

REINSURANCE DEVELOPMENT ON THE UKRAINIAN INSURANCE MARKET

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Annotation. *The purpose of this paper is to investigate the trends in the functioning of reinsurance on the Ukrainian insurance market and to substantiate the prospects for its development. The article is devoted to the problem of the main reinsurance functioning indicators dynamics in the Ukrainian insurance market. It is necessary to determine some challenges and identify measures for their solution. Methodology of research.* The article goals can be reached by means of the following scientific methods: statistical and comparative economic analysis, systematization and generalization, financial analysis and graphic method. **Findings.** The problems were determined and measures were spotted for improvement the reinsurance on the Ukrainian insurance market. The main one is the creation of domestic professional reinsurers and the adoption of the law on a reinsurance operations banning by the Ukrainian insurance companies. This problem could be solved by the legislative division of insurance activity and reinsurance one in Ukraine. **Practical value.** The article substantiates that in the current conditions of economic development of Ukraine and integration into the international insurance business, the functioning of the professional reinsurers on the domestic insurance market will contribute to the increase of financial reliability of Ukrainian insurance companies and increase the trust to them of citizens and business entities.

Keywords: reinsurance, reinsurers-residents, non-resident reinsurers, initial reinsurance, gross insurance premiums, net insurance premiums, insurance premiums.

Problem determination and connection with practical tasks. The development of insurance in Ukraine is largely due to the role of reinsurance in the insurance market. The success of each insurer in the insurance market depends on the ability to use reinsurance mechanisms, which reduces the risks of insurance companies, contributes to their financial stability and solvency. Using the reinsurance tool, insurance brokers expand their capabilities for getting more risks. Reinsurance enables insurance companies to withstand a competitive struggle and is a prerequisite for ensuring their financial soundness and stable operation regardless the size of capital, insurance reserves and assets. Thus, reinsurance plays a special role in the insurance market, which ensures financial stability of insurance companies, and therefore, it is relevant to study trends in its development in the insurance market of Ukraine.

Analysis of recent researches and publications. The problems of the reinsurance development on the insurance market were widely analyzed by domestic and foreign scholars and specialists of insurance business, in particular S. Asanga, A. Asimit, A. Badescu, S. Britt, S. Haberman, V. Oliynyk, O. Kozmenko, Y Krvavych and others. However, some aspects of this problem need to be scientifically substantiated. First of all, reinsurance of indicator dynamics is the main concern of the development of reinsurance in the insurance market of Ukraine.

Setting objectives. The purpose of the article is to study the tendencies of reinsurance activity in the insurance market of Ukraine and to substantiate the prospects for its development.

It is necessary to analyze the dynamics of the main indicators of domestic reinsurance development for achieving this goal, in particular gross and net insurance premiums, the level of net and gross insurance

premiums, volumes of initial reinsurance and its structure by types of insurance, the share of reinsurance in relation to insurance premiums, the ratio of reinsurers shares -residents and non-resident reinsurers in the initial reinsurance on the insurance market of Ukraine

Description of the main research material. The system of insurance protection consists of specific conditions that affect the relations between insurance companies and policyholders. The level and methods of state regulation of insurance activities, methods of providing insurance services, organizational characteristics of insurance companies are also included in this system. Nowadays any insurance company can take some insurance risks with ever-increasing amounts of insurance and solid reinsurance [1].

For the analysis of the development of reinsurance on the insurance market of Ukraine the official data of the National Commission will be used. This Commission carries out the state regulation in the field of financial services. The total number of insurance companies amounted 294 to the end of 2017, it is 16 insurers or 5.2 % fewer than in 2016. There was a significant decrease in the number of insurance companies in Ukraine in 2016 namely by 51 insurers or by 14.1 % against 2015.

But, despite the steady tendency for reduction the number of insurance companies in the domestic insurance market, the main indicators of their activity have shown a steady tendency to increase. In particular, the volume of collected gross insurance premiums in 2017 compared to 2016 increased by UAH 8 261.5 million, or by 23.5 %, **the amount of net insurance premiums increased by UAH 2 030.6 million, or by 7.7 %.** **The volume of general gross insurance premiums in 2017 compared to 2016 increased by UAH 1 697.3 million, or by 19.2 %, and the volume of net insurance payments increased by UAH 1 695.8 million, or by 19.8 % during this period [2].**

The dynamics of gross and net premiums justifies the volume of reinsurance collected by Ukrainian insurers and share premiums which was paid to reinsurers. Thus, gross premiums received by insurers for insurance and reinsurance risks from insurers and reinsurers for 2017 amounted 43 431.8 million UAH while net premiums for 2017 amounted 28 494.4 million UAH. It was 65.6 % of gross premiums written. Net premiums for 2016 amounted 26 463.8 million UAH or 75.2 % of gross premiums. Thus, the volume of gross premiums written for 2017 increased in comparison with 2016 by 23.5 % compared to 2015 when it increased by 46,1 %. Net insurance premiums increased by 7.7 % compared to 2016, and by 27.5 % compared to 2015 (Figure 1) [3].

According to the National Commission, which carries out state regulation in the area of financial services markets, the volume of initial reinsurance in 2017 compared to 2016 increased by 44.7 % from UAH 12 668.7 million to 18 333.6 million UAH at the expense of an increase of UAH 6 231.0 million or by 71.6 % of the volume of reinsurance in the middle of the country. At the same time the volume of reinsurance with non-resident insurers decreased by 566.1 million UAH, or – by 14.3 %.

In 2017 Ukrainian insurers paid UAH 18 333.6 million shares of insurance premiums under the reinsurance contracts. 3 396.2 million UAH of which was paid to reinsurers-non-residents and 14 937.4 million UAH for reinsurers-residents. It is 14,3 % less than in 2016, which was 71.6 % more compared to 2016. The total sum of insurance premiums compensated by reinsurers in 2017 amounted to UAH 1 208.2 million, 928.2 million UAH of which was compensated by non-resident reinsurers, it is 2.8 % less than in 2016 and resident reinsurers was played 280.0 million UAH, it was 0.5 % more than in the previous year.

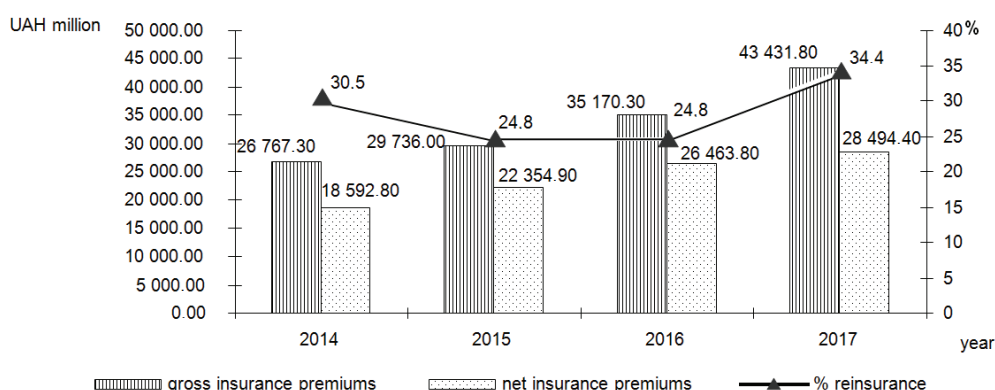


Figure 1. Dynamics of volumes of gross and net insurance premiums and the share of insurance premiums paid to reinsurers in Ukraine for 2014-2017 UAH million, %

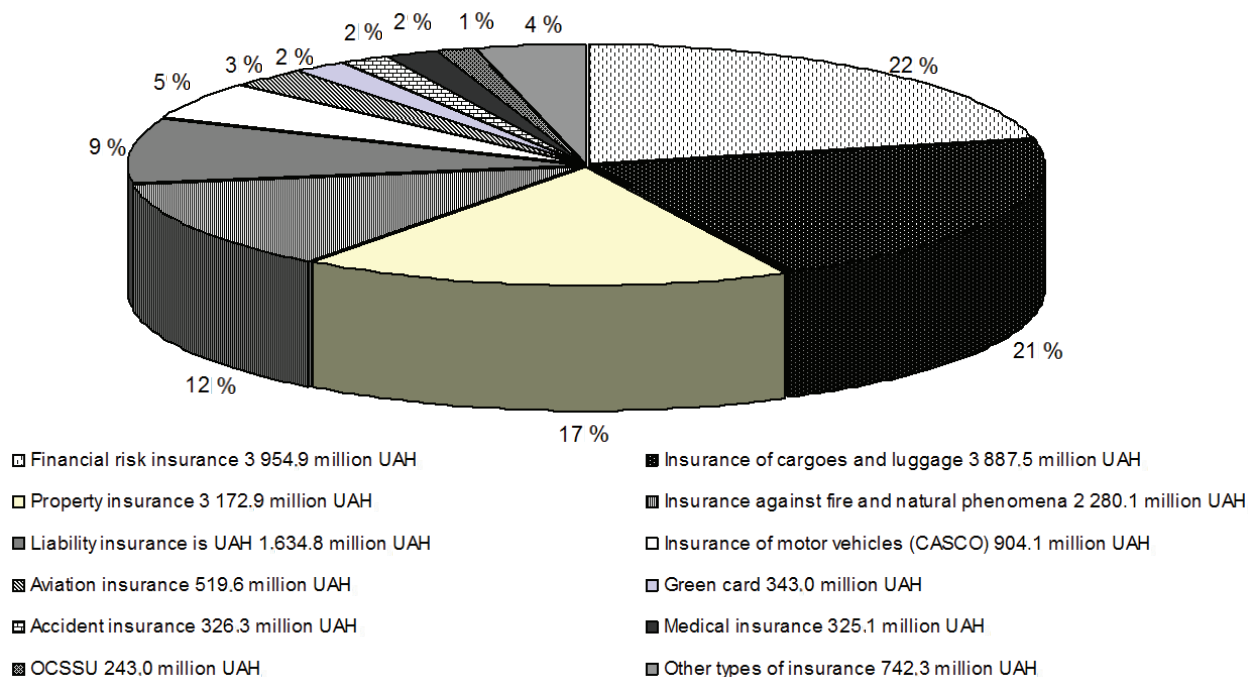


Figure 2. Structure of initial reinsurance by types of insurance in Ukraine in 2017, UAH million/%

Figure 2 shows the structure of initial reinsurance by the type of insurance in Ukraine in 2017. It shows that the share of insurance premiums was mostly paid for the following types of insurance: 22 % of financial risks insurance; 21 % of cargo and luggage insurance; 17 % of property insurance; 12 % of insurance against fire risks and natural phenomena [2].

All these sums were in the structure of initial reinsurance in Ukraine at the end of 2017.

The analysis shows that there is a tendency for a significant part of reinsurance of financial risks

both in Ukraine and non-resident reinsurers [4].

The ratio of initial reinsurance to gross insurance premiums by the end of 2017 had amounted to 42.2 %. 7.8 % of which was reinsured from non-resident reinsurers and 34.4 % from resident reinsurers. It is 6.2 % more than the same indicator in the past year and it is 8.9 % more than in 2015. However, the share of non-resident reinsurers in gross insurance premiums in Ukraine in 2017 decreased by 3.5 % compared to 2016 and by 0.7 % compared to 2015 (Figure 3) [2].

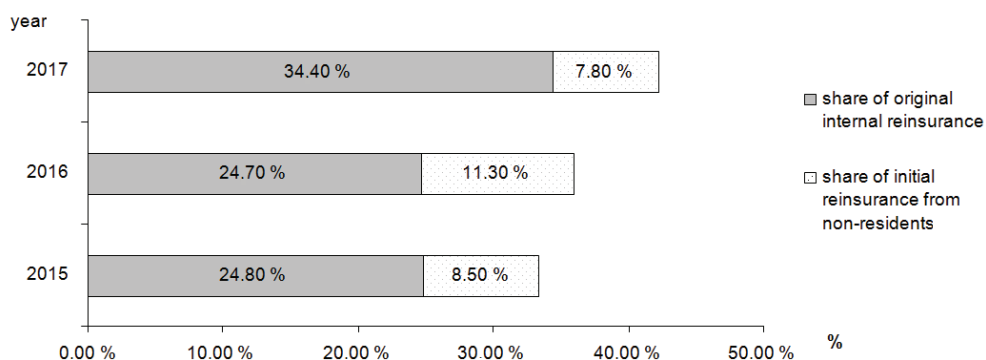


Figure 3. Share of initial reinsurance in relation to gross insurance premiums in Ukraine for 2015–2017 in %

The situation like this is not positive for the Ukrainian insurance market as most of domestic company risks are not transferred to professional reinsurers

and are reinsured on the domestic market by domestic insurance companies. This trend is negative for the financial security of Ukrainian insurers [5].

Figure 4 shows the ratio of residents share and non-residents ones in the initial reinsurance of Ukrainian insurers for the period 2015–2017 [3]. Figure 4 shows that volumes of initial reinsurance of domestic insurance companies changed over the period of 2015–2017, respectively. The share of residents and non-residents changed in

the initial reinsurance in Ukraine. Reinsurance transactions were decreased in 2017 compared to 2016. They were about 14.3 % with non-resident insurers and their share in initial reinsurance decreased to 18.5 %. The share of residents increased from 68.7 % in 2016 to 81.5 % in 2017 correspondently.

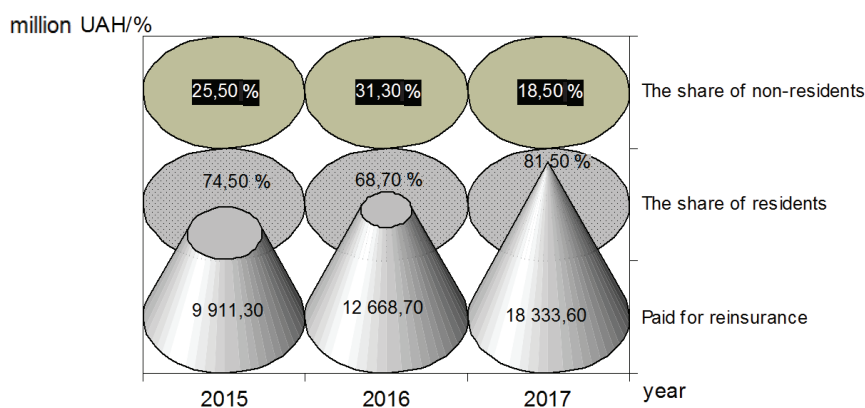


Figure 4. The ratio of residents 'and non-residents' shares in initial reinsurance in Ukraine in 2015-2016, UAH million/%

Figure 5 shows the structure of the reinsurance risk of Ukrainian insurers from non-resident reinsurers by the end of 2017. It shows that Ukrainian insurers paid the largest part of insurance premi-

ums for reinsurance to non-residents to Switzerland (16.9 %), the United Kingdom – 15,5 %, Germany – 10,3 %, Poland – 9,7 %, Austria – 7,1 % and Malaysia – 6,7 % in 2017 [2].

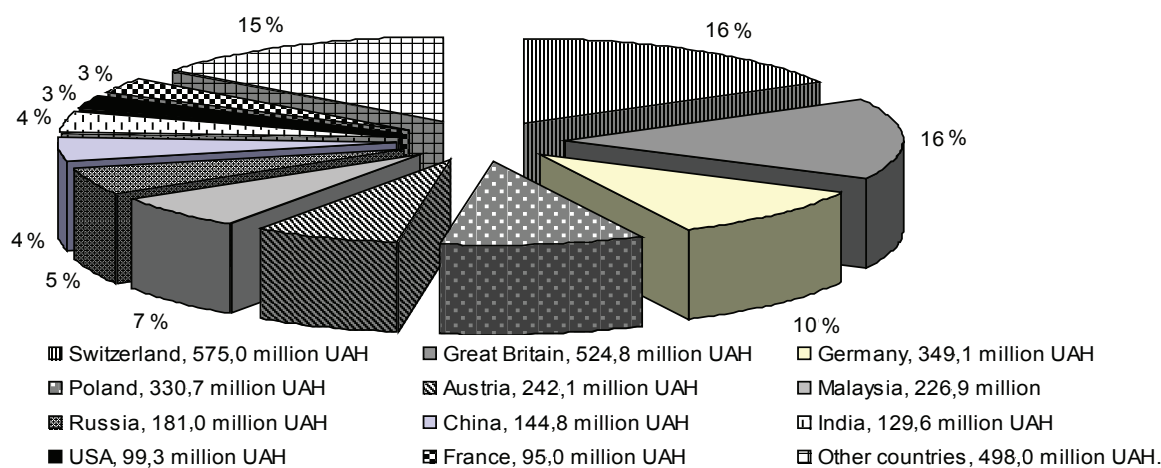


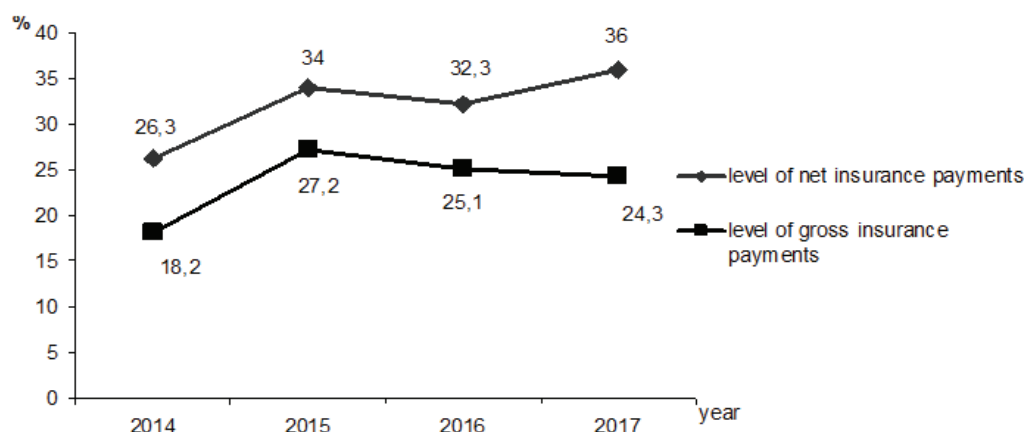
Figure 5. Share of insurance premiums of Ukrainian insurers paid UAH million/% to non-resident reinsurers in 2017

The structure of initial reinsurance in Ukraine at the end of 2017 changed the amount of reinsurance in the following countries: in Switzerland it was increased by UAH 274.5 million; in the UK it was decreased by 127.5 million UAH; in Germany it was decreased by 66.0 million UAH; in Poland it was decreased by 11.8 million UAH; in Austria it was increased

by 57.6 million UAH; in Malaysia it was decreased by 48.8 million UAH; in China it was decreased by 341.1 million UAH as compared with 2016.

In order to do more comprehensive analysis of reinsurance development in Ukraine, it is reasonable to examine the indicator of gross level and net insurance payments, which should approach

70 % in accordance with international standards and net insurance payments in the insurance market of Ukraine for 2014–2017 [2].



Figures 6. Dynamics of the level of gross and net insurance payments in Ukraine for 2014–2017, %

Figures 6 show that during 2014–2017 total level of net insurance payments on Ukrainian insurance market depicted oscillatory dynamics. By the end of 2017 it showed a tendency to decrease by 0.8 % compared to 2016 and by 2.9 % compared to 2015. The level of gross insurance payments at the end of 2017 demonstrated a tendency for increase by 3.7 % versus 2016 and by 2 % compared to 2015. However, the level of insurance payments, both gross and net, for the years 2014–2017, was generally low in Ukraine in comparison with international standards.

Conclusions. The analysis of the main indicators of trends in the functioning of reinsurance on the Ukrainian insurance market has revealed the problems of its development, the main of which we can consider a significant advantage of the volume of internal initial reinsurance over reinsurance from non-resident reinsurers. The situation like this could be treated like positive in the context of domestic reinsurers functioning but Ukrainian insurance companies reinsured risks of each other in the absence of professional domestic reinsurers and in accordance with the rules of the current legislation. Paying attention to the fact that this situation influences negatively on the financial stability of insurance companies and creates an environment for “circuit” insurance in order to withdraw funds from the country it is necessary to separate reinsurance activities and to create professional reinsurers in Ukraine. Therefore, in today's conditions of economic development in Ukraine and its integration into international insurance business it is important

to create professional reinsurers in the country. The adoption of the Law of Ukraine “On Reinsurance” and the prohibition of domestic insurance company's reinsurance activity became an urgent problem. Such measures will help to increase the financial reliability of domestic insurance companies and increase the trust of potential insurers. Therefore, further research will be conducted for determining the economic efficiency of the insurance distribution and reinsurance activities.

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Розвиток перестрахування на українському страховому ринку.

Анотація. Мета статті полягає в дослідженні тенденцій функціонування перестрахування на страховому ринку України та обґрунтуванні перспектив його розвитку. Статтю присвячено дослідженню динаміки основних показників функціонування перестрахування на страховому ринку України з метою виявлення проблем і визначення заходів щодо вдосконалення його розвитку. **Методика дослідження.** Вирішення поставлених у статті завдань здійснено за допомогою використання наукових методів: статистичного й порівняльного економічного аналізу, систематизації та узагальнення, фінансового аналізу та графічного методу. **Результати.** Виявлено проблеми й запропоновано заходи щодо вдосконалення розвитку перестрахування на страховому ринку України, основними з яких є необхідність створення у країні вітчизняних професійних перестраховиків і законодавчої заборони українським страховим компаніям здійснювати операції перестрахування. Вирішити цю проблему можливо за умови законодавчого поділу страхової діяльності та перестрахування в Україні. **Практична значущість результатів дослідження.** У статті обґрунтовано, що в сучасних умовах економічного розвитку України та інтеграції до міжнародного страхового бізнесу функціонування на вітчизняному страховому ринку професійних перестраховиків сприятиме підвищенню фінансової надійності українських страхових компаній та зростанню довіри до них із боку громадян і суб'єктів підприємництва.

Ключові слова: перестрахування, перестраховики-резиденти, перестраховики-нерезиденти, вихідне перестрахування, валові страхові премії, чисті страхові премії, рівень страхових виплат.

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Аннотация. Цель статьи заключается в исследовании тенденций функционирования перестрахования на страховом рынке Украины и определении перспектив его развития. Статья посвящена исследованию динамики основных показателей функционирования перестрахования на страховом рынке Украины с целью выявления проблем и определения мер по совершенствованию его развития. **Методика исследования.** Решение поставленных в статье задач осуществлено с помощью использования научных методов: статистического и сравнительного экономического анализа, систематизации и обобщения, финансового анализа и графического метода. **Результаты.** Определены проблемы и предложены меры по совершенствованию развития перестрахования на страховом рынке Украины, основными из которых являются необходимость создания в стране отечественных профессиональных перестраховщиков и законодательного запрета украинским страховым компаниям осуществлять операции перестрахования. Решить эту проблему возможно при условии законодательного разделения страховой деятельности и перестрахования в Украине. **Практическая значимость результатов исследования.** В статье обосновано, что в современных условиях экономического развития Украины и интеграции в международный страховой бизнес функционирование на от-

еественном страховом рынке профессиональных перестраховщиков будет способствовать повышению финансовой надежности украинских страховых компаний и росту доверия к ним со стороны граждан и субъектов предпринимательства.

Ключевые слова: перестрахование, перестраховщики-резиденты, перестраховщики-нерезиденты, исходное перестрахование, валовые страховые премии, чистые страховые премии, уровень страховых выплат.