“The analysis of insurance market structure and dynamics in Ukraine, Russia and European Insurance and Reinsurance Federation (CEA) member states”

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The analysis of insurance market structure and dynamics in Ukraine, Russia and European Insurance and Reinsurance Federation (CEA) member states

Abstract

The paper examines the dynamics of insurance companies quantity in Ukraine, Russia and CEA member states for the period of 2001-2008 as well as the tendency of national insurance market changes. Moreover, it analyzes the largest foreign groups represented in equity of the Ukrainian insurance companies.

Keywords: insurance market, insurance company, “life” and “non-life” gross premiums, premiums per capita, premiums share in GDP.

JEL Classification: G22.

Introduction

According to foreign investors, the Ukrainian insurance market has portfolio investors, strategies and output on IPO as well as other opportunities to attract the capital. Therefore, the large world groups of financial sector will come to Ukraine in the nearest future. It should be mentioned that the Ukrainian insurance companies, in the context of investment attractiveness and publicity, are not yet ready to enter international capital markets. However, in the long term, the quantitative estimation of dynamics of the European insurance market changes should be taken into account. For example, the growth of insurance market is not observed in “old Europe”; sometimes there are limitations of maximum share at the insurance market, which are regulated by antimonopoly committees. Taking this into account, the structural changes of the internal Ukrainian insurance market in relation to the foreign investments share in the equity of domestic insurance companies must be examined in the course of the internal Ukrainian insurance market development. The index of premiums share in GDP is the estimation of insurance market development dynamics (%). It is the most important and very hard task to find out indicators for market dynamics estimation, and the regression models can be useful to solve this problem.

The aim of the present paper is manifold. It evaluates the Ukrainian insurance market attractiveness for foreign financial groups; makes quantitative and qualitative analyses of domestic insurance companies and the structure of insurance payments for CEA, Russia and Ukraine. Lastly, it reveals the Ukrainian insurance market development trends.

1. The analysis of the last researches and publications

The analysis of the insurance market performance indicators of separate countries and the examination of the dynamics of domestic insurance companies, insurance companies with the share of foreign capital, and 100% foreign capital insurance companies are presented in [8-19]. S. Dvorak (2007) [6], L.D. Lebedynska (2001) [1], V.O. Piskunova (2007) [5], N.Y. Plis (2005) [3], L.M. Remnyova (2001) [1], L.V. Ribalchenko (2007) [5], E. Romanenko (2007) [4], A.O. Ryadno (2007) [5], U.M. Umanciv (2007) [6] consider the development trends and the competition policy as well as the problems and the government regulation of insurance market.

2. The undecided questions of the general problem

To consider the issue of the biggest foreign investing groups entrance to the Ukrainian insurance market against the backdrop of their amalgamation and announces concerning their plans of the Ukrainian insurance market development, it is necessary to statistically analyze the insurance companies evolution, premiums volumes according to the sources of supply, premiums per capita, total premiums volumes in European countries, Ukraine and Russia. The question concerning the analysis of the part of companies providing more than 70% of the insurance premiums remains unexplored until now. Moreover, revealing the dependence for forecasting insurance market characteristic such as the premiums share in GDP (%) to premiums per capita ratio is of great interest.

3. The main results of the investigation

Let’s analyze the quantitative changes of the insurance companies and financial groups’ economic activity priorities and directions. For this purpose the dynamics of the insurance companies and financial groups of Ukraine, Russia, EU and European Insurance and Reinsurance Federation (CEA) countries should be analyzed (see Table 1).
Table 1. The number of insurance companies registered in 2001-2007, by countries [8-19]

| Country         | 2001  | 2002  | 2003  | 2004  | 2005  | 2006  | 2007  | Rate of increase (2001-2007) | Total increase |
|-----------------|-------|-------|-------|-------|-------|-------|-------|-------------------------------|----------------|
| Austria         | 75    | 73    | 72    | 71    | 73    | 72    | 71    | -5,33                         | -4             |
| Belgium         | 204   | 201   | 189   | 181   | 171   | 161   | 158   | -22,55                        | -46            |
| Bulgaria        | -     | 24    | 30    | 30    | 31    | 37    | 37    | -                             | -              |
| Switzerland     | 142   | 143   | 141   | 143   | 143   | 143   | 143   | 0,70                          | 1              |
| Czech Republic  | 43    | 42    | 42    | 40    | 45    | 49    | 52    | 20,93                         | 9              |
| Germany         | 690   | 703   | 677   | 662   | 663   | 647   | 642   | -6,96                         | -48            |
| Estonia         | 14    | 13    | 13    | 13    | 12    | 16    | 19    | 35,71                         | 5              |
| Spain           | 414   | 401   | 393   | 379   | 362   | 354   | 0     | -100,00                       | -414           |
| France          | 504   | 495   | 486   | 475   | 486   | 477   | 480   | -4,76                         | -24            |
| United Kingdom  | 808   | 806   | 772   | 1167  | 1118  | 1050  | 1050  | 29,95                         | 242            |
| Hungary         | 23    | 28    | 28    | 28    | 28    | 27    | 31    | 34,78                         | 8              |
| Ireland         | 196   | 199   | 224   | 217   | 226   | 226   | 226   | 15,31                         | 30             |
| Italy           | 256   | 254   | 249   | 245   | 239   | 244   | 241   | -5,86                         | -15            |
| Lithuania       | 31    | 31    | 31    | 28    | 27    | 25    | 0     | -100,00                       | -31            |
| Latvia          | 21    | 20    | 19    | 18    | 20    | 19    | 0     | -100,00                       | -21            |
| The Netherlands | 353   | 389   | 379   | 363   | 352   | 368   | 352   | -0,28                         | -1             |
| Poland          | 71    | 74    | 77    | 74    | 74    | 72    | 67    | -5,63                         | -4             |
| Romania         | 0     | 42    | 46    | 39    | 37    | 36    | -     | -                             | -              |
| Slovakia        | 28    | 29    | 28    | 25    | 26    | 25    | 24    | -14,29                        | -4             |
| CEA             | 5 214 | 5 269 | 5 165 | 5 465 | 5 385 | 5 275 | 4 710 | -9,67                         | -504           |
| EU (25)         | 4 859 | 4 852 | 4 739 | 5 028 | 4 946 | 4 839 | 4 327 | -10,95                        | -532           |
| EU (12)         | 3 047 | 3 065 | 3 006 | 2 925 | 2 899 | 2 876 | 2 402 | -21,17                        | -645           |
| Others          | 355   | 417   | 426   | 437   | 439   | 436   | 383   | 7,69                          | 28             |
| Russia          | 1350  | 1408  | 1397  | 1280  | 1075  | 918   | 857   | -36,51                        | -493           |
| Ukraine         | -     | 338   | 357   | 387   | 398   | 411   | 447   | -                             | -              |

Notes: 1. * CEA includes: Austria, Belgium, Bulgaria, United Kingdom, Greece, Denmark, Estonia, Ireland, Iceland, Spain, Italy, Cyprus, Latvia, Lithuania, Lichtenstein, Luxembourg, Malta, the Netherlands, Germany, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Turkey, Hungary, Finland, France, Croatia, Czech Republic, Switzerland, Sweden. 2. EC 25 includes: Austria, Belgium, United Kingdom, Greece, Denmark, Estonia, Ireland, Spain, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Germany, Poland, Portugal, Slovakia, Slovenia, Hungary, Finland, France, Czech Republic, and Sweden. 3. Romania and Bulgaria that became the EU members in 2007 are not included. 4. EC 12 includes: Austria, Belgium, Greece, Ireland, Spain, Italy, Luxembourg, Netherlands, Germany, Portugal, Finland and France. 5. The “Others” includes: Bulgaria, Iceland, Lichtenstein, Norway, Romania, Turkey, Croatia, and Switzerland.

On the basis of the data one can state that the regularity as to the insurance companies’ quantity decreasing is clearly seen in Europe and in Russia. So, in Russia and in 12 the most developed EU countries the insurance companies quantity, as from 2002, is decreasing by 551 and 663, respectively (see Figures 1, 2). As to the CEA countries, the decreasing tendency took place from 2004 up to the year 2007, the insurance companies quantity was decreased by 775. This points at the greater consolidation of given insurance markets, and the tendency to insurance companies’ amalgamation and absorption is relatively great.

During the period from 2006 till 2007 the companies’ quantity was about ± 5 as to the initial spectrum in the most developed European countries (Switzerland, Germany, France, United Kingdom, and the Netherlands). That confirms the fact that the insurance markets of given countries are formed.

Quite different tendency is seen in Ukraine (see Figure 2). As from 2002, the insurance companies quantity has been constantly increasing. During the period of 2002-2007 the insurance companies quantity has increased by 24% (109 insurance companies), and in Ukraine there have been registered 447 insurance companies. This demonstrates that during the period investigated the insurance market rapid development took place. It should be noted that there is a considerable quantity of captive insurance companies in Ukraine and insurance companies that only work with limited quantity of risks (for example, those working solely with banks credits insurance).

Along with this we hope that the insurance market consolidation will surely take place in Ukraine, and only competitive players will stay on it.
Total premiums, percent of premiums in GDP and premiums per capita are the important indices of national insurance market dynamics (see Tables 3, 4 and 5).

Table 2. National currencies exchange rate per Euro [8, 20, 21]

| Country                     | 2001  | 2002  | 2003  | 2004  | 2005  | 2006  | 2007  |
|-----------------------------|-------|-------|-------|-------|-------|-------|-------|
| Bulgaria (Bulgarian lev)    | 1,948 | 1,949 | 1,939 | 1,953 | 1,956 | 1,956 | 1,956 |
| Switzerland (Swiss franc)   | 1,511 | 1,467 | 1,521 | 1,544 | 1,548 | 1,573 | 1,643 |
| Czech Republic (Czech koruna)| 34,068| 30,804| 31,846| 31,891| 29,782| 28,342| 27,766|
| Estonia (Estonian kroon)    | 15,647| 15,647| 15,647| 15,647| 15,647| 15,647| 15,647|
| United Kingdom (pound sterling) | 0,622 | 0,629 | 0,692 | 0,679 | 0,684 | 0,682 | 0,684 |
| Hungary (Hungarian forint)  | 256,590| 242,960| 253,620| 251,660| 248,050| 264,260| 251,350|
| Lithuania (Lithuanian litas) | 3,582 | 3,538 | 3,643 | 3,643 | 3,643 | 3,643 | 3,643 |
| Latvia (Latvian lat)        | 0,560 | 0,581 | 0,641 | 0,665 | 0,696 | 0,696 | 0,700 |
| Poland (Polish zloty)       | 3,672 | 3,857 | 4,400 | 4,527 | 4,023 | 3,896 | 3,784 |
| Romania (Romanian leu)      | 26004,000| 31270,000| 37551,000| 40510,000| 3621,000| 3528,000| 3333,000|
| Slovakia (Slovak koruna)    | 43,300| 42,694| 41,469| 40,022| 38,599| 37,234| 33,775|
| Russia (Russian rouble)     | 26,127| 29,690| 34,682| 35,817| 35,164| 34,114| 33,030|
| Ukraine (Ukraine hryvnia)   | 4,814 | 5,030 | 6,024 | 6,609 | 6,390 | 6,337 | 6,918 |

Nowadays, gross insurance premiums in GDP in Ukraine account for 2.5%, in western countries – 15% that points to a great potential for Ukrainian insurance market development. Table 4 represents GDP per capita by countries. In spite of the world financial crisis, the annual rate of Ukrainian insurance market growth in 2008-2010 will, as experts hypothesized, be 20-25%, in comparison with European market, where the most of trends are not profitable (1% on the average). In western countries the insurance business obtains up to 10% of resources that is put up in investment tools. Every foreign financial group entered the Ukrainian insurance market (retail insurance market, pledge insurance, borrower’s life and health insurance), considers it to be of great perspective and expects its segments’ 50-60% growth. Risk insurance in Ukraine is about 2.5% of GDP or 56 euro per capita. As a comparison, in CEA in 2007 it accounted for 1905 euro per capita, in Russia – 153 euro, in Germany – 1983 euro, in France – 3065 euro (see Figures 3, 4 and 5).

Table 3. Gross premiums from 2001 to 2007 by countries, mln. Euro [8-19]

| Country     | 2001  | 2002  | 2003  | 2004  | 2005  | 2006  | 2007  |
|-------------|-------|-------|-------|-------|-------|-------|-------|
| Austria     | 12,470| 12,615| 13,128| 13,974| 15,295| 15,589| 15,878|
| Belgium     | 20,571| 22,304| 25,774| 28,417| 33,832| 29,750| 31,440|
| Bulgaria    | 228   | 319   | 342   | 428   | 554   | 571   | 769   |
| Switzerland | 33,603| 36,151| 33,907| 32,816| 32,658| 31,352| 30,437|
Table 3 (cont.). Gross premiums from 2001 to 2007 by countries, mln. Euro [8-19]

| Country          | 2001  | 2002  | 2003  | 2004  | 2005  | 2006  | 2007  |
|------------------|-------|-------|-------|-------|-------|-------|-------|
| Czech Republic   | 2,362 | 2,950 | 3,286 | 3,499 | 3,901 | 4,309 | 4,786 |
| Germany          | 136,124 | 141,325 | 147,749 | 152,107 | 157,974 | 161,940 | 163,200 |
| Estonia          | 114   | 139   | 168   | 203   | 254   | 284   | 343   |
| Spain            | 41,015 | 48,061 | 40,650 | 45,418 | 48,779 | 52,836 | 54,539 |
| France           | 128,059 | 131,998 | 142,028 | 158,226 | 175,884 | 197,092 | 194,310 |
| United Kingdom   | 228,691 | 229,851 | 211,616 | 221,289 | 239,063 | 267,697 | 295,045 |
| Hungary          | 1,635 | 2,036 | 2,206 | 2,380 | 2,767 | 3,142 | 3,701 |
| Ireland          | 10,518 | 11,208 | 11,884 | 11,998 | 13,580 | 16,150 | 17,672 |
| Italy            | 76,254 | 87,708 | 96,993 | 101,038 | 109,780 | 106,502 | 99,116 |
| Lithuania        | 133   | 224   | 242   | 269   | 302   | 419   | 0     |
| Latvia           | 175   | 179   | 195   | 197   | 226   | 293   | 0     |
| The Netherlands  | 42,335 | 43,995 | 46,235 | 48,375 | 47,967 | 72,947 | 75,950 |
| Poland           | 6,095 | 6,006 | 5,646 | 6,091 | 7,177 | 9,629 | 11,580 |
| Romania          | 0     | 434   | 514   | 614   | 890   | 1,276 | 2,018 |
| Slovakia         | 736   | 850   | 1,009 | 1,198 | 1,309 | 1,413 | 1,714 |
| CEA              | 812,721 | 853,348 | 866,047 | 918,828 | 998,255 | 1,086,010 | 1,115,286 |
| EU (25)          | 767,785 | 803,706 | 817,762 | 868,210 | 943,399 | 1,029,752 | 1,061,334 |
| EU (12)          | 496,131 | 529,214 | 557,076 | 595,779 | 645,937 | 698,064 | 697,829 |
| Other            | 44,936 | 49,642 | 48,285 | 50,618 | 54,856 | 56,258 | 53,932 |
| Russia           | 10,587 | 10,118 | 12,471 | 13,167 | 14,069 | 17,899 | 21,799 |
| Ukraine          | 630   | 883   | 1,516 | 2,940 | 2,012 | 2,182 | 2,603 |

So, in the course of Table 3 data analysis one can note that during the period of 2001-2007 the gross premiums increase took place in the whole world and in separate regions and countries. As experts hypothesize, the countries that came in CEA in 2007, gathered 1,115,266 mln. euro of insurance premiums, which in absolute amount is by 29,256 mln. euro more than in 2006 and almost by 27% more than in 2001.

During the period investigated the most developed 12 European countries also demonstrated positive trends in gross premiums accumulation. Gross premiums volume in 2007 (697,829 mln. euro) that stayed at the same level as in 2006 (698,964 mln. euro) is indicative of the European insurance market formation as well as the further development of the biggest insurance companies of given countries.

While analyzing gross premiums dynamics in Russia, it is necessary to note, that during seven years the stable growing tendency to gross premiums increase is seen in the country. If in 2001 the gross insurance premiums amounted 10,587 mln. euro, then in 2007 the given index increased more than twice and made up 21,799 mln. euro.

In Ukraine one can note a negative trend to gross premiums decrease only in 2005 year. The amount of insurance premiums, received by insurers during 2005 year, was 12,853,5 mln. hrn. In comparison with the same period of 2004 the mentioned index volumes decrease by 34% mainly due to decreasing the receipts from insurers-juridical parties which are specialized in financial risks insurance (in 2004 46,2% of gross premiums was put in financial risks insurance and reinsurance, while during 2005 the part of this kind of insurance stayed at the 31,6% level). This was due to legislative changes as to the insurance and, as a result, to the decrease in financial schemes implementation in the sphere of financial risks insurance.

During the other years the tendency to national gross insurance premiums increase continued in Ukraine. In 2007 2,603 mln. euro of premiums were gathered that is by 421 mln. euro more than in 2006 and 592 mln. euro more than in 2005.
### Table 4. Insurance premiums in GDP by countries, % [8-19]

| Country    | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|------------|------|------|------|------|------|------|------|
| Austria    | 5.87 | 5.76 | 5.88 | 6.00 | 6.26 | 6.06 | 5.86 |
| Belgium    | 7.95 | 8.33 | 9.38 | 9.81 | 11.20| 9.40 | 9.50 |
| Bulgaria   | 1.50 | 1.92 | 1.92 | 2.15 | 2.53 | 2.26 | 2.66 |
| Switzerland| 11.80| 12.21| 11.78| 11.22| 10.92| 10.13| 9.82 |
| Czech Republic | 3.42 | 3.69 | 4.06 | 3.96 | 3.89 | 3.80 | 3.75 |
| Germany    | 6.44 | 6.59 | 8.83 | 6.88 | 7.04 | 6.97 | 6.73 |
| Estonia    | 1.65 | 1.79 | 1.93 | 2.12 | 2.27 | 2.15 | 2.15 |
| Spain      | 6.03 | 6.59 | 5.19 | 5.40 | 5.37 | 5.39 | 5.19 |
| France     | 8.55 | 8.52 | 8.91 | 9.53 | 10.19| 10.90| 10.27|
| United Kingdom | 14.17| 13.69| 13.10| 12.68| 13.25| 14.00| 14.61|
| Hungary    | 2.75 | 2.88 | 2.95 | 2.89 | 3.11 | 3.49 | 3.66 |
| Ireland    | 9.01 | 8.61 | 8.52 | 8.08 | 8.41 | 9.24 | 9.52 |
| Italy      | 6.11 | 6.77 | 7.26 | 7.26 | 7.69 | 7.20 | 6.45 |
| Lithuania  | 0.98 | 1.49 | 1.47 | 1.48 | 1.46 | 1.77 | 0.00 |
| Latvia     | 1.88 | 1.81 | 1.96 | 1.76 | 1.74 | 1.83 | 0.00 |
| The Netherlands | 9.46 | 9.46 | 9.69 | 9.85 | 9.42 | 13.65| 13.57|
| Poland     | 2.87 | 2.87 | 2.95 | 2.98 | 3.16 | 3.54 | 3.77 |
| Romania    | 0.00 | 0.90 | 0.98 | 1.01 | 1.12 | 1.31 | 1.66 |
| Slovakia   | 3.13 | 3.27 | 3.42 | 3.52 | 3.40 | 3.17 | 3.13 |
| CEA        | 6.60 | 8.00 | 8.00 | 8.10 | 8.40 | 8.70 | 8.31 |
| EU (25)    | 6.60 | 8.20 | 8.20 | 8.30 | 8.70 | 9.00 | 8.74 |
| EU (12)    | 5.00 | 7.30 | 7.50 | 7.70 | 8.10 | 8.30 | 7.88 |
| Other      | 6.60 | 6.30 | 6.00 | 5.90 | 5.60 | 5.40 | 4.22 |
| Russia     | 3.11 | 2.77 | 3.25 | 2.81 | 2.26 | 2.26 | 2.31 |
| Ukraine    | 1.50 | 2.00 | 3.40 | 5.60 | 3.10 | 2.60 | 2.50 |
According to the data from Table 4, one can make the conclusion that in Ukraine, as from 2004 the gross insurance premiums share in GDP “insurance penetration” had the tendency to decreasing; it hasn’t almost changed during 2006-2007, while in comparison with 2005 the share of gross insurance premiums in GDP decreased by 0.6% and in comparison with 2004 it changed even more, 3.1%.

The level of insurance penetration in Russia is far lower than in Ukraine. So, in 2007 it was 2.31%, which is by 0.19% lower than in our country. This index was the highest in 2003 – 3.25%. The positive trend was observed only during the 2006-2007 period. So, the gross insurance premiums share in GDP in Russia has a small tendency to increase (in comparison with 2004 it changed even more, 3.1%).

The information above is indicative of the positive trends on the Ukrainian and Russian insurance markets, but in European developed countries the gross insurance premiums share in GDP is on 8-9% level, while in Switzerland, France and Great Britain this index was 9.82%, 10.27%, 14.61%, respectively, in 2007.

Analyzing the data from Table 5 we can note that according to Table 1, the significance of premiums per capita increases with the gross insurance premiums increase, as the population in the countries under study increased more slowly than gross insurance premiums, and in some countries the quantity was even decreasing.

But despite the insurance density increase in Ukraine, the premiums per capita during 2005-2007 increased by 13 euro. In Ukraine this index remains the lowest compared to the countries investigated. Even in Romania premiums per capita were 94 euro in 2007, and in Russia this index was three times as much in 2007 than in Ukraine (153 euro).

The most numerous insurance premiums per capita are in the United Kingdom – 4849 euro, the Netherlands – 4643 euro and Ireland – 4096 euro.

The purchase of several insurers at once by one investor has become the Ukrainian insurance market tendency for the last 2 years. Life insurance and...
risks insurance companies do their best to occupy the larger part of Ukrainian insurance market. The total income to payments in property insurance ratio in 2007 amounted 30%. The insurance profitability of personal liability insurance of transport means owners (PLITMO) accounted for 305% as of 2007 (liability car insurance companies gathered 1,2 bln. hrn. that accounts for 70% of obligatory insurance premiums; payments amounted 296 mln. hrn.). Insurance premiums from physical persons amounted 3,4 bln. for 3 quarters of 2007, which is by 70% more than during the same period in 2006.

Table 6. Premiums according to sources of supply by countries, % [8-19]

| Country        | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|----------------|------|------|------|------|------|------|------|
| Austria        |      |      |      |      |      |      |      |
| “life”         | 46,8 | 53,2 | 44,5 | 55,5 | 43,4 | 56,6 | 44,1 |
| “non-life”     |      |      |      |      |      |      |      |
| “life”         |      |      |      |      |      |      |      |
| “non-life”     |      |      |      |      |      |      |      |
| Belgium        | 60,0 | 36,0 | 64,7 | 35,3 | 68,0 | 32,0 | 70,2 |
| Bulgaria       | 19,7 | 80,5 | 23,9 | 78,2 | 11,2 | 88,7 | 12,1 |
| Switzerland    | 65,3 | 34,7 | 65,3 | 34,7 | 62,4 | 37,6 | 59,7 |
| Czech Republic | 35,1 | 64,9 | 37,6 | 62,4 | 39,3 | 60,7 | 39,6 |
| Germany        | 46,5 | 53,5 | 46,0 | 54,0 | 45,8 | 54,2 | 45,0 |
| Estonia        | 20,0 | 80,1 | 20,5 | 79,1 | 22,1 | 78,1 | 25,4 |
| Spain          | 55,1 | 44,3 | 55,2 | 44,8 | 43,3 | 56,2 | 43,2 |
| France         | 66,1 | 33,9 | 64,8 | 35,2 | 64,8 | 35,2 | 66,6 |
| United Kingdom | 73,0 | 27,0 | 70,1 | 29,9 | 66,7 | 33,3 | 68,5 |
| Hungary        | 41,7 | 58,3 | 40,9 | 59,0 | 40,1 | 59,9 | 40,7 |
| Ireland        | 68,1 | 31,9 | 64,7 | 35,3 | 64,3 | 35,7 | 66,1 |
| Italy          | 60,8 | 39,2 | 63,0 | 37,0 | 64,7 | 35,3 | 65,0 |
| Lithuania      | 19,5 | 80,8 | 18,0 | 82,0 | 25,5 | 74,3 | 25,3 |
| Latvia         | 4,1  | 95,9 | 3,8  | 96,2 | 4,2  | 95,8 | 5,1  |
| The Netherlands| 61,1 | 38,9 | 54,7 | 45,3 | 53,7 | 46,3 | 52,0 |
| Poland         | 41,4 | 58,6 | 42,8 | 52,7 | 45,0 | 55,0 | 45,6 |
| Romania        | -    | -    | 25,5 | 74,5 | 23,8 | 76,2 | 22,3 |
| Slovakia       | 43,5 | 56,4 | 43,2 | 56,8 | 40,7 | 59,3 | 40,5 |
| CEA            | 62,7 | 37,3 | 61,1 | 38,9 | 59,6 | 40,4 | 60,2 |
| EU (25)        | 62,9 | 37,1 | 61,2 | 38,8 | 59,7 | 40,3 | 60,5 |
| EU (12)        | 58,4 | 41,6 | 56,7 | 42,4 | 57,3 | 42,7 | 57,8 |
| Other          | 59,9 | 40,1 | 59,7 | 40,3 | 56,9 | 43,1 | 56,3 |
| Russia         | 56,9 | 43,5 | 41,5 | 58,4 | 36,6 | 63,4 | 21,1 |
| Ukraine        | 0,5 | 99,5 | 0,5  | 99,5 | 0,8  | 99,2 | 1,0  |

Given the data from Table 6 one can come to conclusion that gross premiums in European countries are formed mainly at the expense of life insurance.

The countries that came to CEA during the investigated period formed 62% of gross premiums at the expense of life insurance and 38% by means of risks insurance. In the United Kingdom and Ireland more than 70% of gross premiums are due to life insurance and only 30% – to risks insurance, which indicates that life insurance spreads among European countries’ population and that insurance services are accessible.

We have quite different situation in Ukraine and Russia. And the increasing number of life insurance premiums in Russia up to the year 2005 mustn’t disorient. According to expert estimation, during 2002-2004 “false insurance” operations directed to insurers tax optimization amount more than 90% of life insurance market. Tax law changes as well as insurance control requirements have been the main reasons for changes in 2005.

So, in Ukraine and in Russia more that 95% of insurance premiums are formed at the expense of risks insurance and only 5% are due to life insurance. However, during the period under study Ukraine witnesses a positive trend to life insurance premiums increase in general volume of gross premiums. From 2001 to 2007 the share of life insurance in gross premiums increased by 3,9% which is the result of this kind of insurance development as such and also of the foreign insurance companies entering the Ukrainian market that actively propagate life insurance among population.

Table 7. The biggest foreign groups, represented in stock capital of Ukrainian insurance companies [6]

| Country | Group | Company shareholding structure |
|---------|-------|--------------------------------|
| Austria | Vienna Insurance Group | IC Globus IC Knyazha IC Zeslya VAB Group Ukrainian Insurance Company |

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Table 7 (cont.). The biggest foreign groups, represented in stock capital of Ukrainian insurance companies [6]

| Country         | Group                          | Company shareholding structure                                      |
|-----------------|--------------------------------|-----------------------------------------------------------------------|
| Kazakhstan      | Bank TuranAlem                 | IC Grawe Ukraine IC Alkona                                           |
| Germany         | HDI-Gerling International Holding AG | IC Oranta                                                              |
| Israel          | Phoenix                        | IC InterTransPolis                                                    |
| Italy/ Czech Republic | Generali/PPF               | Generali Garant Generali Garant Life Insurance IC Home Credit Insurance |
| The Netherlands | Fortis                         | IC Fortis Life Insurance of Ukraine                                   |
| Poland          | PZU                            | PZU Insurance Group (life/non-life)                                   |
| Russia          | Rosgosstrah                    | IC Providna                                                            |
|                 | Ingostrah                      | Ingo Ukraine IC Ingostrah Life                                        |
| Kazakhstan      | RESO-Guarantee                 | Prosto-Insurance, Life and Pension                                     |
| Russia          | Suputnyk                       | IC Renaissance Life                                                   |
| Kazakhstan      | Russian Standard               | Belief and Guarantee Closed Joint-Stock Company                       |
| National Reserve Bank | European Insurance Union         | European Insurance Union                                              |
| USA             | Alfa-Bank                      | IC Vesta                                                              |
| USA             | AIG                            | AIG Ukraine                                                           |
| France          | BNP Paribas Group/AXA           | IC Ukrainian Insurance Union VESCO IC Cardiff                          |
| Sweden          | SEB                            | IC SEB Life Ukrainian                                                |

For the insurance companies’ takeover, in 2007 there were 10 contracts totaling 300 mln. dollars, particularly, Bank TuranAlem acquired 25% of Oranta insurance company. It should be noted that Bank TuranAlem had already possessed approximately 40% of Oranta IC.

The fact that French financial group AXA along with French bank BNP Paribas (that bought Ukrsib-bank in 2006) bought two Ukrainian insurance companies, i.e. “USA” and “WESKO”, says about the promising outlook of bank debtor’s life and health insurance.

It is recognized that the buying-selling contracts’ value attained its maximum in 2007. For domestic companies the price equal to 2,5-5 premiums (the value was estimated according to the gross premiums gathered during the year). It is very likely that as the result of the world financial crisis the insurance companies value can considerably decrease during 2008-2009. In 2008 German company HDI-Gerling International Holding AG bought 94,5% of insurance company “Alcona” shares, concern Grazer Wechselseiting Versicherung Aktiengesellschaft (GRAWE) bought control stake of “INPRO” insurance company, Israeli insurer Phoenix bought “InterTrans Polis” insurance company. The Slovenian KD life decided to play in a different way and found the company in Ukraine.

In 2009 the Ukrainian insurance market can be reduced by 80% due to small and middle companies that had limited business lines and kept the main part of banking insurance. The big insurance companies that have developed branch networks, well-established working expenditure regulation systems and high ratings will save their positions. To coordinate directions in which companies will be able to place insurance reserves and other assets, the minimum statutory fund for life insurance with 1,5 mln. euro and for risks insurance with 1 mln. euro will be determined. State Commission for Financial Services Regulation schedules to enact a regulation about capital adequacy standards and criterions, insurers’ assets diversification and quality that, according to almost half insurance companies estimates, can lead to decline. The insurance companies that can become out of business are those which serve mining and smelting enterprises and engineering industry that shorten corporative insurance programs. It is also the companies, which assets are consisted of securities, that have no value at all, as well as the captive companies that are founded specially for the purposes of tax avoidance. It is a general opinion that nowadays approximately 100-120 out of all registered companies work as traditional insurers; the rest ones are circuit companies.

For the last 3 years almost 20 domestic insurance companies appeared to be under foreign financial groups’ control. Their financial contracts volume is of higher priority than that of national insurance companies both in life insurance and in risks insurance sectors. As of the first half of the year 2007, according to State information service, 81 insurance companies with foreign capital were registered (18,3% of all insurers). Out of these 81: 10 were companies with 100% foreign capital (2% of the insurance companies total number), 61 – risks insurance and 20 – life insurance companies. The largest foreign groups represented in the share capital of
Ukrainian insurance companies are presented in Table 7. Let’s examine national insurance companies, including those with part of foreign capital and those with 100% foreign capital (see Table 7), leaders in life insurance premiums (see Table 7), and leaders in risks insurance. This is of great importance while analyzing not only the volume growth trends, but also the Ukrainian insurance market redistribution induced by foreign investors. Insurance payments volume of Oranta insurance company increased more than twice from 2006 to 2008.

The main components of insurance company portfolio are presented in Figure 11.

Fig. 9. Ukrainian insurance companies – leaders according to risks insurance premiums gathered during 2006-2008

Fig. 10. Ukrainian insurance companies – leaders according to life insurance premiums gathered during 2006-2008
Insurance companies’ portfolios change permanently. Insurance companies that made contracts with large firms only and didn’t work with physical persons, made property risks insurance and transport vehicles insurance contracts occupied about 80% of market according to the range of services. Under the world financial crisis conditions large Ukrainian enterprises shorten their social packages that will lead to services volume decrease in these kinds of insurance up to 20%. Large national insurance companies, including those with foreign capital, come to more profitable sector, namely physical persons insurance (health insurance, property insurance, real estate insurance, jewelry insurance and dwelling repair). It’s quite obvious, proceeding from the premise that according to the Order of Cabinet of Ministers №86 from January 22, 2008 state subsidies to farmers are supposed to pay, agriculture risks and building-installation risks insurance will be developed. Mortgage insurance, life insurance and health insurance of a loan debtor as well as other different kinds of physical persons insurance will also be evolved.

**Conclusions and recommendations for further research**

The analysis of insurance markets of Ukraine, Russia and other members of European Insurance and Reinsurance Federation (CEA) structure and dynamics has shown the following:
During the period of 2001-2007 the number of insurance companies in European countries hasn’t changed significantly (Russia is the leader in the companies quantity decrease – 493 companies. In Ukraine the number of companies during the same period increased by 109 in comparison with 2002).

Foreign financial groups bought 81 Ukrainian insurance companies (10 companies with 100% foreign capital), including 61 risks insurance and 20 life insurance companies.

The Ukrainian insurance market will develop due to increasing the quantity and efficiency of insurance companies with foreign capital.

The number of insurance companies will be shortened significantly after enacting the regulation by State Commission for Financial Services Regulation (“About criteria and standards of capital adequacy, diversification and quality of insurers’ assets”).

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