

Bulantsov, Illia

Article

Problems and challenges in regulating the insurance market of Ukraine in the context of European integration

Economic Forum

Provided in Cooperation with:

Lutsk National Technical University

Suggested Citation: Bulantsov, Illia (2024) : Problems and challenges in regulating the insurance market of Ukraine in the context of European integration, Economic Forum, ISSN 2415-8224, Lutsk National Technical University, Lutsk, Ukraine, Vol. 14, Iss. 1, pp. 8-17, <https://doi.org/10.62763/cb/1.2024.08>

This Version is available at:

<https://hdl.handle.net/10419/318679>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.



<https://creativecommons.org/licenses/by/4.0/>



Problems and challenges in regulating the insurance market of Ukraine in the context of European integration

Illia Bulantsov*

Postraduate Student

Kyiv National University of Technologies and Design

01011, 2 Mala Shyianovska Str., Kyiv, Ukraine

<https://orcid.org/0009-0006-7487-1601>

Abstract. In Ukraine, the insurance market has historically faced problems with its development, which have been exacerbated by the full-scale Russian invasion. The study of difficulties in this area, assessing the prospects for European integration, remains relevant. The purpose of this study was to provide recommendations for more effective development of the insurance market in Ukraine based on the experience and principles of European countries. The methods that were used in the framework of the study were forecasting, systematisation, formal and legal. The paper assessed the role of the insurance market in the country, described the need for more active development, considering the positive aspects that arise in the case of a high level of development of this institution. It is concluded that significant losses were acquired in the insurance market of Ukraine due to a full-scale invasion of Russia, the causes of losses, and consequences in the future are described. Some opportunities for introducing the latest technologies into the sphere were also noted, both to improve the functioning of the market as a whole, and for its easier implementation in the structure of the European Union. As a result of the analysis of the regulatory framework of Ukraine and the European Union, it was concluded that the norms of EU unification are more stringent. This is conditioned by the stricter regulations described in some directives. Based on the analysis, recommendations have been formulated that can be used in the future to facilitate the European integration of the Ukrainian market. The results obtained in the framework of the study can be used in the development of the national policy of Ukraine for the development of the insurance sector

Keywords: finance; investment; latest technologies; macroeconomics; institutionalism

Introduction

The insurance market plays an important role in the development of the Ukrainian economy, performing several key functions that ensure financial stability, protect the interests of citizens, and contribute to the investment attractiveness of the country. The insurance market provides citizens and entrepreneurs with the opportunity to obtain financial protection and allows policyholders to compensate for losses from unforeseen events, such as natural disasters, accidents, fires, theft. In addition, it helps to maintain stability and continue to operate, even in the event of significant financial shocks. In Ukraine, this market is still in its infancy, as the country faced many difficulties during its

development stages that prevented it from developing effectively. In 2024, Ukraine is moving towards integration with the European Union, so despite this, the development of uniform rules for the functioning of various markets remains important, in the context of which the issue of creating common principles for regulating the insurance market arises. Thus, it is important to conduct research on what problems and challenges arise in this direction.

In the Ukrainian scientific literature, much attention is not paid to the development of the insurance sector, since other topics play a much larger role, namely the development of small and medium-sized businesses,

Suggested Citation:

Bulantsov, I. (2024). Problems and challenges in regulating the insurance market of Ukraine in the context of European integration. *Economic Forum*, 14(1), 8-17. doi: 10.62763/cb/1.2024.08.



Copyright © The Author(s). This is an open access article distributed under the terms of the Creative Commons Attribution License 4.0 (<https://creativecommons.org/licenses/by/4.0/>)

*Corresponding author

the agricultural sector, providing opportunities for post-war recovery. However, ensuring that the insurance sector can function more efficiently in the country remains important. Some researchers have paid attention to this issue, in particular O.O. Shevchenko & H.M. Shovkopyas (2019) assessed current problems and existing prospects for the development of the insurance market in Ukraine. They wrote that current economic processes in the country determine the need to reform and develop the insurance market, namely, to increase the efficiency of tools used to increase the competitiveness of insurance companies at the Ukrainian and international levels. In the context of the regulatory framework, the need to develop non-state pension insurance, life insurance, health insurance and mortgage lending was emphasised. S. Onyshchenko *et al.* (2023) substantiated the need for more active development of the insurance market in Ukraine to ensure the country's financial stability. L. Chvertko *et al.* (2022) paid more attention to how the insurance sector in Ukraine can develop in the context of digitalisation.

The impact of the war on the insurance market in Ukraine was considered by L. Dobryk *et al.* (2024). They described the losses caused by Russia's full-scale invasion of Ukraine, and, in particular, what changes had taken place in the country's insurance market. Researchers drew attention to the improvement of the situation in 2023, an increase in demand for insurance services among the population, the return of individual companies to the market; in addition, the possibility of significant development of this market in Ukraine after the end of the war was noted. Approaches to insurance management in Poland and Ukraine were compared by M. Balytska & M. Tymoshenko (2023). They showed that Polish practice demonstrates enhanced internal management and control in insurance companies that Ukrainian firms can adopt. Polish regulators have effectively dealt with violations of capital norms, a model that the National Bank of Ukraine can use to improve the effectiveness of supervision. The researchers also described in sufficient detail how such principles can be implemented, why they are effective, and what needs to be done in order to achieve better results in this area.

T.V. Kniazieva *et al.* (2021) considered the problems faced by the insurance industry in Ukraine in the context of the global financial and economic crisis and the COVID-19 crisis, in particular due to increased risks for such enterprises. It is worth noting that similar difficulties, but on a much higher scale, arose in connection with the beginning of a full-scale Russian invasion of Ukraine. The development of the Ukrainian market during martial law was assessed by V. Vovk *et al.* (2023). The researchers described the difficulties that arose within the framework of the functioning of the market, and also wrote about the need to cover losses, in particular with the help of state bodies caused as a result of military operations. D.O. Khroponiuk & O.V. Dluhopolskyi (2023)

considered the prospects for market development, taking into account the problems observed as of 2024. The researchers noted that a significant number of problems in the market were formed before the war and require a comprehensive solution involving both the state and the private sector. Thus, in the modern Ukrainian economic literature, quite little attention is paid to finding opportunities for European integration of the insurance market.

The purpose of the study was to provide recommendations on the creation of conditions for regulating the insurance market in Ukraine in the context of the development of a legislative framework similar to the European one.

Materials and Methods

As part of the study, the authors analysed individual parts of the regulatory framework and some official documents. Information from the Strategy of Ukrainian Financial Sector Development until 2025 (2020) document was used, which defines the key areas of development of the country's financial sector. The strategy focuses on creating a favourable environment for the development of financial technologies, improving the regulatory framework and improving the financial literacy of the population. In addition, the paper examined the information of Law of Ukraine No. 1909-IX "On Insurance" (2024), the main purpose of which is to develop the legal basis for activities in the insurance sector, to ensure the protection of the rights and interests of policyholders and insurance companies, and to promote the development of the insurance market in Ukraine. The law is aimed at establishing clear rules and standards that would ensure the stability and transparency of the insurance market.

In addition, the laws of the European Union were considered, namely Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 "On the Taking-up and Pursuit of the Business of Insurance and Reinsurance (Solvency II) (recast)" (2009) – a framework document of the association that sets requirements for the solvency and financial stability of insurance and reinsurance companies in the EU. Directive 2002/92/EC of the European Parliament and of the Council of 9 December 2002 "On Insurance Mediation" (2018) creates a single regulatory regime for insurance intermediaries within the European Union. The Directive is aimed at improving the level of consumer protection, promoting the development of an integrated insurance market, and ensuring the same rules for all participants in this market. The purpose of the Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 "On Insurance Distribution (recast)" (2024) is to improve regulation and supervision of the distribution of insurance products in the European Union. Three directives were analysed, as they form the basis for developing the principles of functioning of the insurance market in the EU. The formal legal method

helped to investigate logical connections in terms of the studied regulatory framework. The comparison helped to assess the specifics of the functioning of the European and Ukrainian insurance markets based on the analysis of the regulatory framework and other sources of information. The systematisation helped to investigate the individual components of the functioning of each of the insurance markets in Ukraine and European countries and present them within a single system, the factors within which actively interact with each other.

The paper evaluated statistical data related to the analysis of the situation on the insurance market. Data on the number of insurance companies on the Ukrainian market in the period from 2014 to the first half of 2023, and the volume of assets, were estimated. Regarding the volume of assets, an assessment was made both with and without inflation: an assessment based on inflation is important, since it allows making an assessment together with the UAH depreciation factor. All constructions and calculations were performed using Microsoft Excel.

Results

There are a number of problems in Ukraine that prevent significant progress in the development of the insurance market. The country has historically had an unstable economic situation caused by inflation and devaluation of the national currency. This has always created additional risks for insurance companies, complicating their financial stability and solvency. It is worth noting that these difficulties only increased with the beginning of a full-scale invasion of Russia, despite the fact that partner countries are involved in solving these problems, providing financial assistance. Another problem is the lack of transparency in the activities of insurance companies and insufficient level of disclosure of information about

the financial condition, the results of activities undermine the confidence of consumers and investors, and imperfect legislative framework, problems of regulation and control over the industry. There are difficulties inherent in the problems of the development of the financial system of Ukraine, namely, the low level of financial literacy of the population, since the citizens of the country as a whole do not have sufficient knowledge about insurance products and services, which limits the demand for insurance services and reduces the overall level of insurance protection.

Russia's full-scale invasion of Ukraine has significantly affected the country's insurance market: the number of insurance payments related to the loss of residential and commercial real estate and vehicles has increased, especially in regions where active military operations are taking place. This has led to an increase in demand for certain types of insurance products, such as auto insurance, personal insurance, health insurance, and liability insurance, while demand for other types of insurance has declined. Due to rising risks, insurance companies are forced to raise insurance rates to ensure adequate coverage of risks and losses. In response to these challenges, changes are taking place in insurance legislation and regulation. Insurance companies are developing new risk management strategies and implementing innovative insurance products aimed at reducing the impact of war-related risks. Since 2020, the National Bank of Ukraine has been implementing state regulation and supervision of the activities of non-bank financial services market participants, which has led to a significant reduction in the number of insurance companies due to the optimisation of legislation and market transformation. During the period from 2020 to 2023, the number of insurance companies in Ukraine significantly decreased (Fig. 1).

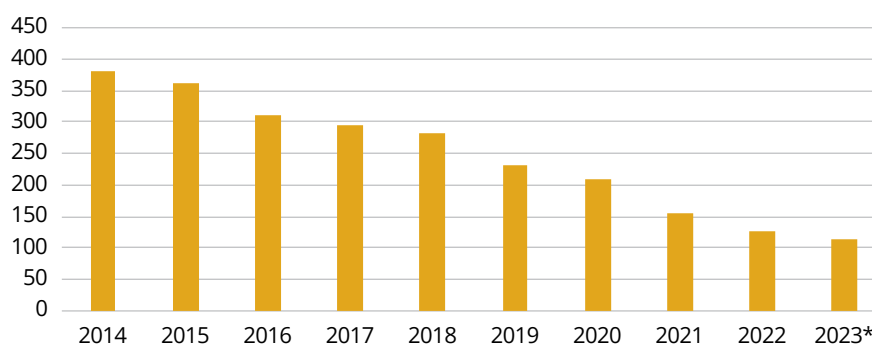


Figure 1. Number of insurance companies in Ukraine in the period from 2014 to 2023

Note: * – value for 2023 is indicated for the first half of the year, since more recent data are not available

Source: compiled by the author based on Statistics of the insurance market of Ukraine (2024)

Figure 1 shows that the number of insurance companies in Ukraine as a whole has been declining since 2014. During this period, the decline was almost 70%, while from 2020 – 45%, and from 2022 – 10%. It can be

concluded that the number of insurance companies in the country is decreasing over time. Similar conclusions can be drawn by analysing changes in the context of asset volumes (Fig. 2).

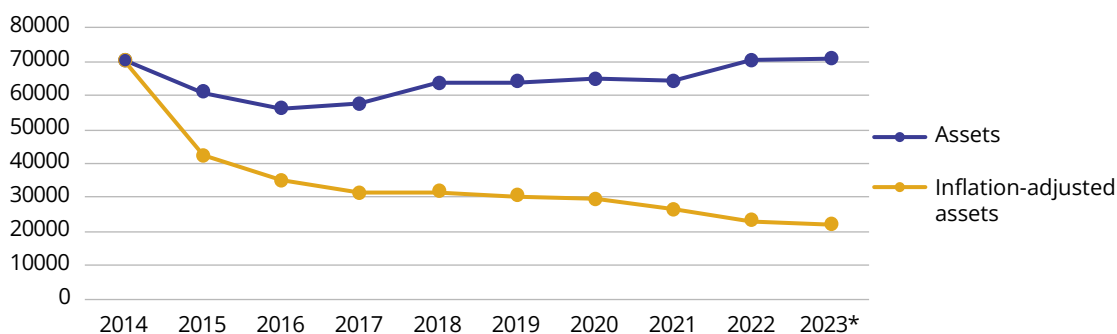


Figure 2. Volume of assets of insurance companies in Ukraine, including and excluding inflation in the period from 2014 to 2023, mln UAH

Note: * – value for 2023 is indicated for the first half of the year, since more recent data are not available

Source: compiled by the author based on Statistics of the insurance market of Ukraine (2024)

Figure 2 shows that in absolute terms, the volume of assets of insurance companies in Ukraine did not decrease in the period from 2014 to 2023, but on the contrary – increased. However, considering the inflation factor, it is evident that real assets have declined: the decline over time was 68.7%; since 2020 – 25.4%; since 2022 – 4.25%. This reduction is conditioned by both the war and the COVID-19 crisis, as well as new requirements of the regulator. However, in 2023, there was a stabilisation associated with adaptation to new conditions. It is important to ensure high-quality conditions for the development of a regulatory framework, and strict supervision of the industry. In addition, the development of tariff policies and modernisation of tax approaches are important for the functioning of the sector.

Regulation of the insurance market of Ukraine and the European Union countries as a whole has a number of significant differences, which is associated with different levels of development of the legal framework, the economic environment, and the specifics of integration processes in the EU. In Ukraine, the main regulation governing insurance activities in Ukraine is the Law of Ukraine No. 1909-IX “On Insurance” (2024), which regulates the general principles of functioning of the insurance market and the activities of its participants, and the specifics of state regulation and supervision of the insurance market, protection of the rights and legitimate interests of clients. In addition, regulation is carried out by a number of bylaws, resolutions of the National Bank of Ukraine (NBU), which performs the functions of a regulator. In the European Union, the main regulation of insurance activities in the EU is Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 “On the Taking-up and Pursuit of the Business of Insurance and Reinsurance (Solvency II) (recast)” (2009) on starting and conducting activities in the field of insurance and reinsurance. There are also a number of other directives, such as Directive 2002/92/EC of the European Parliament and of the Council of 9 December 2002 “On Insurance Mediation” (2018), Directive (EU) 2016/97 of the European Parliament and of

the Council of 20 January 2016 “On Insurance Distribution (recast)” (2024).

Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 “On Insurance Distribution (recast)” (2024) sets strict capital, solvency, and risk management requirements for insurance companies: it introduces three levels of solvency requirements: minimum capital (MCR), settlement capital (SCR), mandatory reports and disclosure. SCR is the level of capital that an insurance company must have to cover risks over the one-year horizon with a 99.5% probability. This means that the company must be able to withstand serious financial stress with a 99.5% probability of survival. This includes underwriting risk, market risk, credit risk, and operational risk. The MCR is the minimum level of capital below which the regulator immediately intervenes, set as an absolute amount or as a share of the SCR, usually in the range of 25% to 45% of the SCR. In Ukraine, insurers must assess their solvency in terms of compliance with capital adequacy and minimum capital requirements calculated using the basic approach (hereinafter – basic approach solvency assessment), if at least the conditions are met (Fig. 3). The insurer has the right to switch from the basic approach to the simplified approach (compliance with capital adequacy and minimum capital requirements calculated using the simplified approach) only after obtaining the regulator's permission if none of the criteria set out in part five of Article 5 of Law of Ukraine No. 1909-IX “On Insurance” (2024) has been met for the last three calendar years and will not be met for the next three years in accordance with its business plan. The minimum capital of the company must cover unexpected losses from risks accepted by the insurer over the next 12 months, with a confidence level established by regulatory norms, but not higher than 85%: the calculation involves a linear combination of various factors (technical reserves, insurance premiums, risk capital, deferred taxes and administrative expenses) using coefficients established by regulatory norms, with the exception of external reinsurance. If the calculated minimum capital

is between 25% and 45% of the solvency capital, this figure is used for the solvency assessment; is less than 25% of the solvency capital, the minimum capital is set

at 25% of the solvency capital; exceeds 45% of the solvency capital, the minimum capital is set at 45% of the solvency capital.

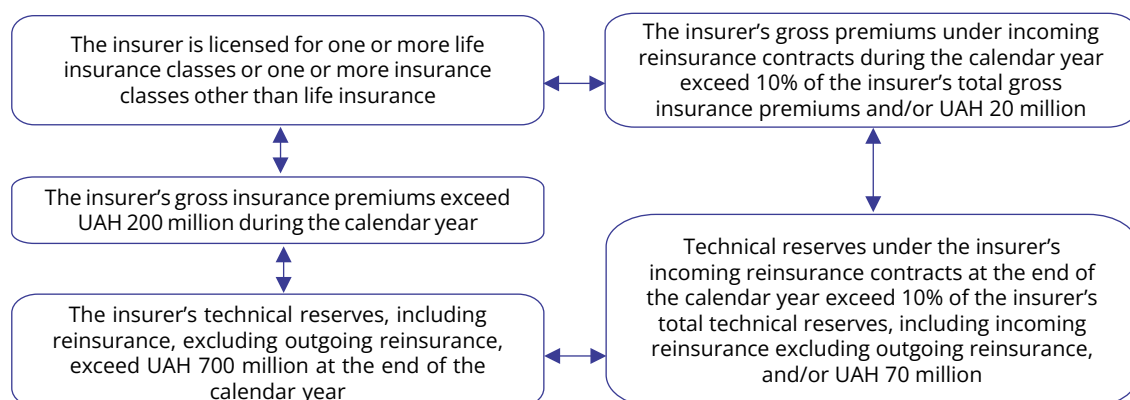


Figure 3. Capital adequacy conditions for minimum capital requirements calculated using the basic approach

Source: compiled by the author based on the Law of Ukraine No. 1909-IX "On Insurance" (2024)

Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 "On Insurance Distribution (recast)" (2024) also requires insurance companies to regularly disclose information about their financial condition, risks and management. Companies should regularly publish financial position and solvency reports (SFCR) and internal risk and solvency assessments: reports should contain detailed information about risk and capital assessment methodologies, and risk management measures. In Ukraine, financial disclosure requirements are less detailed: insurance companies must submit regular reports to the NBU, but public reports do not contain as much information as SFCR in the EU. Information about the financial condition of insurers is not always published in full. This may lead to additional risks in the context of the functioning of such companies, but it simplifies their ability to work in the market, and therefore makes the Ukrainian market more attractive for them.

The adoption of the Strategy of Ukrainian Financial Sector Development until 2025 (2020) has led to a change in the context of regulation, including the insurance sector. Until July 2020, the regulatory powers of the National Bank of Ukraine were limited to banks, but they were expanded to cover non-bank financial institutions such as insurers, credit unions, financial companies, and lessors. This expansion was aimed at implementing a risk-based approach, protecting consumer rights, ensuring transparent access to financial services, and ensuring compliance with legislation through oversight and licensing mechanisms. These regulatory changes, consistent with EU standards and international obligations, have led to a restructuring of the insurance market. The introduction of new licensing conditions and capital requirements led to the withdrawal of several insurance companies that failed to meet these standards, which led to increased

concentration and reduced competition in the market. Despite the decline in the number of insurance companies, total assets increased due to currency revaluation, rather than actual asset growth; risk insurance and life insurance premiums also increased (although they are lower than pre-war premiums as of 2024).

Based on the analysis carried out as part of the study, it is possible to develop recommendations for improving the stability, transparency, and overall efficiency of the insurance market. It is necessary to introduce a tighter monetary and fiscal policy to control inflation and stabilise the national currency and other economic processes within the country, as this will increase the level of stability in the state, and therefore, allow attracting more insurance companies in the future. It is also worth working with international financial institutions to obtain financial assistance and investments aimed at economic stabilisation. From the standpoint of jurisprudence, it is important to ensure that the regulatory framework of Ukraine in the field of insurance is brought in line with EU standards, in particular, with the Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 "On Insurance Distribution (recast)" (2024): this agreement should focus on implementing strict requirements for capital, solvency, and risk management. The exchange of knowledge and experience between the regulatory authorities of Ukraine and the EU is also effective in this context. In addition, more comprehensive financial disclosure requirements for insurance companies should be introduced, such as EU financial position and solvency reports, internal risk assessment. It is also necessary to strengthen anti-fraud measures in the insurance industry by strengthening regulatory oversight and cooperation with law enforcement agencies, and introducing strict penalties for fraud and non-compliance with disclosure requirements.

One of the most effective approaches to improving the level of development of the insurance market can also be a campaign aimed at improving the level of financial literacy among the population: for this purpose, a form of cooperation with educational institutions can be used, which would include basic financial literacy in school programmes. In the context of the educational and scientific sphere, the introduction of innovative technologies in the sphere remains effective, but this can be quite difficult, given the military conditions in Ukraine. In order to be able to implement the latest technologies at the relevant enterprises, quite significant amounts of investment may be required, which will be difficult to attract in war conditions. Another option is to provide state support, but the state pays much more attention to the possibilities of improving the situation at the front, and maintaining the highest possible standard of living of the population, maintaining the economy. Given this, it is difficult to imagine significant assistance from the state in this area. An alternative is to receive a grant from international organisations or other countries that would be aimed at improving the situation in this area. It is also worth noting that improving the situation in the international arena in the context of communication with other countries is very important, as this will help to get significantly better positions in the context of economic development, ensuring a better social condition of the population, and providing a greater level of military support. Compliance with the described principles and the creation of such a long-term strategy in the insurance sector will significantly improve the level of development of the industry and its overall condition.

Discussion

The insurance market is crucial for the economy and society, providing financial protection against risks such as property loss, accidents and diseases, which increases financial stability and promotes investment: the market accumulates significant financial resources through premiums, investing them in sectors such as real estate and infrastructure, which encourages economic growth. As noted by N. Apergis & T. Poufinas (2020), U.K. Pata & A. Samour (2023), it helps reduce the financial impact on individuals and businesses, providing them with financial stability and confidence in the future. In addition, the insurance market helps attract investment to the country: they accumulate significant financial resources through insurance premiums that can be invested in various sectors of the economy, including real estate, securities and infrastructure projects, which contributes to the country's economic growth and development. Business risk insurance allows businesses to reduce the risks associated with their operations, which encourages entrepreneurship and innovation (Chen, 2021). This is also indicated by B. Li *et al.* (2022). In addition, the level of social protection is improving: insurance programmes such as health, pension and social insurance provide social

protection to citizens, which helps reduce social inequality, improves living standards, and provides support to vulnerable segments of the population (Lee & Kim, 2020). Insurance programmes reduce the burden on the state budget, as part of the financial obligations for compensation and assistance payments is transferred to insurance companies (Babuna *et al.*, 2020; Goodman-Bacon, 2021). This allows the state to allocate more resources to other important social and economic needs.

The spread of the latest technologies in the insurance sector (Dhatterwal *et al.*, 2022). Blockchain technology provides transparency, security, and immutability of data, which is especially important for managing large amounts of data and for dealing with insured events (Kar & Navin, 2021). The use of smart contracts automates payments and verification of claims, reducing administrative costs and processing time, which is quite effective in any field related to finance, including insurance (Eckert & Osterrieder, 2020). S. Grima *et al.* (2020) and S. Trivedi (2023) considered factors that may affect the spread of blockchain in the insurance industry and the financial sector as a whole. Although the research did not pay much attention to how the latest technologies can be used for the functioning of the insurance market, it should be recognised that their use will improve opportunities for the development of the sector, both in the short and long term. Despite this, researchers D. Lanfranchi & L. Grassi (2021), J. Liu *et al.* (2023) studied the application of InsurTech in the insurance industry and their impact on the sustainability of insurance companies. S. Rawat *et al.* (2021) examined insurance application factors using exploratory data analysis.

Research in the context of the introduction of certain innovative technologies in the insurance sector of the European Union was conducted by S. Grima *et al.* (2021). The researchers noted that the introduction of blockchain technology will help to more effectively meet all the requirements that exist for countries that have plans to integrate into the European insurance system, which requires compliance with DORA (Digital Operational Resilience Act) requirements. The complexity of this process lies in the fact that the development of such technologies is at an initial level, despite all the innovations regularly introduced in the sector. The technology is rapidly developing, and the regulatory conditions for its use are still not approved in all countries of the world. The possibilities of using blockchain technology in the insurance sector were investigated by R. Brophy (2020), considering the operational and regulatory aspects of technology in the insurance industry, and noting the effectiveness of using technology in this area. The researcher wrote about the effectiveness of using such innovations in the insurance industry, and about all the benefits that they bring for insurance companies and for their customers. In Ukraine, it is also important to use the available opportunities for the development of the latest technologies in the industry. Factors of digital

transformation of the insurance industry, their advantages and difficulties faced by consumers were studied by S. Saxena & R. Kumar (2022). Difficulties arise due to problems with economic development and a full-scale invasion of Russia: because of these problems, Ukraine does not have significant opportunities to raise funds for the introduction of innovations in the insurance sector. Therefore, two different approaches can be applied: to raise funds from international organisations or partner countries at low rates (if such opportunities arise), or to do this more thoroughly after the end of the war in the context of Ukraine's economic recovery.

The introduction of the latest technologies in the Ukrainian market is not possible, given both general economic difficulties and increased risks due to the full-scale invasion of Russia, lack of transparency, low level of financial literacy and regulatory problems. Difficulties also arise in the context of the development of this area as a whole. The number of insurance companies in Ukraine has been declining since 2014, including the real volume of assets. To strengthen the market, it is recommended to develop stricter monetary and fiscal policies that are consistent with European Union standards; improve financial disclosure, anti-fraud measures, and implement financial literacy campaigns. The same applies to machine learning, which can be used for risk forecasting, artificial intelligence, for automating many processes, the Internet of Things (Simona *et al.*, 2022). This can help attract investment to the sector and form new partnerships in the industry. It is the blockchain technology that has the most prospects, given its features and affinity with the financial sector.

In Ukraine, the insurance sector has traditionally had many problems and has not been able to develop effectively since the collapse of the Soviet Union. Despite this, the beginning of the COVID-19 crisis has negatively affected the functioning of this sector. A big blow for it was the beginning of a full-scale Russian invasion of Ukraine. In the future, it is expected that the regulations that are being implemented in the sector and will be developed (in order to comply with European standards) should improve the opportunities for the sector's development. The level of financial stability of the European financial market during the COVID-19 crisis was studied by K. Pulawska (2021). The researcher noted that COVID-19 has negatively affected the European insurance sector, in particular, it was manifested in a decrease in the average return on assets of insurance companies. Solvency ratios have also declined in insurance sectors in many countries. Nevertheless, the companies were able to remain solvent and generally survive the crisis effectively. This indicates both the efficiency of the functioning of this market in Europe as a whole, and in particular the quality of its regulation, which allows it to simultaneously develop and remain stable. In terms of the impact of the COVID-19 crisis on the insurance market in the European Union and Ukraine, it was less severe for the EU

countries. This is conditioned by the greater efficiency of the sector in the European Union. This shows that actions aimed at further development of the sector in the country are particularly important, including through the integration of the Ukrainian market into the European one, the introduction of local practices and norms.

The main need to ensure the development of the financial sector is related to the overall well-being of the state. The same applies to the insurance market: its underdevelopment, problems in regulating and providing opportunities for functioning, were one of the reasons for the relatively insignificant pace of development of the country in the period after the collapse of the Soviet Union. The ability to ensure high-quality conditions for the functioning of the sector is still important. The impact of financial sector reforms on economic growth in Europe between 1996 and 2016 was investigated by R.P. Pradhan *et al.* (2020). The paper separately examined the causal relationships between banking competition, stock market development, insurance market development, and economic growth using a multi-factor system. The results show that there is a relationship between all variables: thus, in the short term, there is a bidirectional causal relationship between the development of the stock market and the insurance market, and in the long term, variables such as banking competition, the development of the insurance market, and the development of the stock market become one of the reasons for the country's economic growth. Therefore, the experience of the European Union countries shows that the development of the insurance market has a positive impact on the possibilities of ensuring the country's well-being in the future. Despite this, the implementation of actions aimed at improving the situation in Ukraine in this sector remains relevant.

The challenges faced by lawmakers, companies, and individuals regarding artificial intelligence and some other areas have been addressed by J. Chamberlain (2022). The study notes that there is a need to develop, define, and differentiate risk in the legal context of artificial intelligence, build responsibility for artificial intelligence systems at the EU level, and balance public and individual interests. The solution to these problems remains very complex, the proposed rules are in the development process, but there is no single approach to this process. Given the fact that there are opportunities for using artificial intelligence, in particular in the insurance sector, the development of such approaches in the industry also remains relevant. In the future, Ukraine will probably have to implement European approaches to regulating artificial intelligence in the state.

Conclusions

The insurance market is one of the main components of the country's economic and social stability, given that it offers financial protection against various risks, such as loss of property, accidents, illnesses and other unforeseen events, mitigating the negative consequences after

the occurrence of situations that lead to financial losses.

The paper showed that the insurance sector is undergoing a technological transformation: special attention was paid to blockchain technology, which allows achieving transparency, security, and immutability of data, which is especially important when working with large amounts of information. Automating payment and claim verification with smart contracts can reduce administrative costs and processing time, improving operational efficiency. Similarly, the integration of machine learning and artificial intelligence can simplify the process of risk forecasting and process automation.

The Ukrainian insurance market faces many challenges. Historically, with problems related to economic instability, inflation, and currency devaluation, insurance companies in Ukraine have tried to maintain financial stability and solvency, but the beginning of a full-scale Russian invasion of Ukraine has only complicated the existing difficulties. The number of claims related to the loss of property and vehicles has increased, especially in conflict zones. This surge has increased demand for certain insurance products, such as auto insurance and health insurance, while reducing demand for others.

Accordingly, insurance companies had to raise premiums to ensure proper risk coverage. Despite this, Ukraine has a goal related to the further integration of the Ukrainian and European insurance markets. The study compared the regulatory framework of the European Union and Ukraine: it was shown that the norms of EU unification are more stringent than the Ukrainian ones. New legislative acts are created in such a way as to ensure a greater level of compliance with foreign standards.

Further activities in this area would help to align Ukrainian standards with European ones, and thus achieve the main goal of uniting the two markets, which will lead to overall economic growth and improve social welfare in Ukraine. The assessment of other financial markets and areas in Ukraine for their development in the context of integration with the European market is promising for further research.

Acknowledgements

None.

Conflict of Interest

None.

References

- [1] Apergis, N., & Poufinas, T. (2020). The role of insurance growth in economic growth: Fresh evidence from a panel of OECD countries. *The North American Journal of Economics and Finance*, 53, article number 101217. doi: [10.1016/j.najef.2020.101217](https://doi.org/10.1016/j.najef.2020.101217).
- [2] Babuna, P., Yang, X., Gylilbag, A., Awudi, D.A., Ngmenbelle, D., & Bian, D. (2020). The impact of COVID-19 on the insurance industry. *International Journal of Environmental Research and Public Health*, 17(16), article number 5766. doi: [10.3390/ijerph17165766](https://doi.org/10.3390/ijerph17165766).
- [3] Balytska, M., & Tymoshenko, M. (2023). Polish experience of implementing Solvency II: Features and insights for Ukraine. *Sustainable Development of the Economy*, 2(47), 16-21. doi: [10.32782/2308-1988/2023-47-2](https://doi.org/10.32782/2308-1988/2023-47-2).
- [4] Brophy, R. (2020). Blockchain and insurance: A review for operations and regulation. *Journal of Financial Regulation and Compliance*, 28(2), 215-234. doi: [10.1108/JFRC-09-2018-0127](https://doi.org/10.1108/JFRC-09-2018-0127).
- [5] Chamberlain, J. (2022). The risk-based approach of the European Union's proposed artificial intelligence regulation: Some comments from a tort law perspective. *European Journal of Risk Regulation*, 14(1), 1-13. doi: [10.1017/err.2022.38](https://doi.org/10.1017/err.2022.38).
- [6] Chen, T.J. (2021). The role of distribution channels in market discipline for the life insurance industry. *The Geneva Papers on Risk and Insurance – Issues and Practice*, 46, 107-129. doi: [10.1057/s41288-020-00172-9](https://doi.org/10.1057/s41288-020-00172-9).
- [7] Chvertko, L., Vynnytska, O., & Korniienko, T. (2022). Inclusive orientation of the development of the insurance market of Ukraine in the conditions of digitalization of the economy. In *Management strategies and policies in the contemporary economy: International scientific and practical conference* (pp. 358-364). Chisinau: ASEM. doi: [10.53486/icspm2022.56](https://doi.org/10.53486/icspm2022.56).
- [8] Dhatteval, J.S., Kaswan, K.S., Preety, D., & Balusamy, B. (2022). Emerging technologies in the insurance market. In *Big data analytics in the insurance market* (pp. 275-286). Leeds: Emerald Publishing Limited. doi: [10.1108/978-1-80262-637-720221016](https://doi.org/10.1108/978-1-80262-637-720221016).
- [9] Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 "On Insurance Distribution (Recast)". (2024, January). Retrieved from <https://eur-lex.europa.eu/eli/dir/2016/97/oj>.
- [10] Directive 2002/92/EC of the European Parliament and of the Council of 9 December 2002 "On Insurance Mediation". (2018, September). Retrieved from <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32002L0092>.
- [11] Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 "On the Taking-up and Pursuit of the Business of Insurance and Reinsurance (Solvency II) (recast)". (2009, December). Retrieved from <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=celex%3A32009L0138>.
- [12] Dobryk, L., Abramov, M., & Ryabinin, I. (2024). The impact of war on the insurance market of Ukraine: Analysis of obstacles and restructuring of the financial landscape. *Review of Transport Economics and Management*, 10(26), 218-229. doi: [10.15802/rtem2023/292851](https://doi.org/10.15802/rtem2023/292851).

- [13] Eckert, C., & Osterrieder, K. (2020). How digitalization affects insurance companies: Overview and use cases of digital technologies. *Journal for the Entire Field of Insurance Science*, 109, 333-360. doi: [10.1007/s12297-020-00475-9](https://doi.org/10.1007/s12297-020-00475-9).
- [14] Goodman-Bacon, A. (2021). The long-run effects of childhood insurance coverage: Medicaid implementation, adult health, and labor market outcomes. *American Economic Review*, 111(8), 2550-2593. doi: [10.1257/aer.20171671](https://doi.org/10.1257/aer.20171671).
- [15] Grima, S., Kizilkaya, M., Sood, K., & Delice, M.E. (2021). The perceived effectiveness of blockchain for digital operational risk resilience in the European Union insurance market sector. *Journal of Risk and Financial Management*, 14(8), article number 363. doi: [10.3390/jrfm14080363](https://doi.org/10.3390/jrfm14080363).
- [16] Grima, S., Spiteri, J., & Romanova, I. (2020). A STEEP framework analysis of the key factors impacting the use of blockchain technology in the insurance industry. *The Geneva Papers on Risk and Insurance – Issues and Practice*, 45, 398-425. doi: [10.1057/s41288-020-00162-x](https://doi.org/10.1057/s41288-020-00162-x).
- [17] Kar, A.K., & Navin, L. (2021). Diffusion of blockchain in insurance industry: An analysis through the review of academic and trade literature. *Telematics and Informatics*, 58, article number 101532. doi: [10.1016/j.tele.2020.101532](https://doi.org/10.1016/j.tele.2020.101532).
- [18] Khroponiuk, D.O., & Dluhopolskyi, O.V. (2023). Current problems and development prospects of the insurance market of Ukraine. *Innovation and Sustainability*, 1, 118-126. doi: [10.31649/ins.2023.1.118.126](https://doi.org/10.31649/ins.2023.1.118.126).
- [19] Kniazieva, T.V., Shevchenko, A.V., Shevchenko, A.V., Yaroshenko, O.M., Inshyn, M.I., & Yakovlyev, O.A. (2021). Current trends in the formation and development of insurance marketing in Ukraine. *Risk Management and Insurance Review*, 24(3), 279-292. doi: [10.1111/rmir.12185](https://doi.org/10.1111/rmir.12185).
- [20] Lanfranchi, D., & Grassi, L. (2021). Translating technological innovation into efficiency: The case of US public P&C insurance companies. *Eurasian Business Review*, 11, 565-585. doi: [10.1007/s40821-021-00189-7](https://doi.org/10.1007/s40821-021-00189-7).
- [21] Law of Ukraine No. 1909-IX "On Insurance". (2024, June). Retrieved from <https://zakon.rada.gov.ua/laws/show/1909-20#Text>.
- [22] Lee, J., & Kim, J. (2020). The role of health insurance in mental health care for young adults. *Applied Economics*, 52(42), 4577-4593. doi: [10.1080/00036846.2020.1738326](https://doi.org/10.1080/00036846.2020.1738326).
- [23] Li, B., Du, Z., & Wang, M. (2022). Financing preference and the role of credit insurance in a green supply chain. *Management and Decision Economics*, 43(8), 3882-3897. doi: [10.1002/mde.3635](https://doi.org/10.1002/mde.3635).
- [24] Liu, J., Ye, S., Zhang, Y., & Zhang, L. (2023). Research on InsurTech and the technology innovation level of insurance enterprises. *Sustainability*, 15(11), article number 8617. doi: [10.3390/su15118617](https://doi.org/10.3390/su15118617).
- [25] Onyshchenko, S., Maslii, O., Kivshyk, O., & Cherviak, A. (2023). The impact of the insurance market on the financial security of Ukraine. *Financial & Credit Activity: Problems of Theory & Practice*, 1(48), 268-281. doi: [10.55643/fcaptp.1.48.2023.3976](https://doi.org/10.55643/fcaptp.1.48.2023.3976).
- [26] Pata, U.K., & Samour, A. (2023). Assessing the role of the insurance market and renewable energy in the load capacity factor of OECD countries. *Environmental Science and Pollution Research*, 30, 48604-48616. doi: [10.1007/s11356-023-25747-6](https://doi.org/10.1007/s11356-023-25747-6).
- [27] Pradhan, R.P., Arvin, M.B., Nair, M., & Bennett, S.E. (2020). Unveiling the causal relationships among banking competition, stock and insurance market development, and economic growth in Europe. *Structural Change and Economic Dynamics*, 55, 74-87. doi: [10.1016/j.strueco.2020.08.006](https://doi.org/10.1016/j.strueco.2020.08.006).
- [28] Pulawska, K. (2021). Financial stability of European insurance companies during the COVID-19 pandemic. *Journal of Risk and Financial Management*, 14(6), article number 266. doi: [10.3390/jrfm14060266](https://doi.org/10.3390/jrfm14060266).
- [29] Rawat, S., Rawat, A., Kumar, D., & Sabitha, A.S. (2021). Application of machine learning and data visualization techniques for decision support in the insurance sector. *International Journal of Information Management Data Insights*, 1(2), article number 100012. doi: [10.1016/j.jjime.2021.100012](https://doi.org/10.1016/j.jjime.2021.100012).
- [30] Saxena, S., & Kumar, R. (2022). The impact on supply and demand due to recent transformation in the insurance industry. *Materials Today: Proceedings*, 56(6), 3402-3408. doi: [10.1016/j.matpr.2021.10.337](https://doi.org/10.1016/j.matpr.2021.10.337).
- [31] Shevchenko, O.O., & Shovkoplyas, H.M. (2019). *Problems and prospects of the development of the insurance market of Ukraine*. Kharkiv: Research Institute of Legal Support.
- [32] Simona, A., Battisti, E., & Hadjielias, E. (2022). Black box technology, usage-based insurance, and prediction of purchase behavior: Evidence from the auto insurance sector. *Technological Forecasting and Social Change*, 183, article number 121896. doi: [10.1016/j.techfore.2022.121896](https://doi.org/10.1016/j.techfore.2022.121896).
- [33] Statistics of the Insurance Market of Ukraine. (2024). Retrieved from <https://forinsurer.com/stat>.
- [34] Strategy of Ukrainian Financial Sector Development Until 2025. (2020). Retrieved from https://bank.gov.ua/admin/uploads/article/Strategy_FS_2025_eng.pdf.
- [35] Trivedi, S. (2023). Blockchain framework for insurance industry. *International Journal of Innovation and Technology Management*, 20(6), article number 2350034. doi: [10.1142/S0219877023500347](https://doi.org/10.1142/S0219877023500347).

- [36] Vovk, V., Zhezherun, Y., & Kostohryz, V. (2023). The insurance market of Ukraine in the period of marital law: Financial and marketing aspects. *Problems and Prospects of Economics and Management*, 3(35), 119-131. doi: [10.25140/2411-5215-2023-3\(35\)-119-131](https://doi.org/10.25140/2411-5215-2023-3(35)-119-131).

Проблеми та виклики у регулюванні страхового ринку в Україні в контексті євроінтеграції

Ілля Буланцов

Аспірант

Київський національний університет технологій та дизайну

01011, вул. Мала Шияновська, 2, м. Київ, Україна

<https://orcid.org/0009-0006-7487-1601>

Анотація. В Україні з розвитком страхового ринку історично складаються проблеми, що посилюються з початком повномасштабного вторгнення Росії. Дослідження складнощів в цій сфері, оцінюючи перспективи євроінтеграції, залишається актуальним. Метою даного дослідження стало надати рекомендації для більш ефективного формування страхового ринку в Україні на основі досвіду та принципів країн Європи. Методами, що були використані в рамках дослідження, стали прогнозування, систематизація, формально-юридичний. В роботі було проведено оцінку ролі страхового ринку в країні, описана потреба більш активного його розвитку зважаючи на позитивні аспекти, що виникають у випадку високого рівня розвитку даного інституту. Зроблено висновок про значні втрати, що були набутими на страховому ринку України через повномасштабне вторгнення Росії, описані причини збитків та наслідки в майбутньому. Також зазначалися окремі можливості для впровадження новітніх технологій у сферу, як для підвищення функціонування ринку в цілому, так і для більш простої його імплементації в структуру Європейського Союзу. У результаті аналізу нормативно-правової бази України та Європейського Союзу було зроблено висновок про те, що норми об'єднання ЄС є більш суворими. Це пов'язано із більш жорсткими нормативно-правовими нормами, описаними в деяких директивах. Зважаючи на проведений аналіз, були сформовані рекомендації, що можуть бути використані в подальшому для полегшення євроінтеграції українського ринку. Результати, отримані в рамках дослідження, можуть бути використані при формуванні державної політики України для розвитку страхової сфери

Ключові слова: фінанси; інвестиції; новітні технології; макроекономіка; інституціоналізм