the offer of insurance services. Internet sales, a brokerage channel and the mediation of car dealerships remain insufficiently involved. However, the variety of sales channels and insurance services themselves will increase the performance of insurers only in the presence of a high level of consumer insurance culture.

Accordingly, insurance companies should intensify the marketing concept of insurance business management, paying attention not only to the formation of potential policyholders' need to purchase insurance products, but also to partnerships with consumers of insurance services, individual approach to customers, its values. Today, many insurance companies pursue a passive policy of working with customers, do not study and do not take into account the preferences and

lifestyle of customers. In addition, insurers should pay attention to the intensification of cross-sales, increasing the level of extension of contracts, the implementation of IT solutions. An active way to build a relationship with the client can be the use of CRM-systems. Proposed on the information technology market more than ten years ago, this system has not found its application in the insurance business. At the same time CRM-systems have indisputable advantages over traditional technologies: an integrated approach to all customers, the ability to identify their needs, the availability of targeted advertising, evaluation of the results of previous relationships. The study of special literature and opinions of experts [2; 3] showed that in modern conditions it is possible to expand the range of insurance services provided in all areas of insurance.

The development of personal insurance involves the intensification of long-term life insurance, which is an important source of investment, as well as the development and offer of children's programs of voluntary health insurance, inclusion in the scope of liability insurance, implementation of private pension insurance programs, adaptation of foreign voluntary credit and education insurance. Property insurance can be aimed at insurance against theft in non-residential premises, property insurance for the vacation period, insurance against losses from interruptions in production, investment insurance, insurance of advance payments, insurance of financial guarantees, implementation of car insurance programs of the client's choice, including those used in foreign practice of "weekend" policies (insurance liability is provided only during holidays and weekends) and "working day" (for example, Monday – Friday). In liability insurance, it is possible to develop civil liability insurance programs for animal owners, builders, organizers of cultural events, professional liability insurance for doctors and realtors.

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