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cybercrime. Consequently, there is a need to insure risks in the cyberspace. Although that kind of insurance has all chances to become popular due to the expansion of the world net, regrettably Ukraine has neither relevant legislation nor qualified staff for the work in the said sphere.

### **V. Conclusions**

The insurance market in Ukraine has existed for quite a while, and is making progress despite the obstacles on its way. The country provides certain positive background for the development of that branch of economy. However, as we have seen, there are many problems. This conclusion is also confirmed by information from the report of the State Commission for Regulation of Financial Services Markets of Ukraine and by social polls data. It is expedient to take prompt steps to make effective laws – an insurance code, which would take account of all the aspects, such as expansion of insurance companies' activity, insurers' and insureds' fraudulent practices, and many other factors. Implementation of various social programs that explain the significance of the mandatory insurance, providing students and their parents with comprehensive information about the kinds of careers in the insurance market and the average salaries of the professional insurers could be very useful, too. Higher educational establishments, in which top-class academics and practitioners could deliver professional courses to the most talented students, should be allowed to do that at the expense of the budgetary funds. We should also take advantage of the Internet, new developments of the scientific and technological progress, which could help expand the insurance market opportunities.

An underwriter is a person authorized by an insurance company to analyze, accept for insurance (reinsurance) cover or reject insurance risks, and classify the chosen risks for optimal insurance compensation. The underwriter is responsible for forming an insurance (reinsurance) portfolio. The job requires all the necessary expertise and practical skills to determine a proper extent of risk, estimate insurance premium rates, and fix insurance terms.

A big problem is also the undeveloped broker services in the Ukrainian insurance market.

According to the Law of Ukraine on insurance, insurance brokers are legal persons or individuals registered legally as entities, which transact agency business of insurance in their own name based on a brokerage agreement with a person who needs insurance as an insurant. Individual insurance brokers registered in accordance with the established procedure as business entities are not entitled to accept or recalculate insurance payments, insurance compensations, and insurance benefits [2].

A professional broker can help clients choose the right insurance company, protects them from the risk to fall prey to a crooked insurer, contributes to improving the quality of services and establishing a trustful relationship between an insurant and insurer. In France, insurance brokers are regarded as the most significant channel for expanding the range of insurance services other than life insurance.

Although there is a formal broker association in Ukraine, actually it is not functional. The general public is uninformed about insurance brokers' existence and do not know that using their services can be very beneficial. Absence of cooperation and control over the broker activity, along with passivity of the state in the matter of popularizing the idea of brokers' services usefulness, make their profession practically pointless. This is despite the argument that the world practice proves the demand for broker services to be high.

A solution to this problem can lie in an active cooperation of the state with broker associations and raising general public's awareness of the importance of broker activity and the advantages that they can provide.

Technical progress plays its part too, calling for dynamic activities, for the emergence of the world web, along with numerous benefits, brought about

However due to inefficient state control, only 25-30% of car owners buy insurance policies. In fact, as the enforcement of the law is not effected, car owners take advantage of that flaw [10].

The situation implies that it is imperative to create special agencies authorized to closely monitor the issues of compliance with insurance laws and to perfect the legislative acts.

There is also a problem of a poorly developed economic culture of the Ukrainian citizens. The majority of people register their mandatory insurance not because they realize the importance of it or perceive it as a protective measure, but rather for fear of law-enforcement acts binding them to do it. And still, according to social polls data only 5% of the people are familiar with a complete list of cases when they are entitled to free medical services.

One more problem is that of skilled staff; it can be solved by founding new higher educational establishments or new departments on the basis of the existing institutions, which could train highly efficient personnel for the insurance business. Additionally, it is desirable to invite instructors from abroad with the aim of learning their practices in the field. Because many countries set up their insurance markets long ago, while the Ukrainian insurance market is rather "young", as the country got its independence quite recently. A significant issue is raising public awareness of insurance services, since many students, just like their parents who influence their choice of an educational establishment, have a vague idea of how multifaceted insurance business is. Insurance companies have such jobs as an actuary and underwriter; yet, most of students are unaware of those or what special training and knowledge are required to do the jobs. Social polls have shown that common people have no idea of the said careers, or even to what economic sector they belong (about 95% of the respondents within the age range of 15 to 45), although these professions require high qualifications and are well-paid.

An actuary is an insurance mathematics professional with expertise in the theory of actuarial computations. This job involves development of methodology and making computations of insurance rates, calculations of a policy reserve fund for long-term insurance, estimation of cash surrender values and reduced amounts of coverage, as well as loans against life and pension insurance contracts.

initiate prosecution of a criminal offence, for an unpunished crime lays foundation for an offender's potential crimes. Infringement of the law should be punished by a fine or other punitive measures. Consequently, the appropriate agencies should be established to enforce the said measures. Besides, a time span should be fixed between the code revisions, corrections dependent on the relevant developments, and reissues. In the above example of France, the space of time equals two years, which could be suitable for Ukraine as well.

Another serious problem of the insurance market is that, despite legislative improvements, Ukraine still lacks a monitoring system, which could exert an effective control over all insurance liabilities [8].

To monitor a strict compliance with the laws and legal responsibility in case of their violation, competent bodies should be established. After all, people have to know that laws are efficient rather than merely formal, and that insurers may not infringe their rights. For example, in the Netherlands surveillance of insurance activities is performed by the Insurance Supervisory Authority, the main objective of which is to protect the interests of insureds and third parties who want to have fair insurance services. In the USA, the National Association of Insurance Commissioners (NAIC) includes the heads of supervisory authorities of the states. NAIC develops insurance standards, which have the character of recommendations. The Ukrainian mentality, history, and specific insurance market features differ from those of other nations', which is why we should not copy other countries' supervisory systems. However their experience can help us understand, which of the systems could be most suitable and beneficial for us. Then our experts will be able to adjust them to fit the Ukrainian market.

Recently, we have seen a growing number of cases when investigation states the cause of an accident as 'casual handling of fire', although an insured's fault is not proven. Yet, the court, on the ground that fire safety rules were violated, pronounces for the insurer, so that the insurance company does not have to pay the indemnity [9]. Thus, people's trust in insurance companies and courts is abused, since those institutions fail to serve their major functions.

As an example, the Law of Ukraine "On Mandatory Civil and Legal Liability Insurance for Motor Vehicle Owners", which took effect in 2010, is very important for the insurance market and is supposed to stimulate its development.

insurance as a means of tax evasion and enrichment. According to the Head of the State Commission for regulation of financial services markets of Ukraine, rough estimates of the annual capacity of shadow insurance business amount to 400 million USD [5]. This problem requires an immediate solution by means of a stricter control over insurance activities. Perhaps it is rational to introduce restrictions on "preferential" tax treatment of property insurance payments with the aim of denying the opportunities for using this kind of insurance to evade taxes. Consequently, this will need amendments of the laws in effect.

The most challenging is the problem of inefficient state control coupled with inadequate current law, opening the door to economic crime both for unprincipled insurers and insureds [6]. The Ukrainian legislation is missing the term of 'insurance fraud' outright. The question is: What state means of insurance crime control and prevention can we talk about if the phenomenon is allegedly nonexistent? Normally, general provisions of Article 190 (Fraud) of the Criminal Code of Ukraine are used. However that is wrong, as fraud in the insurance business differs considerably from the same crime in other spheres. In view of its specificity, the appropriate laws must be very specific, too.

The malefaction can be attempted not only by insureds, but by insurers as well. An insurer can include into an insurance contract items, which are impossible to implement.

Insurance crime is rather broad-ranging and, apart from the detriment for the economy, damage credibility of insurance business; hence another problem – citizens' distrust towards the insurance market.

Therefore, it is necessary to create an insurance code based on the Law of Ukraine on insurance and other regulatory legal acts. A code of that kind already exists in such a highly-developed country as France [7]. The code in question should also interpret the concepts of 'insurance fraud', 'offence against an insurer', 'offence against an insured', and fix penalties for those crimes dependent on the type of fraud and extent of inflicted damage. The code should be developed with account of modern tendencies and specific problems of the insurance market in the country.

One of the essential clauses states that the insurer may deny payment to an insured with reference to the civil law provisions. However, the insurer has to

#### IV. Paper main body

The outdated legal framework hampers considerably the insurance market development and poses a bulk of problems of legal nature, engenders crime in this branch of economy, and gives rise to a number of other problems [1].

Article 4 (Subject of Insurance Contract) of Part 1 (General Provisions) of the Law of Ukraine on insurance needs supplement, since insurance of financial and other specific risks, which exists in Ukraine, is not legislated [2]. The supplement is important because, in keeping with the structure of insurance premiums, this kind of insurance ranks third in popularity, and second – in insurance benefits structure. The situation may cause problems of legal character, since in fact this kind of insurance is not documented legislatively. It is mentioned in Article 6 as one of numerous kinds of voluntary insurance. At the same time, Article 4 does not make any reference to it as a separate group. However due to certain specific risks of this group it is incorrect to refer it to personal, property, or liability insurance. Yet, unless financial and specific risks are separated as a special group, the right high-quality strategy and development program can hardly be chosen for this branch.

Article 2 (Insurers) of the same Part 1 of the Law of Ukraine on insurance states that the subject-matter of an insurer's direct duties can only be insurance, reinsurance, and the financial activity related to formation, allocation, and management of reserves.

However, insurers can also consult clients as to risks in a particular sphere. Additionally, another supplement should be introduced concerning such services provided by insurers as training. This would help students study the insurance market both theoretically and practically, and watch insurance companies' staff on the job to better understand the specificity of their work [3]. The abovementioned Article is not applicable to the current level of development of the insurance market in Ukraine as it places restrictions on the sphere of insurance companies' activity, limits their influence, and hinders their cooperation with the state which could help solve the problem of staff deficit.

Another undeveloped subject is the law on preferential tax treatment of payments, which are currently allowed to be charged against the total expenditures of enterprises, while, for example, personal insurance is paid from companies' profit [4]. This causes a series of economic crimes, since many firms use

## **Ways to Solve the Problem of Developing Insurance in Ukraine**

**Roman G. Sabol**

Associate Professor of Economic Theory & Finances Department,  
Kharkiv Regional Institute of Public Administration of the National  
Academy of Public Administration attached to the Office of the  
President of Ukraine (KRI NAPA), PhD in Public Administration,  
Kharkiv, Ukraine

*The paper determines key approaches to researching the challenges of insurance market, pinpoints the most urgent ones, and suggests the necessary reforms, due to which the market is assumed to develop successfully.*

*Keywords: insurance market, insurance services, public administration, insurance entity, insurance object.*

### **I. Problem setting**

Every day we face a range of risks, and an insurance market becomes a means of protecting the rights and property of natural and legal persons. At present it is unable to operate effectively and produce the expected profit on account of a number of problems.

### **II. Recent research and publications analysis**

Problem issues of developing insurance and its individual aspects have been considered in the works by such Ukrainian scientists as L. Gutko, O. Kiseliova, A. Nikonovych, A. Svyrydenko, V. Furman. However their papers were written well before 2007 and therefore could not cover the problems of the insurance market in its present state. This field of economy develops continuously bringing forth new issues, which need settlement.

### **III. Paper objective**

The objectives of the paper are to establish new approaches to investigation of the insurance market problems, to identify the most urgent of them, and to outline reforms, due to which the market will develop to the best advantage.