

НАУКОВА ДИСКУСІЯ

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MARKET OF LIFE INSURANCE OF UKRAINE: STATE, PROBLEMS AND PROSPECTS

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Журавльова Н.М., Сенкевич Б.А. Ринок life-страхування України: стан, проблеми та перспективи.

У цій статті розглянуто сучасний стан, головні проблеми та перспективи розвитку ринку life-страхування України. Визначено основних лідерів на вітчизняному ринку страхування життя, представлено динаміку зміни кількості страхових компаній типу "Life", рівня валових страхових премій та виплат послуги life-страхування, наведено їх структуру. Представлено та проаналізовано головні внутрішні та зовнішні проблеми, які сьогодні стримують розвиток послуги страхування життя. Виділено основні переваги, які громадяни можуть отримати від цієї послуги. Наведено рекомендації усунення факторів, що негативно впливають на активність розвитку послуги цього виду страхування. Представлено основні переваги, які отримає українська економіка, від розвитку ринку life-страхування.

Ключові слова: страхування, life-страхування, ринок страхування життя, страхові компанії, страхові премії

Журавлёва Н.М., Сенкевич Б.А. Рынок life-страхования Украины: состояние, проблемы и перспективы.

В этой статье рассмотрены современное состояние, главные проблемы и перспективы развития рынка life-страхования Украины. Определены основных лидеров на отечественном рынке страхования жизни, представлено динамику изменения количества страховых компаний типа "Life", уровня валовых страховых премий и выплат услуги life-страхования, приведено их структуру. Представлено и проанализировано главные внутренние и внешние проблемы, которые сегодня сдерживают развитие услуги страхования жизни. Выделены основные преимущества, которые граждане могут получить от этой услуги. Приведены рекомендации устранения факторов, которые негативно влияют на активность развития услуги этого вида страхования. Представлено основные преимущества, которые получит украинская экономика, от развития рынка life-страхования.

Ключевые слова: страхование, life-страхование, рынок страхования жизни, страховые компании, страховые премии

Zhuravlyova N.M., Senkevych B.A. Market of life insurance of Ukraine: state, problems and prospects.

Current state, main problems and prospects of development market of life insurance of Ukraine are characterized in this article. Main leaders in the national market of life insurance are determined; the dynamic of changes in the number of "Life" – type insurance companies, the level of gross insurance premiums and payouts of this market are presented; their structure is demonstrated. The main internal and external problems that today restrain the development of life insurance services are demonstrated and analyzed. The main advantages that citizens can get from this service are introduced. Recommendations for the elimination of factors that negative effect influence on the activity development this service are presented. The main advantages that Ukrainian economy can get from the development market of life insurance are presented.

Keywords: insurance, life insurance, market of life insurance, insurance companies, insurance premiums

The insurance market is one of the main markets for financial services. It began to form in 1991, at the same time as Ukraine gained independence, and is still developing. At the same time, as it was today, the population was, for the most part, reluctant to some types of insurance services, considering them to be very risky, for example, such as health insurance and longevity. However, it should be noted that the state constantly monitors and tightly controls this type of economic activity in the person of the National Commission, which regulates financial services markets.

Over the entire period of time, the number of players, both companies and clients, in the Ukrainian insurance market of life-insurance has been constantly changing. Therefore, it is very important to study the current state, the main problems and prospects of the life insurance market in today's conditions of state development.

Analysis of recent researches and publications

The insurance business in the world and in our country is constantly being studied. So, in the works of foreign authors such as Robin Pearson (2010), Takau Yoneyama (2015), Kutty K. Shashidharan (2008), Elizabeth F. Brown (2009) etc., it is possible to notice that the history and development of the insurance industry in the world, national insurance services markets, international insurance standards, corporate forms and types of insurance in various spheres are researched.

Today, in Ukraine, special attention is paid by scientists to the study of problems, risks, main perspectives and directions of human life's services insurance development under the current conditions. In particular, it is S. Cherkasova, N.M. Vnukova, L.O. Zavoloka, O.O. Radetska, I.P. Malikova, N.V. Prikazjuk, T.P. Motashko, T.O. Smirnov, I.I. Topi, O.O. Sidorenko and others.

Unsolved aspects of the problem

The market of life insurance services in Ukraine, which, unlike the developed countries of the world, is

still in a state of formation and faces all the time with many difficulties, is the subject of research in the writings of many domestic scientists. But it should be noted that the situation, the main problems that constantly arise in the field of life insurance, and the prospects are subject to study and need a detailed analysis.

The aim of the article is to identify and study the state, main problems and prospects of the Ukrainian life-insurance market today

The main part

Ukraine today, despite the global crisis, is a country with a poorly developed insurance market [1]. While the world of insurance is an unusual phenomenon – the development of international norms and standards for many types of insurance services, in particular for the services of commercialization (trade in goods and banking) [2], there are still quite a lot of problems in Ukraine that are constantly occurring and require an immediate solution to in this national financial services market, which has just begun to develop.

Life insurance – is a fairly common practice in developed countries. Before the actuarial life insurance was extensively existed in ancient world

countries, the founding of funds, which compensated for the cost of burial, was practiced. As a type of life insurance, it began to evolve in the 14th century in the Middle Ages as a by-product of maritime insurance, when it mainly covered loads and passengers [3]. In Ukraine, this type of insurance, which actually enables people to financially provide the most valuable thing they have – life and health [4], has not become widespread. The main reasons for this were that in the 90s of the last century there were quite a lot of life insurance companies engaged in fraud and pseudo-insurance. This, in turn, adversely affected the reputation of life insurance companies in the country in the future [5].

At the end of the first quarter of this year, according to the rating of "Insurance TOP", leaders of "Life" insurance according to the number of concluded contracts became (fig. 1):

- "MetLife" (65136 contracts);
- "ASKA-Life" (42231 agreement);
- "TAS" (7656 contracts);
- "UNIQA Life" (33,247 contracts);
- "PZU Ukraine Life Insurance" (14651 agreement);
- "AXA Life Insurance" (6825 contracts);
- "INGO Life Insurance" (184 contracts).

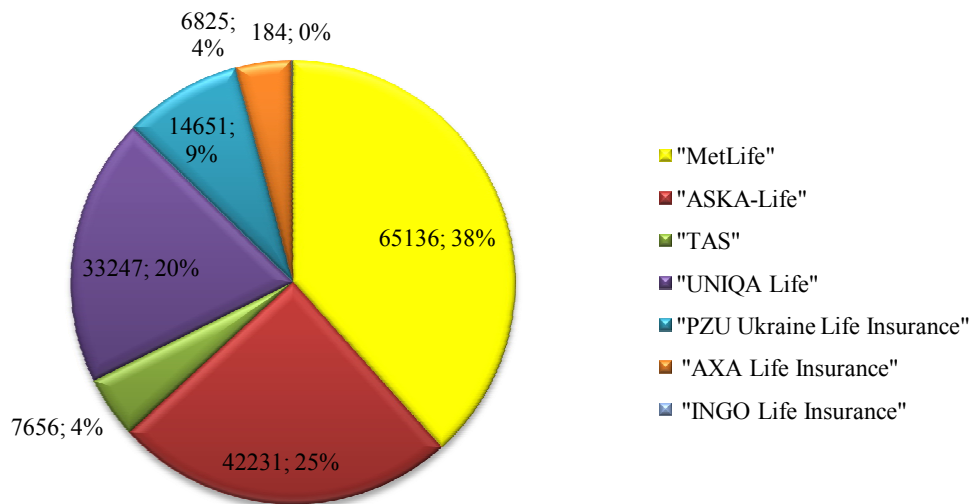


Fig. 1. Number of life insurance contracts entered into for the first quarter of 2017
 Source: compiled by the author according to the material [6]

It should be noted that the foreign insurance company "MetLife", which operates in Ukraine through its branches, also occupies the first stage in the rating by the end of the first quarter of 2017 by the

level of insurance payments of life insurance (tab. 1) and insurance reserves among others insurance companies in the life insurance market (fig. 2).

Table 1. Companies by the level of life insurance premiums for the first quarter of 2017

No	Name	Country	Year of foundation	Year of appearance in Ukraine	Insurance payments, thousand UAH
1.	MetLife	USA	1868	2002	169149.0
2.	UNIQA Life	Austria	1922	2006	91463.0
3.	TAS	Ukraine	1998	1998	65756.0
4.	PZU Ukraine Life Insurance	Poland	1803	2003	63562.1
5.	ASKA-Life	Ukraine	1996	1996	47785.0

Source: compiled by the author according to the material [6-7]

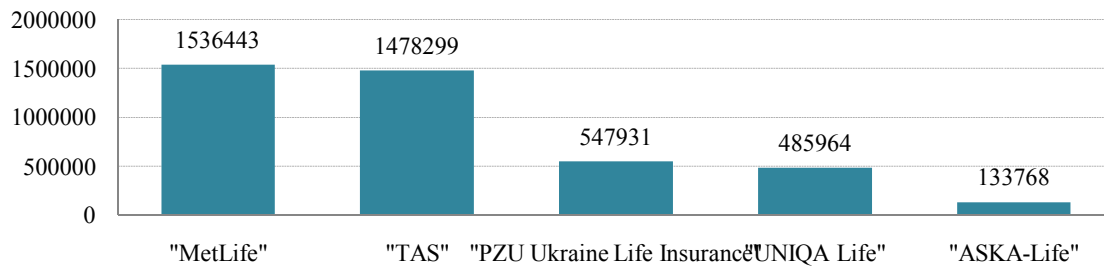


Fig. 2. Insurance reserves of life insurance companies for the first quarter of 2017
 Source: compiled by the author according to the material [6]

So, as can be seen from the above-mentioned information, only two domestic insurance companies were ranked TOP-5 companies "Life Insurance".

At the same time, for the first quarter of this year, the total number of insurance companies "Life" is 39 companies. Analyzing the development of the Ukrainian life insurance market, one can see that the number of companies engaged in "Life Insurance", as of the first quarter of 2017 decreased significantly by 15.22% (life insurance market lost 7 profile

companies) compared to a similar period in 2016. It is worth noting that over the last five years, the number of organizations conducting its activities in the field of life insurance has decreased by a total of 39.1% or 25 companies (fig. 3) [8]. The tendency to reduce the number of companies providing services of this type of insurance industry has been observed for several years, which, of course, is a negative phenomenon not only for the non-banking sector of the markets, but also for the economy of the country as a whole.

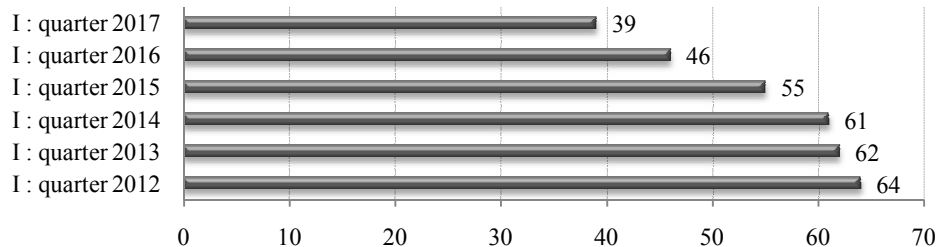


Fig. 3. Dynamics of the number of life insurance companies for the first quarter of 2012-2017
 Source: compiled by the author according to the material [8]

According to information provided on the website [8], the amount of gross insurance premiums received by insurers for life insurance at the end of the first quarter of 2017 is 632.6 million UAH. In comparison with the first quarter of 2016, when the gross premiums amounted to 661.1 million UAH, it can be

noted that gross insurance premiums decreased by 4.31%. At the same time, the amount of insurance payments this year for the first quarter in comparison with the same period last year increased by 1.21 times, and compared to the first quarter of 2012 increased by almost 6.79 times (fig. 4).

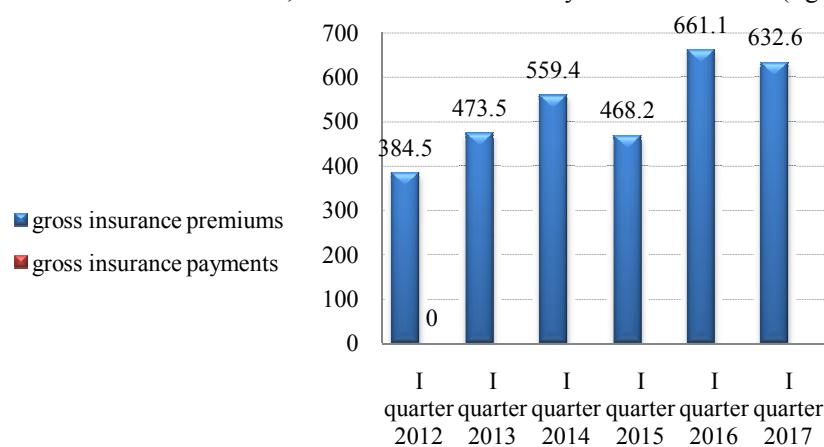


Fig. 4. Dynamics of gross insurance premiums and payments for "Life Insurance" for the 1st quarter of 2012-2017, million UAH.

Source: compiled by the author according to the material [8]

The structure of gross insurance premiums and payments in the life-insurance market as of 31.03.2016 and 31.03.2017 is presented in fig. 5-6

(the charts do not reflect on life assurance, disability risk insurance or the death of a participant in a non-state pension fund) [8].

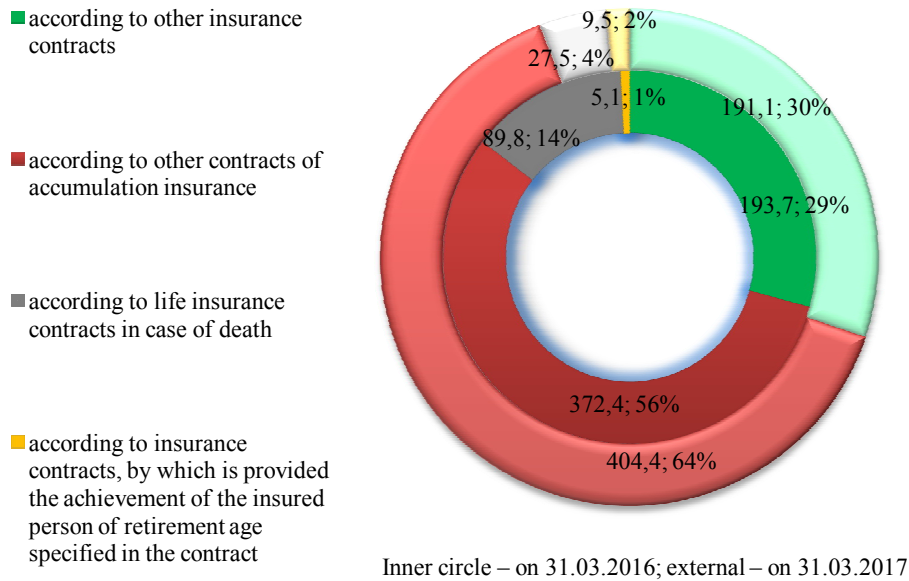


Fig. 5. The structure of gross insurance premiums of life insurance as of 31.03.2016 and 31.03.2017 (million UAH)

Source: compiled by the author according to the material [8]

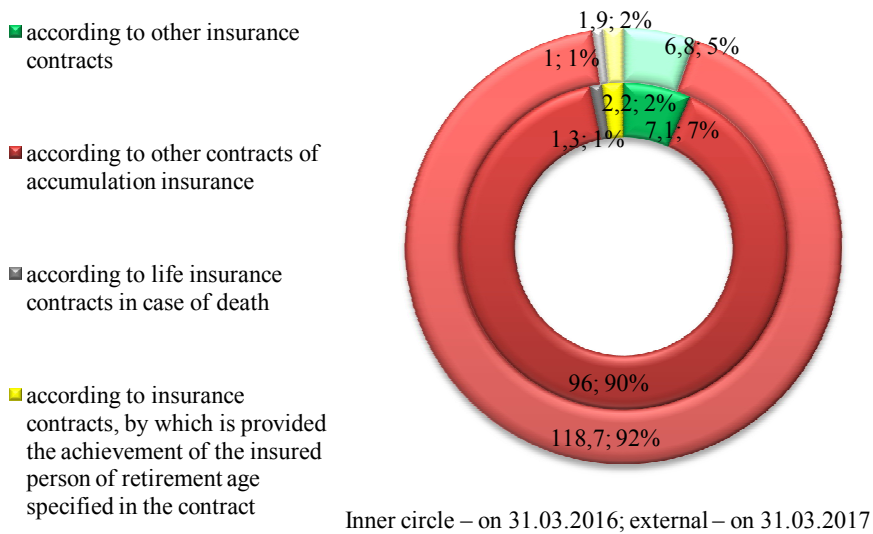


Fig. 6. Structure of gross insurance premiums of life insurance as of 31.03.2016 and 31.03.2017 (million UAH)

Source: compiled by the author according to the material [8]

It should be noted that the tendency towards a decrease in the number of "Life" insurance companies and the level of gross insurance premiums on the life insurance market in the first quarter of this year contributed to the existence of serious and deep external and internal problems (fig. 7), which severely hinder the development of this market of services among other non-bank financial markets.

The most important factor that adversely affects the development of the national life insurance market today is the almost complete lack of confidence in Ukrainians in the insurance business, and this, in turn,

leads to a weak awareness of services' provision in the context of the development of the information economy. Only 5% of the country's population are using life insurance [12]. It is worth noting that investing money in life insurance for a rather long period of time (for example, ten or more years) is quite risky, especially in a crisis unstable economic situation. In addition, another factor that constrains the development of life insurance in Ukraine is the lack of currently free funds that could be invested in life insurance for most of the country's citizens.

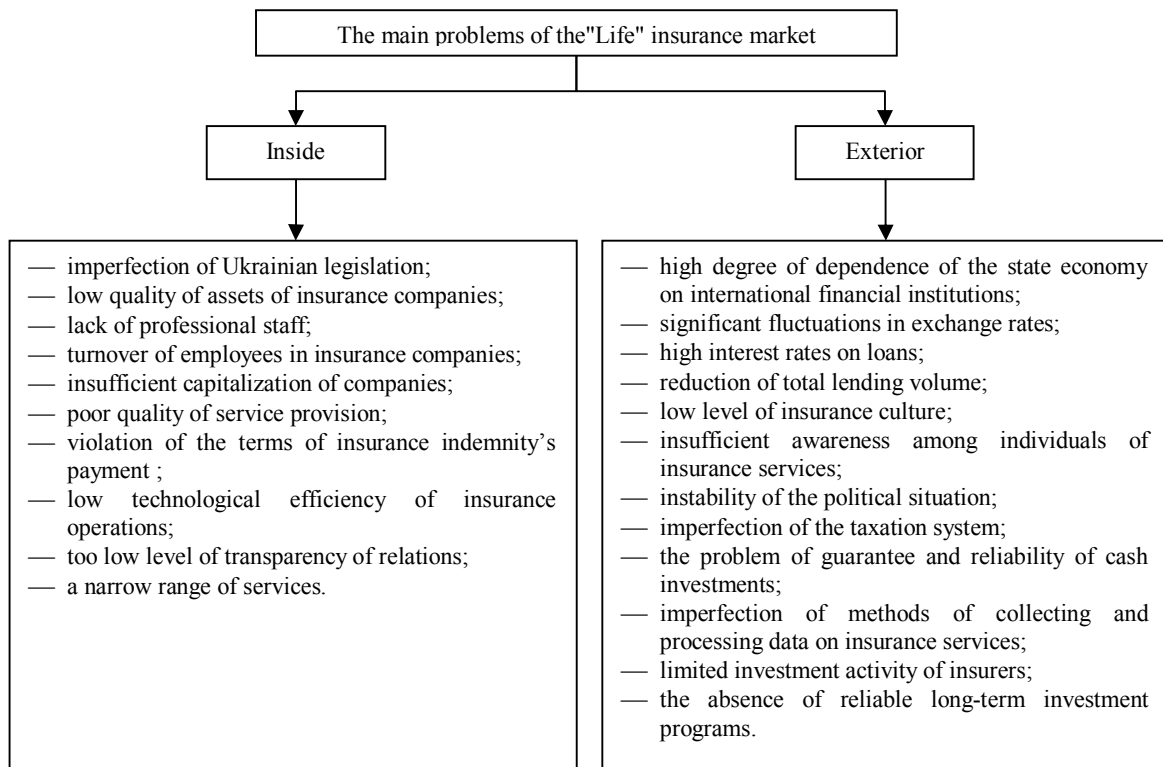


Fig. 7. External and internal problems of the Ukrainian life insurance market

Source: compiled by the author according to the material [9-11]

According to the Ukrainian experts in the field of insurance, the main problem of such insufficient development of life insurance is, first of all, rather insignificant duration of national insurance companies of the type of "life" activity, which is often less than 25 years old. Therefore, they still need some time to accumulate capital [11] and to rely on citizens' trust.

However, only from solving all these problems in the life-insurance market economy Ukraine will be able to get quite large benefits for development, as it

has a significant potential for this. In particular, according to world experience, life insurance companies can be one of the most important sources of attracting, forming and implementing long-term investment capital [13].

To date, the active development of life insurance services in the insurance market can begin, first, only with the detailed information of citizens about the benefits they will receive with the insurance of their health and life (tab. 2).

Table 2. Benefits of life insurance

No	The Benefits of Life Insurance	Content
1.	Financial health and life protection	The depositor gets an opportunity to be sure of tomorrow, as well as guaranteed, high-quality and timely medical assistance; these funds can compensate for the temporary lack of income and maintain a standard of living.
2.	Formation of savings for retirement	The insured person determines the size of his future pension and receives the possibility of a guaranteed payment at the expiration of the contract, as well as additional investment income.
3.	The insurance payment exceeds the contribution	Provide the necessary funds during rehab in the period of disability.
4.	Guarantee payment of the sum insured	The amount is paid on the fact of "survival" of the insured before the expiration of the agreement.
5.	Exemption from payment of insurance premiums	The insurance contract continues to run until the end of the insurance period in case of permanent full disability.
6.	Comfortable terms of insurance premiums	Contributions can be made immediately or with a certain periodicity. Formation of serious capital without loss for the budget.
7.	Getting a tax credit	Getting an annual tax credit by individuals who have insured their lives for at least five years.
8.	Guarantee of saving money	The rights to receive an insurance payment are not confiscated and not subject to arrest, are not divorced in divorce.
9.	Special order of inheritance	The full payment is received by the insured person.
10.	Accelerating the payment procedure	The amount is paid either to the beneficiary, or to successors in the short term.
11.	Reliability of the financial resources' deposit	The bankruptcy "life" of an insurance company is almost eliminated, as its activity is monitored by the state, and the possibilities of investing by such companies are enshrined at the legislative level.

Source: compiled by the author according to the material [14]

Undoubtedly, this market now needs to develop a strategy for the future development of this insurance's type; drafting of the Insurance Code with a clear indication and explanations regarding the types and services of insurance; reviewing and updating insurance legislation; introduction of tax system privileges for "life" insurance companies and insurers; the use of foreign experience in the establishment and operation of insurance companies providing health and life insurance services, etc.

The domestic life insurance market at the present stage of development requires significant support from the state, as it is quite young, promising, has great potential and many advantages. It should be noted that in general, the availability of life insurance services for the inhabitants of developed countries depends on their education, social status, pension, etc. Experts believe that the level of development of this direction of insurance reflects the level of development of society as a whole and provides confidence to citizens in the stability of the country. And also long-term life insurance is associated with a guarantee of pension provision to the population. It is worth noting that skillfull and wise use of "long" money by insurance companies deprives state projects of the need to seek assistance from foreign investors and creditors [15-16].

Conclusions

Thus, the Ukrainian life insurance market today is experiencing not the best of times: the number of insurance companies like "Life" has significantly decreased over the past five years, domestic insurance companies are not very popular among citizens, the level of gross insurance premiums compared with the 1st quarter of last year also decreased. These negative trends have contributed to the presence of internal and external problems that require an immediate solution. Unfortunately, in our country today there is a very low level of insurance culture, a very small proportion of Ukrainians are using life insurance, since the majority does not trust their funds to insurance companies for many years and the low income level of the population does not contribute to the active development of the life insurance market. Although, it should be noted that in many developed countries, life insurance is a fairly widespread practice, since this kind of insurance provides more confidence in the future.

It is important today to overcome the main problems that delay the development of life insurance. A promising direction is the further improvement of the legislation in the field of life insurance and the development of a strategy for the future development of the Ukrainian life insurance market, as it contributes to the formation and accumulation of long-term investment capital in the country.

Abstract

Market of insurance in Ukraine began to form in 1991 and is still developing. At that time, the citizens of the country, like today, was reluctant to use some insurance services, for example, to life and health insurance.

A main goal of this article is determined and researched modern state, main problems and prospects Ukrainian market of life insurance today. The tasks are determined modern state, main problems and prospects of service of life insurance. A main method is analysis national market of life insurance.

Today many life insurance companies are closed. The level of gross insurance premiums is reduced. These phenomena are due to the fact that in Ukraine today there are exist many internal and external problems that restrain development market of life insurance. The most important factors are adversely affecting population distrust and low insurance culture.

Thus, today there is a need to develop a strategy of future for development of Ukrainian market of life insurance, because it gives the opportunity to form long investment capital.

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