
ЕКОНОМІКА ТА УПРАВЛІННЯ НАЦІОНАЛЬНИМ ГОСПОДАРСТВОМ

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A STRATEGY OF INSTITUTIONAL DEVELOPMENT IN THE MARKET OF INSURANCE

Abstract. The article describes the authentic strategy of institutional development in the market of insurance in Ukraine, which is realized on the way of a building of effective protection of their economic interests by society through the insurance system, main priority of development strategy in the market of insurance service in Europe. Current European standards concerning the financial condition of insurance institutions and assess the quality of insurance services. The main vectors of the strategy for institutional development of the insurance market are described too.

Keywords: strategy of institutional development; insurance market; the insurance service; solvency; the interests of the consumer and risks.

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СТРАТЕГІЯ ІНСТИТУЦІОНАЛЬНОГО РОЗВИТКУ РИНКУ СТРАХОВИХ ПОСЛУГ

Анотація. У статті окреслено автентичну стратегію інституціонального розвитку ринку страхових послуг України, що реалізується на шляху побудови суспільства ефективного захисту своїх економічних інтересів через систему страхування. Охарактеризовано основні пріоритети стратегії розвитку ринку страхових послуг Європи. Розглянуто діючі норми ЄС щодо фінансового стану страхових інституцій та оцінки якості страхових послуг. Виокремлено основні вектори стратегії інституціонального розвитку ринку страхових послуг.

Ключові слова: стратегія інституціонального розвитку; ринок страхових послуг; страхова послуга; платоспроможність; інтереси споживача; ризику.

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СТРАТЕГИЯ ИНСТИТУЦИОНАЛЬНОГО РАЗВИТИЯ РЫНКА СТРАХОВЫХ УСЛУГ

Аннотация. В статье обрисовано аутентичную стратегию институционального развития рынка страховых услуг Украины, которая реализуется на пути построения общества эффективной защиты своих экономических интересов через систему страхования. Охарактеризованы основные приоритеты стратегии развития рынка страховых услуг Европы. Рассмотрены действующие нормы ЕС относительно финансового состояния страховых учреждений и оценки качества страховых услуг. Выделены основные векторы стратегии институционального развития рынка страховых услуг.

Ключевые слова: стратегия институционального развития; рынок страховых услуг; страховая услуга; платежеспособность; интересы потребителя; риски.

Urgency of the research. The concept of insurance business allows to share the effects of certain risk to the entire population. Thus, sharing and trust insurance is one of the determining factors of socio-economic development. Research has shown that insurance services the most effective and demanded are for people with low or middle-income level [1]. Insurance is an important part of finance both individual households and the whole economy. Life insurance products help to increase savings, especially long-term. The purpose of such savings may vary; among the most popular are the accumulation of education and pension insurance.

Surely, the role of institutions providing public insurance services will grow along with changing the volume and level of benefits from social security and health care system.

Target setting. The strategy of insurance companies' activity was based on a number of concepts. Starting with the concept of "social insurance fund" proposed by K. Marx [2], the "concept of the insur-

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ance market development until 2010", or "Programs of the insurance market in Ukraine for 2001-2004", which laid the foundation principles of regulation and potential growth insurance market without a clear separation of the strategy of institutional development which provide insurance services.

Analysis of recent research and publications. Famous Ukrainian scientist M. V. Mnich predicted a significant transformation of global society, and its successor would be the construction of economic strategy of social development, taking into account insurance or even insurance management [3]. This assertion is based on the concept of M. S. Klapkiva, who offered his own vision of social order, with the following stages: an agrarian society Industrial society Information Society Community of risk The Society, effectively protecting their economic interests through insurance system. [4]

In our opinion, the strategy of institutional development in the insurance market should be based on the formation of "Society, effectively protecting their economic interests through insurance" and EU Directives, as prospective regulation norms for Ukrainian market.

Non-researched aspects of the problem. Thus, the current stage of economic development requires isolating of priority actions in the long run. Modern society places new demands on the quality of offered insurance services institutions and financial stability of these institutions, it creates a strategy aimed at bringing them to the state of compliance with leading international standards.

Purpose setting. Based on the concepts, priorities and existing EU regulations norms, to form and outline the strategy for institutional development of the insurance market of Ukraine, summarize the key aspects and future properties sought insurance services.

The statement of basic materials. The strategy of institutional development of the insurance market based on financial policy and implemented within the concept of development of this sphere. The domestic insurance market governed by a number of concepts and strategies, either defined specially for it, or those who directly or indirectly mentioned. The essence of insurance company policy is to create an alternative choice, where a national priority is either the introduction of compulsory social insurance meaningful or encouraging voluntary types of insurance including through tax breaks and grants [5]. The concept of our country provides for reduction of social protection, so it stimulates citizens to protect their own property, relatives and sustainability of their development themselves [6].

In our opinion, the strategy of institutional development of the insurance market should focus on ensuring transparency and predictability of the insurance market institutions aimed at coordinating the activities of the insurance market and the formation of high-quality services that are able to meet the growing needs. This strategy is part of the policy of social and economic development and formulates its specific features (goal, key targets and measures for their implementation).

Among the bases of institutional development of the market of insurance services, can be provided a number of concepts and direction of European integration. After all, the ultimate goal is competitive, demanded insurance services, and compliance with EU standards for membership in Ukraine which should progress.

The financial crisis of 2008 had a significant impact at the insurance market of Ukraine and European Community. Assessing its impact on the development was developed the strategy, in order to minimize the expected future negative effects of future crises. This document is submitted to the 2011 at European Commission "Europe 2020". The strategy for intelligent and sustainable development, inclusive growth. (EUROPE 2020 A strategy for smart, sustainable and inclusive growth) [7].

The basis for the design of the document as a strategy has three priorities: intelligent growth (which may be reflected directly in insurance services), stable development (ensuring the stability of financial institutions and well-being of the client), promoting growth and social progress (aided insurance business). The strategy "Europe 2020" strategy does not directly shaped the development of the insurance market, but the indirect effect is that the relevant market should form the basis for covering risks. The paper focuses on consumer protection, refusal to support the financial sector, strengthening the role of financial institutions.

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Legal at the insurance companies are imposed many requirements to ensure the safety of insurance. Because of their social and economic importance, the insurance activity is subjected to control by a specialized body of public administration, the last 5 years in Ukraine such body is the "National Commission for State Regulation of Financial Services Markets".

One of the most important criteria for evaluating the financial condition of the insurance company is solvency, meaning, the ability of the company to settle in time. It is one of the main requirements for insurance activity either in Ukraine or in the EU, concerning the solvency margin. Requirements for the solvency margin, which became the foundation of modern regulatory approach in Europe, appeared in 1946 in the UK and predicted that the company, which specializes at other kinds of insurance not the life insurance, total assets have exceeded total liabilities by 10 % of the premiums. Today solvency in Europe determined the two systems requirements - "Solvency I" and "Solvency II" [8, p. 89]. In fact, with the development of the insurance market, the emergence of new products and the formation of new insurance services, the existing requirements no longer fully reflect the risks incurred by insurance institutions.

Rules of Solvency II were divided into 3 levels: Level 1 - Directive of Solvency II, together with amendment (Omnibus II); Level 2 - Regulatory and technical standards (Regulatory Technical Standards); Level 3 – propagation of Technical Standards (Technical Standards), and Guidelines (Guidelines). Directive Omnibus II specifies the effective date of Solvency II, as a range of technical standards that are developed by EIOPA (European Insurance and Occupational Pensions Authority).

It is one of the tasks that should include the development strategy, should be the introduction of the principles of Solvency II in Ukraine, in order to correct a number of deficiencies in the existing regulations. Appropriate identification and assessment of risk monitoring may protect against significant losses. The risks to which the institution is subject insurance can be divided into:

- actuarial risks associated with future technical results, which depend on random factors: frequency, intensity loss, operating costs, changes in the portfolio, cancellation or conversion of insurance contracts;
- financial risks, faced by each financial institution. This interest rate risk, credit risk, market risk, foreign exchange risk. The system aims to harmonize the principles relating to the accounting of insurance institutions, the calculation of technical provisions and principles of investing.

The strategy of institutional development the market of insurance in terms of European integration should consider the impact of new trends in risk management in insurance, widely used financial engineering and accounting standards that meet the requirements of the IASB (International Accounting Standard Board). So, the basic idea of European regulations is enforcing the solvency margin and achieves greater synchronization in determining the level of technical provisions.

Another vector of institutional development of the insurance market, we distinguish between the quality of insurance services and protection the rights and interests of consumers [9]. In this matter, recommendations [European Banking Authority \(EBA\)](#), [European Securities and Markets Authority \(ESMA\)](#) and the [European Insurance and Occupational Pensions Authority \(EIOPA\)](#) are noteworthy. What were tested in the UK by the supervisor of the financial market ([Financial Services Authority](#)). These recommendations include two new elements, covering all the insurance services and implementing continuous assessment of insurance products and insurance intermediaries' actions from the perspective of interests of consumers of financial services. Therefore, in consideration of orientation changes towards the interests of the consumer and the quality and reliability of insurance services should be directed strategy of institutional development in the market insurance services.

This strategic change of shift supervision of the insurance market from the state or supranational entities directly to the insurance institution. This is implemented through the formation of internal processes, functions and strategies of insurance institutions whose purpose is the development of insurance products, placing them on the market monitoring and surveillance throughout their life cycle. With this tactic is to implement six major effects:

- primary identification of target market of the product;
- identifying market segments where the use of this product is inappropriate;
- analyzing of product changes with catastrophic scenarios;

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- to make possible analyzing the product, to identify hidden malware to client specifications, and making appropriate changes;
- to promote to the definition of the relevant output channels, considering both the characteristics of the product and their customers;
- to audit insurance intermediaries in order to assess their level of compliance with the insurance company accepted standards.

Thus, the adaptation of such changes in the operation strategy should form the institutional development of the insurance market, since the approach to insurance services directly to the insurance institution, forming the consumer a positive and useful experience from its consumption.

Conclusions. Despite the fact, that the insurance market in Ukraine develops, its quantity and quality indices are far from the leading European countries. We singled out two main vectors strategy for institutional development of the insurance market: it is long-term changes aimed at financial institutions and state government supervision in accordance with international standards; and changing the approach to insurance service directly by the insurance company that must provide insurance services with the interest of the clients as priority.

The gradual introduction of protection standards of consumers rights for financial services due to the tactics of approximation of national legislation with European Directive, which will increase demand and satisfaction of insurance services consumer. The development strategy of the institutions should be directed to increase the transparency and understanding of insurance activity.

Due to the current and future part of insurance in economic development of Ukraine, we consider implementing of a genuine strategy for institutional development of the insurance market necessary, because it is a part of a society that will protect their economic interests through the use of insurance services. In the future the insurance will be the most popular way for risk transferring, because along with ensuring financial stability of institutions, customers rights and interests, increases awareness of the need and usefulness of insurance services consuming.

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