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INSURANCE MARKET DEVELOPMENT AS A FACTOR OF THE ECONOMIC SAFETY OF THE INSURANCE SECTOR ENTERPRISES

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РОЗВИТОК СТРАХОВОГО РИНКУ ЯК ЧИННИК ЕКОНОМІЧНОЇ БЕЗПЕКИ ПІДПРИЄМСТВ СТРАХОВОГО СЕКТОРУ

This paper covers the study of tendencies in the insurance market development in Ukraine and the world. According to the analysis of the state of the insurance services development market in Ukraine for 2001-2017, the number of financial institutions, including insurance companies, is decreased for the last five years, which is caused by the general trends in the economy development and world financial crisis. We studied the individual indicators of the market, which not meet the world standards. The analysis conducted also testifies about the disproportion of the insurance market development in Ukraine. It was proved that the priority is given to the development of risk insurance, the life insurance makes up 4.6% only in the general volume of insurance premiums. It was argued that in the insurance markets of foreign countries, the premiums for life insurance make up 40-80% in the total amount of bonuses collected. We distinguished the main internal contradictions of the functioning of domestic insurance companies: the contradiction between the high rates of development and the not developed system of sales of insurance services; the contradiction between the high growth rates of insurance premiums and the relatively low capitalization of insurers; the contradiction between the high rates of development of insurance organizations and the lack of effective forms of management, which is largely due to the shortage of skilled professionals. We considered main reasons for fluctuations in the level of insurance payments. It is proved that the main reason for this fluctuation is not only a decrease in the number of insured persons, but also a decrease in the number of insurance companies that worked in the insurance market in Ukraine due to internal economic, political and other reasons. So, during the investigated period, this indicator was within the range of 8-33%, which indicates a high level of pseudo insurance.

У статті досліджено тенденції розвитку страхового ринку в Україні та світі. Відповідно до аналізу стану розвитку ринку страхових послуг в Україні за 2001-2017р.р. кількість фінансових установ, в тому числі й страхових компаній, за останні п'ять років знижується, що викликано загальними тенденціями в розвитку економіки та світовою фінансовою кризою. Досліджено окремі показники функціонування ринку, що не відповідають світовим

стандартам. Проведений аналіз також свідчить про диспропорцію розвитку страхового ринку України. Доведено, що перевага надається розвитку ризикового страхування, страхування життя займає лише 4,6% в загальному обсязі страхових премій. Аргументовано, що на страхових ринках зарубіжних країн премії на страхування життя в загальному обсязі зібраних премій складають 40-80%. Відокремлено основні внутрішні протиріччя функціонування вітчизняних страхових компаній: протиріччя між високими темпами розвитку і не розвинутою системою продажів страхових послуг; протиріччя між високими темпами зростання страхових премій і відносно низькою капіталізацією страховиків; протиріччя між високими темпами розвитку страхових організацій і відсутністю ефективних форм управління, яке в значній мірі породжено дефіцитом кваліфікованих фахівців. Розглянуто основні причини коливання рівня страхових виплат. Доведено, що головною причиною цього коливання є не лише зменшення числа застрахованих осіб, а й зменшення кількості страхових компаній, які працювали на ринку страхових послуг в Україні через внутрішньо економічні, політичні та інші причини. Отже, протягом досліджуваного періоду даний показник перебував у межах 8-33%, що свідчить про високий рівень «схемного страхування» або «псевдострахування».

Ключові слова: економічна безпека, розвиток страхового ринку, макроекономічні індикатори, концентрованість ринку, страхові премії.

Keywords: economic security, insurance market development, macroeconomic indicators, market concentration, insurance premiums.

Formulation of the problem. Insurance as a sector of the national economy that significantly affects the socio-economic stability of society, the development of the insurance market is a derivative of socio-economic development of the country [1]. The state is interested in the development of the insurance market, and this is due to many factors: ensuring the economic security of the national economy, decrease of the burden on the state budget in terms of reimbursement of unforeseen losses of natural and man-made nature; increase of social protection of population and economic entities; transfer of social payments from the budget for insurance payments. The development of the insurance market is linked with the provision of financial security of the country [2].

Analysis of recent studies and publications. Issues of the development of insurance markets of the world are at the focus of attention of foreign scientists, such as: Alhassan, A. L., & Biekpe, N. (2016), Jensen, N., & Barrett, C. (2017), Lee, C. C., Chang, C. H., Arouri, M., & Lee, C. C. (2016), Prasad, V., & Mailankody, S. (2017).

Highly appreciating the scientific achievements of the mentioned authors, it is necessary to recognize the insufficient development of problems of forming a model of the domestic insurance market and its development as a factor in ensuring the economic safety of insurance companies.

Formulation of a problem. The purpose of this paper is to study tendencies in the insurance market development in Ukraine and the world.

Presentation of main material. Thus, the development of the insurance market is an integral part of the security of the non-bank financial sector [3] in the Methodological Recommendations on calculation of the level of economic security of Ukraine approved by the Order of the Ministry of Economic Development and Trade of Ukraine dated October 29, 2013, No. 1277. In this case, the calculation of two indicators of assessment of the development of the insurance market in Ukraine is given: the level of insurance penetration (insurance premiums to GDP) and the share of insurance premiums received by the three largest insurance companies in the total amount of insurance premium received (except life insurance). By 2013, another methodology for calculation of the level of economic security at national level [4] was used in Ukraine, in which there were additional indicators of the insurance market. In our opinion, these methodological approaches can be combined to assess the macroeconomic indicators of the development of the insurance market. To assess the development of the insurance market as a provision of the economic security of the national economy, we use the following indicators [3, 4]:

- "insurance penetration" indicator - the ratio of the amount of insurance premiums and gross domestic product;
- indicator of "insurance density" - the amount of insurance premium per capita;
- the ratio of insurance payments and the amount of insurance premium received;
- volume of insurance premium on the scale of regional and international insurance markets.

An important indicator of the functioning of the insurance market is the indicator of insurance penetration or the market depth. This indicator is one of the most important indicators of the impact of insurance on the socio-economic development of the state, as consideration of the effectiveness of the functioning of the insurance market in terms of its impact on the economy through the determination of the share of aggregate insurance premium in GDP is essential.

Analysis of this indicator over a period of time provides an opportunity to provide the most accurate assessment of the current state of the insurance market in the country.

The peak of insurance penetration was in 2003 - the ratio of gross insurance premiums to Ukraine's GDP was 5.6%, and the ratio of net insurance premiums to GDP of Ukraine, was 2.8%, respectively. Over the last years of 2008-2017, (5-6 stages of the development of the insurance market) there is a tendency towards a slow decline. Interesting trend in the ratio of insurance premiums to GDP of Ukraine in the development of the insurance market was in 2013, the value of gross and net insurance payments was almost the same, respectively 1.65% and 1.55%. The gap between them was 0.1%.

This indicates that this year, the amount of internal reinsurance was the smallest for the entire investigated period. At the same time, it is considered in the world practice that the value of the ratio of insurance premiums in GDP at the level of 7-8% is safe for the development of the insurance market.

The next important macroeconomic indicator for the development of the insurance market is the size of the insurance premium per capita (the indicator of the density of insurance). Its growth is largely due to rising demand for insurance services in the country.

In Ukraine, the amount of insurance premiums per capita is relatively low. For example, the indicator of "insurance density" in 2001 was 11.5 US dollars compared to 1,482.2 US dollars in Germany and 140 US dollars in Poland [5]. 7 years later - in 2008 in Ukraine, insurance premiums made up 67.2 US dollars per 1 person, and, for example, in the UK, this figure was 6,857.8. US dollars, in France - 4,131.0 US dollars, in United States of America - 4,078.0 US dollars [6].

As of the beginning of 2017 in Ukraine, insurance premiums made up 3,276 US dollars per 1 person, which is relatively low compared to other countries of the world (Table. 1).

Table 1
Per capita premiums in some countries of the world, US dollars in 2017

Country	General types of insurance	Life insurance	Gross premiums collected	
			Total	World share, %
US dollars	726.397	532.585	1259.26	27.13
Japan	108.773	422.733	531.506	11.45
UK	106.773	222.893	329.643	7.1
China	125.844	152.121	277.965	5.99
France	94.598	160.156	254.754	5.49
Germany	132.813	114.349	247.162	5.33
South Korea	91.204	54.223	145.427	3.13
Canada	52.334	73.010	125.344	2.7
Netherlands	75.135	26.005	101.14	2.18
Australia	32.667	45.641	78.309	1.69
South Africa	9.565	44.556	54.121	1.17
Poland	9.729	8.355	18.084	0.39
Ukraine	3.276	3.1	3.586	0.08
Total in the world	2032.85	2608.091	4640.941	100

Source: built on the basis of [7]

The United States of America is the undisputed leader according to both of these surveys, which indicates a high level of protection for citizens and businesses from the various threats to their lives and activities by the developed private sector of insurance services. The premiums for life insurance make up 40-80% in the total amount of bonuses collected in the insurance markets of foreign countries.

The main reason for this fluctuation is not only a decrease in the number of insured persons, but also a decrease in the number of insurance companies that worked in the insurance market in Ukraine due to internal economic, political and other reasons.

The state of the development of the national insurance market determines the volume of insurance premiums in the scale of regional and world insurance markets. The world market is divided into the following six regional insurance markets by continent names: North America (only two countries are considered in this region - the United States and Canada), Latin America and the Caribbean (Brazil, Mexico, Peru and other countries), Europe, Asia, Africa, Australia and Oceania. According to the 2016 report by the international agency Swiss Re, Ukraine's share in the world insurance market was 0.10% (for comparison: Great Britain - 10.3%, USA - 29%), while the share of Ukraine in Europe was only 0.04% [9].

After assessing the macroeconomic indicators of the development of the insurance market at the world and national level, in our opinion, it is necessary to deepen the analysis on the basis of absolute and relative indicators of development of this segment of the financial market.

The state of the development of the insurance market in Ukraine is characterized by the following basic absolute and relative indicators of the financial security of the national economy [3, 4]: number of insurance companies; amount of insurance products (types of insurance); the number of insurance contracts concluded; the volume of collected

insurance payments; the amount of insurance indemnity payments; the growth rate of insurance premiums and payments; the level of capitalization of the insurance market; the average size of the authorized capital per one insurance company; the structure of insurance payments (the ratio between the receipt of insurance payments from different types of insurance or their groups to the total amount of revenues); capacity of the insurance segment of the market (total liability of all insurance companies); capacity of the reinsurance segment of the market; the concentration of the market (the number of companies that hold the largest market share), etc.

A proportion of non-life insurance companies "non-life" in the Ukraine's insurance market is more than a proportion of life insurance companies for the period 2001-2017 on average in 7.6 times. Thus, this indicator is on average 9.28 at the 4th stage of development of the insurance market of Ukraine (2007-2008), 5.64 - at 5 stages (2009-2013) - 5.64, 6.7 - at stage 6 (2014). - till now).

In the analysis of market concentration (the number of companies holding the largest market shares), Gerfindahl-Girshman (NNI) indicator is calculated based on two segments: life insurance market and other types of insurance. It can be noted that despite a significant number of companies, the largest share of gross insurance premiums - 99.5% is actually accumulated by 150 non-life insurance companies (57.5% of all non-Life insurance companies) and 99.9% - 20 life ICs (60.6% of all "Life" Insurance Companies). The Index of Gerfindahl-Girshman (NII) on the life insurance market amounted to 1,417.52 (1,079.59 - in 2016), and 305.27 (280.74 in 2016) on the market of risk insurance types. On the whole, the Index of Gerfindahl - Girshman in the insurance market was 272.07 (245.09 in 2016).

The analysis of the structure of insurance payments received also allows us to conclude that there have been significant structural changes towards increasing the share of revenues from voluntary personal insurance, voluntary liability insurance and life insurance during 2013-2017. But the domestic insurance market does not fully fulfill social functions - protection of the interests of citizens, because voluntary personal insurance in the total amount of premiums was occupied only 7%, and life insurance - only 4% in 2017.

The dynamics of the main indicators of the development of the insurance market before the beginning of 2017 as a whole indicates the growth of the domestic insurance market. The financial crisis of 2008 led to a reduction in the incomes of existing and potential consumers of insurance services, as a result of which there was a reduction in demand for insurance and the volume of insurance premiums attracted by the ICs. During the financial crisis in the Ukraine's insurance market, the competition was intensified, market concentration was increased, investment opportunities were decreased. This has led to a reduction in the solvency and financial sustainability of insurance companies.

However, today the situation in the insurance market has been positive. Thus, according to the results of the insurance market in 2017, the growth of gross insurance premiums grew by 18.3%, while the net ones grew by 18.4% in comparison with the same period in 2016. The dynamics of growth of assets, authorized capital and insurance reserves is observed. The level of life insurance development in Ukraine does not correspond to the trends of the world insurance market [10-11].

Conclusions. Thus, an analysis of the current state and problems of the development of the domestic insurance market shows some achievements and numerous disadvantages. For the progressive development of the insurance market of Ukraine it is necessary to: increase the level of capitalization of insurance companies; increase their financial sustainability, competitiveness and investment attractiveness; increase the well-being of citizens and improve the state of corporate and public finances; develop the types of long-term and accumulative personal insurance; increase the volume and the share of insurance payments; develop modern infrastructure of the insurance market; increase the transparency of the insurance market.

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