

ЕКОНОМІКА ТА УПРАВЛІННЯ НАЦІОНАЛЬНИМ ГОСПОДАРСТВОМ

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COMPARATIVE CHARACTERISTIC OF DEVELOPMENT TRENDS IN THE POLISH AND UKRAINIAN INSURANCE MARKETS: CONCLUSIONS FOR UKRAINE

ПОРІВНЯЛЬНА ХАРАКТЕРИСТИКА ТЕНДЕНЦІЙ РОЗВИТКУ СТРАХОВИХ РИНКІВ УКРАЇНИ Й ПОЛЬЩІ: ВИСНОВКИ ДЛЯ УКРАЇНИ

Urgency of the research. In modern conditions of globalization and the growing crisis at the international level there is an objective necessity of deepening the research of problems of development of insurance market in Ukraine and search the ways of their elimination.

Target setting. It is reasonable to study thoroughly international best practices to identify the reasons of lagging development of the Ukrainian insurance market in comparison with the European markets, which is possible on the basis of comparative analysis of the basic indicators of development of insurance markets and the generalization of the main problems to develop a strategy for the future.

Actual scientific researches and issues analysis. Detailed studies of the development of insurance and insurance activities, which became the basis for the development of insurance in Ukraine held in their writings such domestic scientists as K. Bazilevich, N. Vnukova, O. Vovchak, O. Gamankova, A. Zaletov, M. Mnich, S. Osadetz. And for now there a lot of works devoted to different problems of the insurance market development, among them works of G.Kozoriz, V. Furman, L. Pozdnyakova, L. Lebedinskaya and others.

Uninvestigated parts of general matters defining. Scientists have not still sufficiently explored issues of reasoning the opportunities for the insurance market development based on international experience in the context of the implementation of the state policy of economic security and the European integration processes in Ukraine.

The research objective. The article aims to reveal the main trends in the development and positive experience of functioning of the insurance market in Poland compared with tendencies and problems of its development in Ukraine.

The statement of basic materials. The article presents the results of comparative analysis in development tendencies of insurance markets in Ukraine and Poland. It is proved that, despite the same starting conditions for development, Poland has managed through the application of more effective management practices to achieve higher rates of economic growth in the country in general and in the insurance market in particular. The authors have considered the internal and external causes and factors that inhibit the development of the domestic insurance market.

Conclusions. Forming the strategy of insurance market development in Ukraine with taking into consideration the best international experience will contribute to effective decision making for the future.

Актуальність теми дослідження. У сучасних умовах глобалізації та посилення кризових явищ на міжнародному рівні виникає об'єктивна потреба поглиблення досліджень проблем розвитку страхового ринку в Україні та пошуку шляхів їх усунення.

Постановка проблеми. Доцільним є виявлення причин відставання темпів розвитку страхового ринку України від європейських ринків, що можливе на основі порівняльного аналізу базових показників розвитку страхових ринків та узагальнення основних проблем для вироблення стратегії на майбутнє.

Аналіз останніх досліджень та публікацій. Грунтовні дослідження розвитку страхування та страхової діяльності, які стали основою для розвитку страхової справи в Україні, провели у своїх працях К. Базилевич, Н. Внукова, О. Вовчак, О. Гаманкова, О. Залетов, М. Мних, С. Осадець. Окремих проблемат розвитку страхового ринку присвячена значна кількість праць вітчизняних науковців, серед яких Г. Козоріз,

В. Фурман, Л. Позднякова, Л. Лебединська та ін.

Виділення недосліджених частин загальної проблеми. Науковцями ще недостатньо опрацьовані питання аргументації можливостей врахування міжнародного досвіду розвитку страхових ринків у контексті реалізації державної політики забезпечення економічної безпеки та євроінтеграційних процесів в Україні.

Постановка завдання. Стаття покликана розкрити основні тенденції розвитку та позитивний досвід функціонування страхового ринку Польщі у порівнянні із тенденціями та проблемами розвитку страхового ринку України.

Виклад основного матеріалу. У статті проведено порівняльний аналіз тенденцій розвитку страхових ринків України та Польщі. Доведено, що, незважаючи на однакові стартові умови для розвитку, Польща зуміла за рахунок застосування більш ефективних методів управління досягти більш високих темпів економічного зростання як у країні в цілому, так і на страховому ринку зокрема. Авторами розкрито внутрішні та зовнішні причини і фактори, які гальмують розвиток вітчизняного страхового ринку

Висновки. Урахування кращого міжнародного досвіду сприятиме виробленню зважених рішень на перспективу при формуванні стратегії розвитку страхового ринку в Україні.

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Keywords: insurance market; insurance premiums; insurance claims and benefits; return on assets of insurers.

Ключові слова: страховий ринок; страхові премії; страхові виплати; рентабельність активів страховиків.

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Urgency of the research. In modern conditions of globalization and the growing crisis at the international level there is an objective necessity of deepening the research of problems of development of insurance market in Ukraine and search the ways of their elimination. The presence of full functioning insurance market in any state is an important condition for the well-being of the population and sustainable economic growth.

Target setting. It is reasonable to study thoroughly international best practices to identify the reasons of lagging development of the Ukrainian insurance market in comparison with the European markets, which is possible on the basis of comparative analysis of the basic indicators of development of insurance markets and the generalization of the main problems to develop a strategy for the future.

Actual scientific researches and issues analysis. Detailed studies of the development of insurance and insurance activities, which became the basis for the development of insurance in Ukraine held in their writings such domestic scientists as K. Bazilevich, N. Vnukova, O. Vovchak, O. Gamankova, A. Zaletov, M. Mnich, S. Osadetz. And for now there a lot of works devoted to different problems of the insurance market development, among them works of G. Kozoriz, V. Furman, L. Pozdnyakova, L. Lebedinskaya and others.

Uninvestigated parts of general matters defining. Highly appreciating the considerable scientific improvements of national scientists in the field of research of the insurance market development problems, it is worth focusing attention on the necessity of taking into account international experience in the development of insurance markets in the context of the implementation of the state policy of economic security and the European integration processes.

The research objective. The conducted research is aimed to reveal the main trends in the development and positive experience of functioning of the insurance market in Poland compared with tendencies and problems of its development in Ukraine.

The statement of basic materials. The appropriateness of the comparison the basic tendencies of insurance markets development of Ukraine and Poland is determined by the fact that, firstly, both markets are comparable in size, and secondly, the Polish insurance market, as well as Ukrainian, has been regulated by law since 2004, and third, the two countries in the early 90s had roughly the same starting conditions for reforming economies. The last fact is confirmed by the World Bank’s data on the dynamics of the rate of nominal GDP of these two countries (Fig. 1).

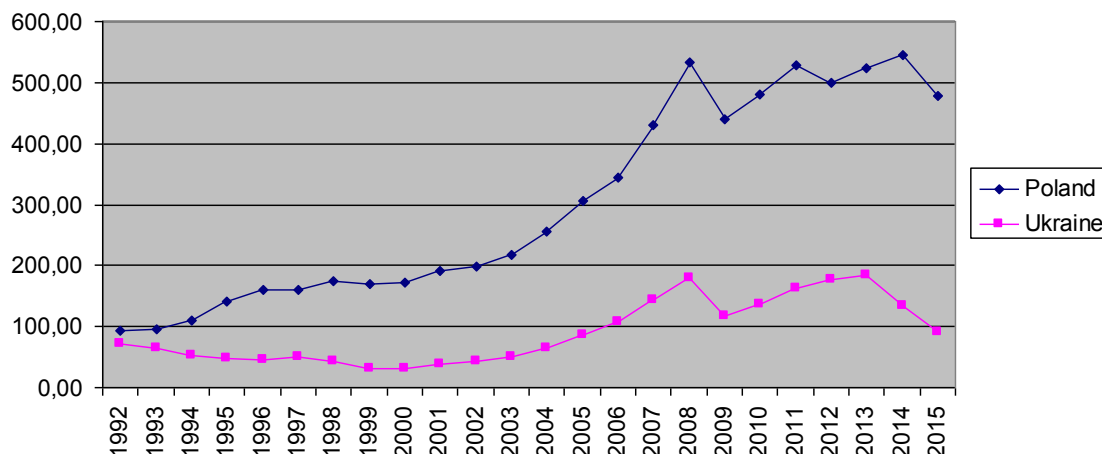


Fig.1. Dynamics of the rate of nominal GDP of Ukraine and Poland for the years 1992-2015, bill. US\$ [1]

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As can be seen from Fig.1 in 1992, Poland's GDP amounted to \$ 94.3 billion and Ukraine's GDP was \$ 71,9 billion. By 2015, the GDP of Poland rose to 477 billion USD, and Ukraine's GDP is only up to \$ 90 billion. USA. That is, GDP of Poland has been exceeded the GDP of Ukraine in 5.3 times in 2015.

The main reason for success of Poland was conducting in the early 90-ies of a number of economic reforms called "Balcerowicz plan", or "shock therapy" and transition to a capitalist economy. Effective economic policies have enabled it to achieve the right of entry into the EU, which gave access to European markets and EUR 65 billion of subsidies [2; 3]. Also, an important point which stimulated the economic development including the insurance market, was a dynamic development of the banking sector, capital market and the formation of the principles of free competition. Poland as the closest Western neighbor, has become a benchmark for Ukraine in terms of economic success, in particular for the development of the insurance market.

Comparison the number of insurance companies in both countries during 2001-2015 (table.1) gives a reason to confirm that the presence of a large number of insurers isn't necessary for the successful functioning of the market. The ratio of the total number of insurers in both countries indicates that in Ukraine there are 5-7 times more insurance companies than in Poland. The greatest number of them in Ukraine operates in the field of risk insurance (non-life), while the number of life insurers is not significantly different.

Table 1

Dynamics of the number of insurance companies of Ukraine and Poland in the period 2001-2015 years*

	<i>The number of insurance companies by year, units</i>														
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Ukraine															
Life	20	23	30	45	50	55	65	72	72	67	64	62	62	57	49
Non-life	308	315	327	342	348	356	382	397	378	389	378	352	345	325	312
Total number	328	338	357	387	398	411	447	469	450	456	442	414	407	382	361
Poland															
Life	35	36	37	36	33	32	31	32	30	30	28	28	27	26	27
Non-life	33	35	36	41	38	37	34	35	36	35	33	31	31	30	30
Total number	68	71	73	77	71	69	65	67	66	65	61	59	58	56	57
<i>The ratio of the total number of insurers</i>	4,8	4,8	4,9	5,0	5,6	6,0	6,9	7,0	6,8	7,0	7,2	7,0	7,0	6,8	6,3

* Compiled and calculated by authors based on the data of the National Commission for the State Regulation of Financial Services Markets of Ukraine and the Polish Insurance Association [4-5]

In Ukraine simultaneously it is visible the rise of concentration of the insurance market. Thus, according to the National Commission for the State Regulation of Financial Services Markets, if in 2009 the share of life insurance market, which accounted for insurers who were in the TOP 10 had been 80.9%, in 2015, it raised to 87,9%. In the risk insurance segment these figures for the mentioned years were 29.3% and 36.3%. The increase of market concentration leads to a gradual reduction of market participants and the increasing dominance of major players in the market, which ultimately may significantly distort the general policy tariff.

Despite the smaller number of insurers that operate in the insurance market of Poland, the share of gross insurance premiums in GDP is higher than in Ukraine (Fig. 2).

However, even this level of insurance premiums in GDP in Ukraine is considered rather nominal than real. Deep data analysis gives grounds to assert that a large proportion of the total volume of insurance premiums in Ukraine may be associated with the "pseudo-insurance" activities. Insurance in Ukraine is often used as a means of tax evasion, illegal export of capital and financial instrument

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schemes [6]. Consequently, the “real” prevalence of insurance is lower than shown by official sources and is much lower than in most other countries of Eastern Europe.

Another important indicator that reflects the development of insurance relations is the level of gross insurance payments (the ratio of gross insurance claims and benefits to gross insurance premiums).

As can be seen from Fig. 3, a generalized rate of gross insurance payments in Ukraine is significantly lower than in the insurance market of Poland. Obviously, in the insurance market of Ukraine there are such types of insurance in which payouts are much lower. In the reports of the National Commission for the State Regulation of Financial Services Markets about results of activity of insurance companies the increase in the level of gross and net insurance payments is treated as "the use by insurance companies of schemes on optimization of taxation" [7, p.12]. At the same time, the high level of payments in the insurance market of Poland is associated with the good faith behaviour of insurance companies and a high level of their solvency.

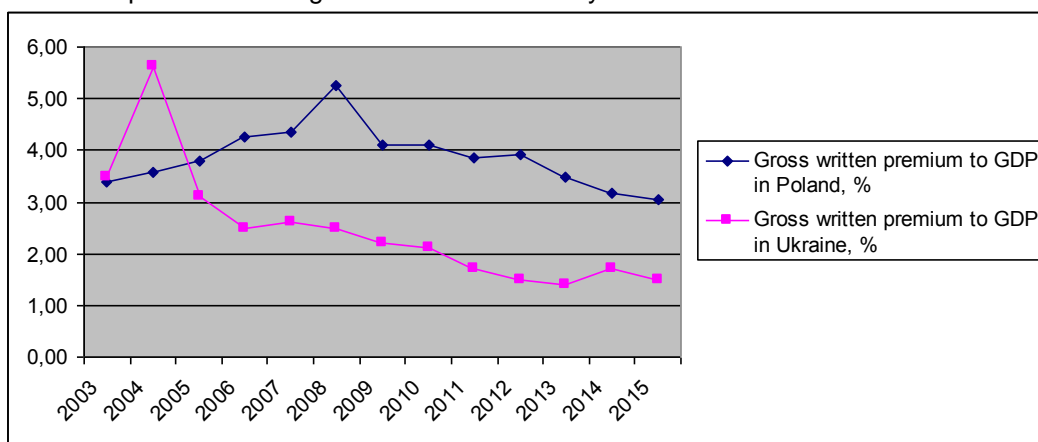


Fig. 2. Dynamics of the share of gross insurance premiums in GDP (calculated and compiled by the authors)

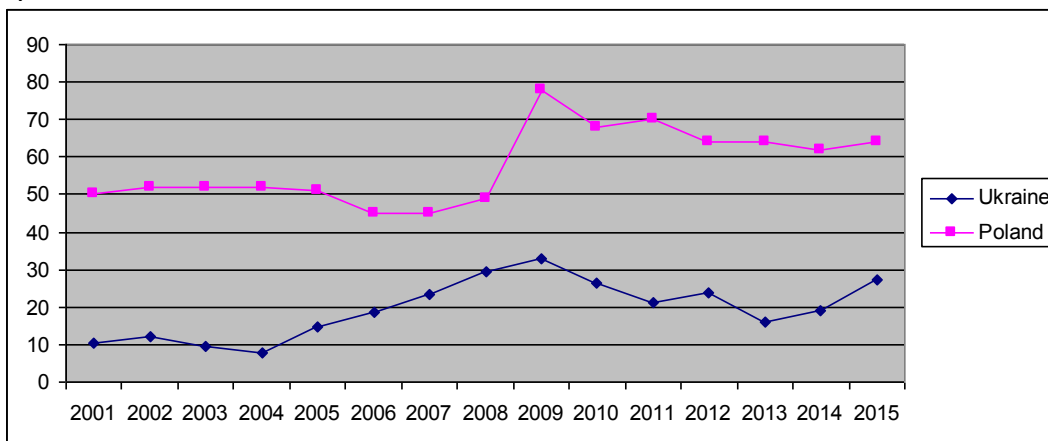


Fig. 3. Dynamics of the level of gross insurance payments in the insurance markets of Ukraine and Poland, % (calculated and compiled by the authors)

Another important indicator that reflects the efficiency of insurers in each of the comparable markets is the return on assets (ratio of net profit to assets of insurers). The dynamics of this indicator calculated both in general and in the context of life and non-life insurers in Ukraine and Poland is shown in Fig.4.

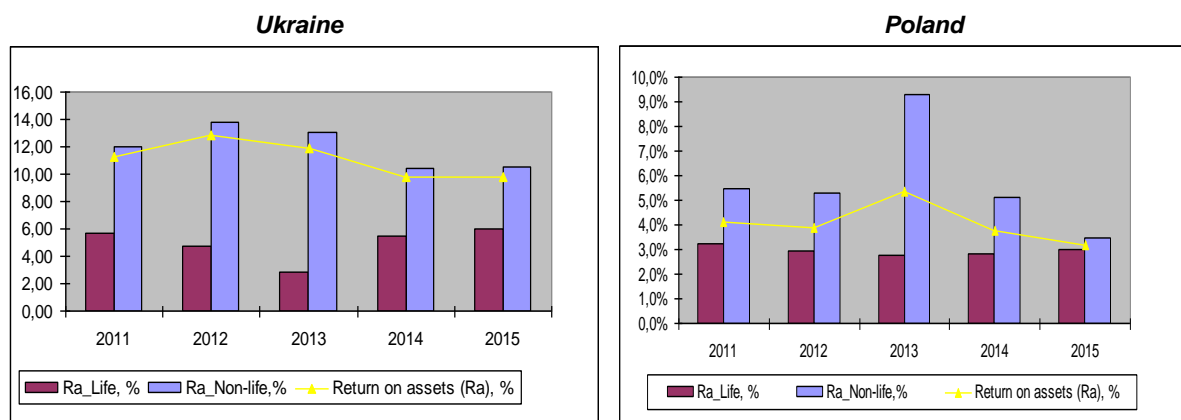
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Fig. 4. Comparative dynamics of the return on insurers' assets in Ukraine and Poland in 2011-2015, % (calculated and compiled by the authors)

Based on the above figure's data the overall level of profitability of assets of insurers in Ukraine during 2011-2013 amounted to 11-12%, in particular the return on assets of non-life insurers was at 12-13.8%. In 2014-2015 the rate declined slightly: generally in the market – to 9.75% and regarding non-life insurers it was established at the level of 10.5%. Return on assets of life insurance companies (Ra_life) did not exceed 6% throughout the whole studied period.

However, studies show that a significant part of the assets of Ukrainian insurance companies are presented dubious assets such as bills of exchange, corporate rights of dormant enterprises. This leads to a failure to comply with insurance conditions of insurance contracts, as with the amount of insurance payments or the repayment period.

Insurance market in Poland, unlike Ukraine, is characterized by a lower level of profitability of insurers' assets. The overall rate of return on assets of all insurers amounted to 3-4%, the increase was only in 2013 to 5.3%, but then the value turned back again to 3%. The profitability of the companies' assets in life insurance (Ra_life) remained at 3% throughout the period. There is a stable dynamics of the value of the indicator for non-life insurers, with the exception of 2013 when there was a fairly sharp increase up to 9.3%. This is because with an increase in the net profit of Non-life in 2013 by 84.2%, assets increased by 5.0% [8], that provided the increase of the analyzed indicator.

The data presented above clearly indicate that, unfortunately, the pace of development of the insurance market of Ukraine is far behind the development of the Polish market. Without a doubt, both insurance markets have undergone a profound transformation as structural and quantitative nature. The changes affected almost all aspects of their functioning. Transformations were carried out under the influence of both internal and external institutional processes such as: globalization, deregulation and liberalization. However, the insurance market in Poland is getting more effective, competitive conditions are improving. At the same time regarding Ukraine it is rather difficult to make such statements.

Internal problems that are hampering the development of insurance market in Ukraine can be grouped as follows [9, pp. 48-64]:

1. Low public confidence to the institutions of non-banking market, which has grown historically and due to information asymmetry in the market. Asymmetry from the side of insurers is revealed in the complexity of insurance products, in insufficient product quality, professional knowledge, in usage of non-market mechanisms of influence etc.

2. Low development of the insurance market infrastructure. In contrast to developed markets, in Ukraine institutions in insurance brokerage and financial advisory services are underdeveloped. There are also opaque activities of insurance agents. According to experts, brokers in Ukraine serve only 5% of the insurance market, whereas in the US and Canada — 95%, Italy — 92%, Germany 87%. While

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10 brokers are selling coverage of one insurance company in the West, in Ukraine only one broker represents 10 insurers.

3. Low market capitalization and low quality of assets. The capitalization of the insurance market of Ukraine in post-crisis period hasn't exceeded 4.5%, while the capitalization of the insurance markets such European countries as Britain, France and Germany is at the level of 96.5%, 63% and 45.3%. The assets of insurers of Ukraine in 2015 amounted to 60.7 billion UAH (about \$ 2.4 billion USA) that is less than half the cost of a brand insurance company AXA. It is an evidence of insufficient level of overall capitalization of the insurance market of Ukraine. Moreover, preliminary results of insurance market of Ukraine in 2016 [10] indicate that 55% of assets of insurance companies for more than 30 billion UAH are illiquid and have a very low level of profitability and reliability.

4. Insufficient insurance coverage in the population. Due to insufficient confidence in the insurance companies the population shows a low propensity to consume such services. After all, if in the years of the collapse of the Soviet Union 71.4% of the population had life insurance contracts, in 2013 less than 5% of the population of Ukraine had such an insurance coverage. At the same time, the total number of the insured in Western Europe is approaching 85-90% of the total population. It should also be noted that high rates of inflation hinder the normal development of the life insurance, because it is proved the incompatibility of the development of life insurance market with a high rate of depreciation of the national currency. Another reason for the insufficient insurance coverage is a low income level of the population. We should take into consideration that fact that for the full development of the insurance market the average monthly income of the potential consumer of financial services should be at least \$ 1.200 USA. In light of the significant devaluation of the national Ukrainian currency in 2014-2015 the solvent demand of population for insurance services has dropped significantly.

5. The absence of a mechanism of guaranteeing the insurance payments under long-term life insurance. Experience of foreign countries and the position of the EU (White paper on Insurance Guarantee Schemes) demonstrate the importance of introducing mandatory guarantee scheme payments under contracts of life insurance and accumulating assets for guarantees all insurance claims and benefits. Similar institutions are common in many developed countries such as the UK, Canada, Holland, USA, France, Japan, Italy, Norway, Finland, Greece, Spain, Hungary [11] and etc. In Ukraine there has been registered and accepted as a basis the draft Law "About Fund of guaranteeing of insurance payments under contracts of life insurance", but market participants do not currently consider its adoption is appropriate. They believe that the more effective would be a mechanism of guaranteeing the insurance reserves, particularly allocated in the banking system.

6. One of the most important factors inhibited the insurance market development, according to most experts is the low level of state regulation and overregulating the market processes. It is also stated in the "Strategy of reforming the state regulation of non-banking financial services markets for the years 2015-2020", where indicated that resolving the problem of the lack of efficiency of state regulation and supervision and over-regulating the licensing procedures for financial institutions is of primary importance.

In addition to internal constraints, we should also indicate to the existence of externalities. The main external factors that have negative impact on the insurance market development are political instability in the country and unpredictability of external financial environment, which generates systemic risks. The financial and economic crises as a result of globalizing financial relations and lack of effective mechanisms to minimize the negative influence of the crisis phenomena increase the vulnerability of national financial services markets.

Conclusions. So, the main constraints in the development of insurance market of Ukraine are: lack of solvency of insurance consumers; lack of good faith insurers and as a result, distrust of the quality of insurance products; the unequal geographical distribution of insurance coverage; low level of financial literacy and insurance culture. And this is not a complete list of problems that generally can be drilled down and deepened.

As part of the process of Ukraine's integration into the European community it should be paid attention to the following vectors of reformatting the domestic insurance market as improving the

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effectiveness of state regulation in terms of supervision over the solvency of insurers and the quality of their services. Besides it is required to develop the life insurance market as an effective instrument of pension ensuring and to provide implementation and adequate functioning of the compulsory medical insurance system and the establishment of the Fund of guaranteeing insurance payments.

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