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FEATURES OF THE WORK ORGANIZATION OF INSURANCE COMPANIES OF UKRAINE DURING THE PERIOD OF ARMED INVASION

ОСОБЛИВОСТІ ОРГАНІЗАЦІЇ РОБОТИ СТРАХОВИХ КОМПАНІЙ УКРАЇНИ В ПЕРІОД ЗБРОЙНОГО ВТОРГНЕННЯ

Abstract. The article is devoted to the definition of the main aspects of the organization of work of insurance companies of Ukraine during the period of armed invasion. The purpose of the article is to determine the effects on the work of insurance companies in the modern conditions of the armed invasion of Russian aggressors and to provide proposals regarding the priority areas of insurance management. The object of the research is the processes of organization and management of the work of insurance companies. The subject of the study is the ways of optimizing the work of insurers in conditions of external and internal negative influences. The research used general scientific and special research methods: comparative analysis, scientific abstraction and generalization of the scientific experience of modern theoretical studies, a system-complex approach. When conducting an analysis of the dynamics of the number of insurance organizations and gross insurance payments and premiums for the period 2017–2022, it was found that fluctuations in their volumes also occurred in pre-war times. The main reasons that made it possible to effectively reduce the number of insurance service providers without a significant loss of the client base, while simultaneously increasing the guarantee requirements for insurers, were identified. It has been proven that even in the pre-war period, conditions were created for strengthening requirements for corporate governance, introducing a civilized procedure for withdrawing insolvent insurers from the market, and implementing Solvency II. It is noted that Russia's sudden insidious attack caused a wave of violations and disruptions in the work of almost all domestic business entities. It was revealed that during 2022, the activities of insurance companies and other participants of the financial market of Ukraine took place in the conditions of the maximum limit of destabilization, and the volume of services fell significantly compared to the pre-war period. The structure of assets and liabilities of life insurers and risk insurers in 2022 was studied, and the largest insurance premiums and payments by region of Ukraine as of January 1, 2023 were identified. According to the results of the research conducted by the development and further development within the framework of state programs and on a unified conceptual basis of the methodology of managing insurance companies in conditions of war, the creation and expansion of a modern intellectual knowledge base of this subject area are recognized as priority areas of insurance management. It was emphasized that measures to ensure the organization of the work of insurance companies during the armed invasion should be based on advanced management techniques using the latest technologies.

Keywords: insurance, insurance risks, insurance management, insurers, policyholders, armed invasion, insurance premiums, insurance payments.

Анотація. Стаття присвячена визначенню основних аспектів організації роботи страхових компаній України в період збройного вторгнення. Мета статті полягає у визначенні впливів на роботу страхових компаній в сучасних умовах збройного вторгнення російських агресорів та надання пропозицій щодо пріоритетних напрямів страхового менеджменту. Об'єктом дослідження є процеси організації і управління роботою страхових компаній. Предметом дослідження виступають напрями оптимізації роботи страховиків в умовах зовнішніх і внутрішніх негативних впливів. У дослідженні було використано загальнонаукові і спеціальні методи дослідження: порівняльного аналізу, наукової абстракції та узагальнення наукового досвіду сучасних теоретичних досліджень, системно-комплексний підхід. При проведенні аналізу динамік кількості страхових організацій та валових страхових виплат і премій за період 2017–2022 рр. виявлено, що коливання їх обсягів відбувалося і у передвоєнний час. Визначені основні причини, які давали змогу ефективно зменшувати кількість надавачів страхових послуг без суттєвої втрати клієнтської бази, одночасно підвищуючи гарантійні вимоги до страховиків. Доведено, що ще в довоєнний період створені умови для посилення вимог до корпоративного управління, запровадження цивілізованої процедури виведення неплатоспроможних страховиків з ринку та реалізації Solvency II. Зазначено, що раптовий підступний напад росії викликав

хвилю порушень і збоїв у роботі практично всіх вітчизняних суб'єктів господарювання. Виявлено, що протягом 2022 року діяльність страхових компаній та інших учасників фінансового ринку України відбувалося в умовах максимальної межі дестабілізації, а обсяги послуг значно впали порівняно з довоєнним періодом. Досліджені структура активів і пасивів страховиків життя і ризикових страховиків у 2022 році, виявлені та найбільші страхові внески та виплати за регіонами України станом на 01.01.2023р. За результатами проведених досліджень пріоритетними напрямками страхового менеджменту визнано розробку та подальший розвиток у рамках державних програм та на єдиній концептуальній основі методології управління страховими компаніями в умовах війни, створення і розширення сучасної інтелектуальної бази знань даної предметної області. Наголошено, що заходи по забезпеченню організації роботи страхових компаній в період збройного вторгнення повинні спиратися на передові методики менеджменту з використанням новітніх технологій.

Ключові слова: страхування, страхові ризики, страховий менеджмент, страховики, страхувальники, збройне вторгнення, страхові премії, страхові виплати.

Problem statement. Managing insurance organizations in times of war requires special attention to changing risks, risk management strategies, financial stability and communications. Insurance companies must be ready for rapid changes and take the necessary measures to ensure quality service to their customers during the difficult period of military conflict.

Analysis of recent research and publications. The development of the insurance market is recognized by modern scientists as one of the key factors of the socio-economic stability of the population and the region, as well as the economic growth of the country. The current state and trends in the development of the insurance market have become the subject of research by a number of domestic and foreign scientists, among whom, in our opinion, the works of Dlugopolskyi O.V., Poltorak A.S., Chvertko L., Vinnytska O., Kornienko T., Abora J., Akothea J., Singhala N., Singhala T., Goyal S. etc.

Thus, Abor J. and Akotei J. in [1] investigate the practice of risk management of insurance companies using the methodology of comparative analysis of insurance cases taking into account the influence of national and economic aspects. Singhal N., Goyal S. and Singhal T. in [2] establish the relationship between insurance and economic growth in Asian countries from the point of view of regional perspectives. Dlugopolsky O.V. in [3] defines modern trends, characterizes the problems of the development of the insurance market of Ukraine in the pre-war and war periods, formulates possible vectors of its transformation. Poltorak A.S. in [4] considers the development of insurance markets as a basis for ensuring the resilience of systems guaranteeing social and economic security of the regions of the state Chvertko L., Vinnytska O., Korniienko T.

Insurance companies and rating agencies (for example, "Moody's", Standard & Poor's, Fitch Ratings, AM Best, etc.) also take an active part in researching the modern insurance market in order to find new methods and techniques of management and marketing of their services, expanding the client base and mastering innovative business prospects.

Despite the large number and different direction of research in the insurance sector of the financial market, we consider it expedient to expand the knowledge base of insurance management as a dynamic science, deepening and correcting it taking into account the modern challenges of the liberation war.

The purpose of the article there is the determination of the effects on the work of insurance companies in the modern conditions of the armed invasion of Russian aggressors and the provision of proposals regarding the priority areas of insurance management.

The object of research there are processes of organizing and managing the work of insurance companies.

Subject of research there are the study suggests ways to optimize the work of insurers in conditions of external and internal negative influences.

Presentation of the main material. Analysis of the dynamics of the number of insurance organizations (Figure 1) and gross insurance payouts and premiums (Figure 2) for the period 2017–2022 indicates that their volumes fluctuated even in pre-war times.

The main reasons that made it possible to effectively reduce the number of insurance service providers without a significant loss of the client base, while at the same time increasing the guarantee requirements for insurers, which contributed to the improvement of the system of regulation of the activities of non-bank financial service providers and the improvement of the effectiveness of the supervision system, were:

- imperfect legislation, lack of proper regulation and supervision of the activities and market behavior of insurance companies and intermediaries, which led to the accumulation of systemic problems that require immediate resolution;

- approximately 90% of insurance premiums were concentrated by about 60 insurers (50 insurers from the non-life market and 10 insurers from the life market).

- the concentration of insurance premiums from individuals was even higher – 80% of the market is held by 20 insurers.

- the peculiarity of the life insurance market was that it was not numerous and highly concentrated: a quarter of the market players (5 insurance companies) accounted for 90.6% of life insurance reserves. Insurers below the 100th position accounted for only 0.5% of total insurance premiums;

- the share of voluntary insurance premiums exceeded 75%. Auto insurance (CASCO, OSCPV and Green Card) and personal insurance (medical insurance, accident insurance, life insurance) consistently led by the volume of premiums: 36% and 27%, respectively.

- the penetration rate (Insurance Penetration ratio), during the analyzed period (table 1), although it was extremely low (as of 2017 – 1.4%, of which non-life – 1.3%), continued to rapidly decrease (to 0.91 and 0.8, respectively), which forced the Regulator to look for a problematic solution to global standards. (in Europe – 5.0%, on average in the world – 6.1%. The leaders in these indicators in the world are Great Britain, Japan and France).

- the Insurance Density ratio in Ukraine was also at a very low level, and by the end of 2021 it was about 32 USD. Among the 88 countries studied by the Swiss Re Institute [7], Ukraine ranks 73rd in terms of consumption

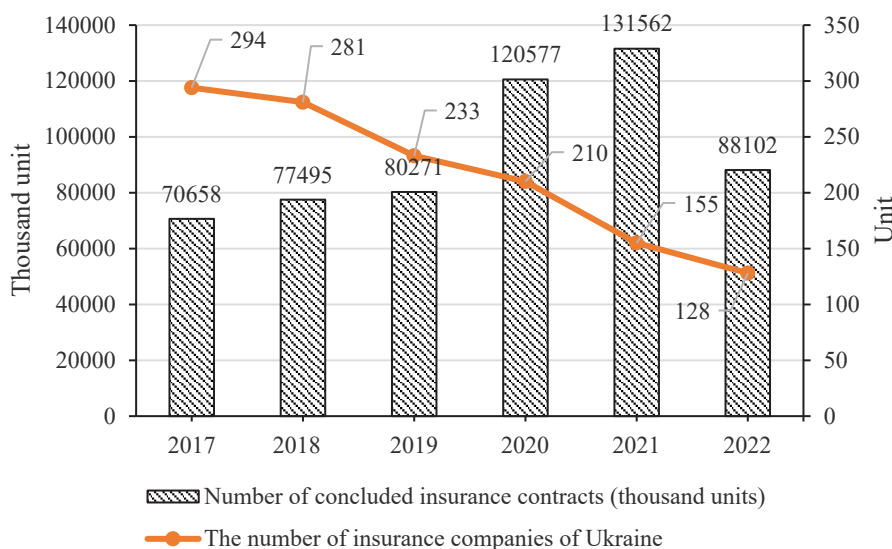


Figure 1 – Dynamics of the insurance situation in Ukraine 2017–2022

Source: based on [6]

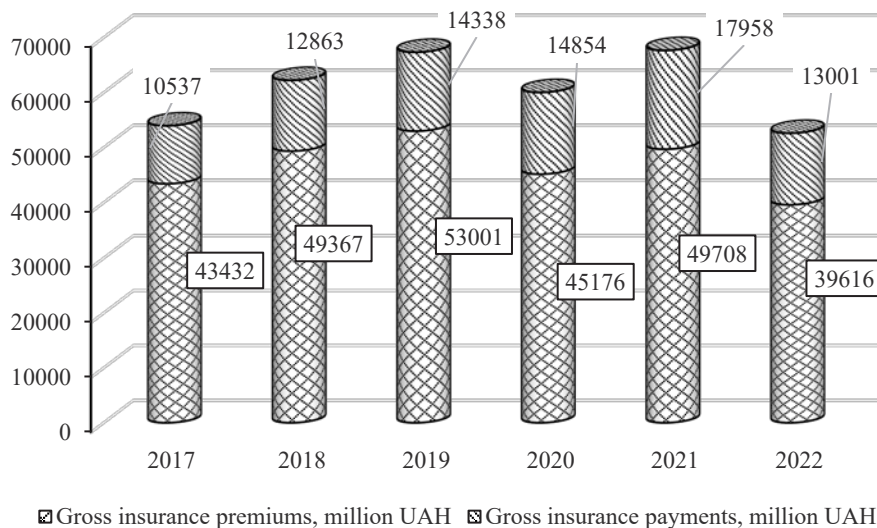


Figure 2 – Dynamics of gross insurance payments and premiums for 2017–2022

of non-life insurance services, and 82nd in terms of life insurance services [8].

Even in the pre-war period, conditions were created for strengthening requirements for corporate governance, introducing a civilized procedure for removing insolvent insurers from the market, and implementing Solvency II.

Russia's sudden insidious attack caused a wave of violations and disruptions in the work of almost all domestic business entities. The financial market was no exception.

During 2022, the activities of insurance companies and other participants in the financial market of Ukraine took place in the conditions of the maximum limit of destabilization, and the volume of services fell significantly compared to the pre-war period.

As of January 31, 2023, 116 non-life insurers and 12 life insurers, 179 pawnbrokers (there were 183), 160 credit unions, 97 leasing companies, 744 financial companies, 61 insurance brokers, and 67 collection companies were operating in the non-bank market.

Table 1 – Dynamics of gross insurance payments and premiums for 1 insurance contract in Ukraine for 2017–2022

Indicator	2017	2018	2019	2020	2021	2022
Level of gross payments, %	24,26	26.06	27.05	32.88	36,13	32.82
Penetration rate, %	1.45	1.39	1.33	1.08	0.91	n/a
Index of insurance density, UAH per person	1025	1171	1265	1086	1207	n/a

Source: based on [6]

Table 2 – The largest insurance premiums and payments by region of Ukraine as of 01.01.2023

Region	Total payments	Total payments by region	payments to payments, %
Kyiv city and Kyiv region.	7279978.40	2488397.20	34,18
Dnipropetrovsk region	943028.8	209617.3	22,23
Lviv region	931859	269833.2	28,96
Odesa region	579566.5	146306.6	25,24
Zaporizhzhia region	443935.8	156771.9	35,31
Kharkiv region	428551	138368.7	32,29

Source: based on [9]

The steady trend of reducing the total number of financial institutions continues: in the IV quarter of 2022 alone, the registration of 88 financial companies, 17 credit unions, 11 insurance companies, and 8 loan shark companies was canceled. The number of insurance companies decreased from 139 to 128 (including 12 life insurance companies). At this time, the licenses of 121 institutions, mainly financial companies and credit unions, were revoked. A third of the companies were deprived of their licenses by the decision of the regulator.

Insurance compensation payments by insurance companies for 2022 amounted to UAH 13 billion, including payments to individuals – UAH 7 billion, but the cost of one contract decreased significantly (almost twice). The leaders of payments were the city of Kyiv and Kyiv region, Dnipropetrovsk, Lviv, Odesa, Zaporizhzhya and Kharkiv regions (Table 2).

The total assets of insurance companies reached UAH 70.3 billion in 2022. Assets of life insurers increased by 3% in the 4th quarter and by 18% for the whole of 2022, reaching UAH 20.6 billion. Assets of risk insurers slightly decreased in the 4th quarter, but increased by 6% over the year to UAH 49.7 billion. During the year, one life insurer and 26 risk insurers left the market. Overall, payouts for life insurance policies increased by 7% compared to 2021, while payouts for contingency insurance policies fell by almost a third. This caused a regulatory reaction of the market, which caused the diversification of the structure of assets and liabilities of insurers during 2022.

In fiscal year 2022, the investment income of risk insurers increased by about 1.5 times compared to the previous year. Most of this income was generated by interest on bank deposits. However, the increase in investment income did not compensate for the increase in operating expenses. The coefficient of activity efficiency increased to 88%.

Investment income fell sharply in the 4th quarter due to the reclassification of investment income of one of the leaders in the life insurance market. Excluding the data of this company, the investment income of life insurers increased by 30% in annual terms and by 12% in quarterly terms. Income from deposits increased by 36%, while income from government bonds remained unchanged. Casualty and life insurers ended the fourth quarter with a small loss, but both groups were significantly profitable for the year. The return on equity of risk insurers and life insurers was 15% and 13%, respectively.

The share of the most liquid assets, deposits and current accounts, life insurers reached 60% (Figure 3), and risk insurers – 41% (Figure 4). The volume of gross insurance premiums transferred to reinsurance almost halved during the quarter. The share of car insurance premiums increased by 10%. p. up to 50% due to the increase in the volume of the "Green Card" and the reduction of the volume of all other types of insurance.

In 2022, the total volume of premiums fell to 39.6 billion UA, while insurers received 24.6 billion UA. premiums from individuals. Risk premiums fell by 8%, while life insurance premiums increased by 9%. Overall, life insurance premiums fell by 17% and risk premiums by 21% in 2022. Net premiums decreased to UAH 38.6 billion. Net premiums signed amounted to UAH 34.9 billion. Net insurance payments amounted to UAH 38.7 billion. Personnel costs of insurance companies in 2022 amounted to UAH 3.1 billion. Income tax amounted to UAH 1.85 billion.

In 2022, the share of car insurance premiums (CASCO, OSCPV and "autocivilky") increased by 10% to 49%. In particular, Green Card premiums more than doubled compared to the previous year, and payments – by almost a third (Table 3).

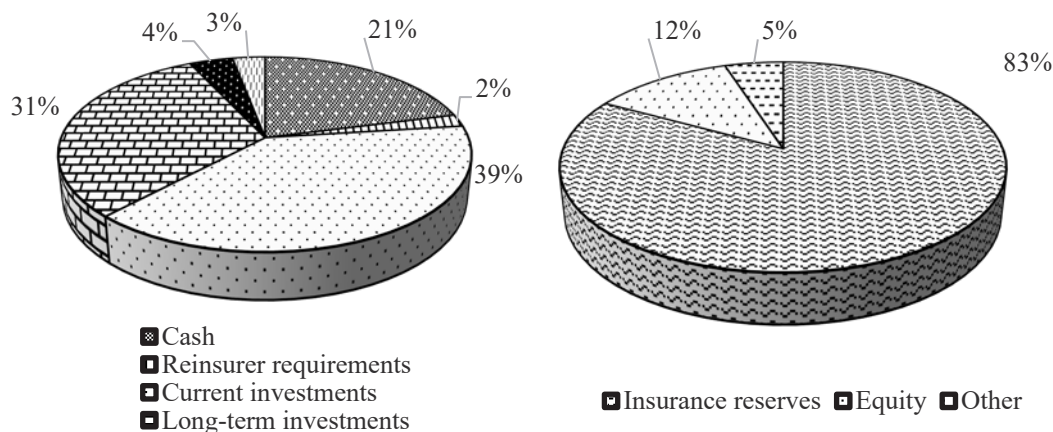


Figure 3 – The structure of assets and liabilities of life insurers in 2022

Source: based on [9]

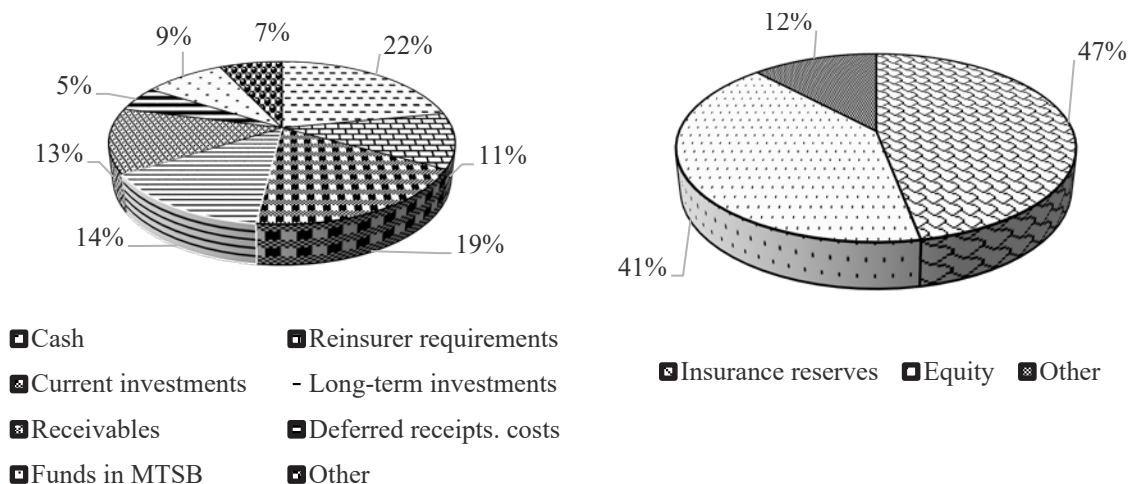


Figure 4 – Structure of assets and liabilities of risk insurers in 2022

Source: based on [9]

According to the data in Table 3, it can be concluded that the largest insurance contributions and payments fall on the types of insurance related to the movement of the population inside and outside the country (CASCO, OSACV, Green Card), as well as those related to treatment and restoration of health I (voluntary health insurance).

At the same time, property and financial risk insurance premiums fell by more than half, and payouts fell by 62%. Gross premiums transferred to reinsurance more than halved to UAH 4.2 billion (of which UAH 3.1 billion were transferred to non-resident reinsurers), and payouts decreased by almost 60%.

Insurance reserves as of January 1, 2023 amounted to UAH 41.1 billion. The total volume of insurers' loss reserves remained almost unchanged during the quarter, but different types of insurance showed different dynamics. Provisions for losses from voluntary types of insurance decreased slightly (-7% compared to the 3rd quarter), while from mandatory types of insurance they increased (+10% compared to the previous quarter). Compared to the same period last year, both voluntary and mandatory insurance increased by 36%. The equity capital of insurers in 2022 amounted to UAH 22.8 billion. Liabilities of insurance companies decreased to UAH 47.6 billion. The level of unprofitability from mandatory types of insurance remained at the level of 45%. The negative impact of the increase in loss reserves was offset by the increase in the

volume of signed insurance premiums. A similar indicator in voluntary insurance decreased to 42% (improved). This was due to a decrease in loss reserves. The combined loss ratio was 43% at the end of the year. The combined loss ratio increased throughout 2022. In the first three quarters of 2022, the growth of this indicator was mainly due to the deterioration of the loss ratio, while the deterioration at the end of the year was mainly due to the increase in operating expenses, i.e. other administrative expenses. As of January 1, 2023, seven companies violated at least one of the standards of solvency, capital adequacy, or business risk. [10–12] The combined loss ratio increased throughout 2022. In the first three quarters of 2022, the growth of this indicator was mainly due to the deterioration of the loss ratio, while the deterioration at the end of the year was mainly due to the increase in operating expenses, i.e. other administrative expenses. As of January 1, 2023, seven companies violated at least one of the standards of solvency, capital adequacy, or business risk. [10–12] The combined loss ratio increased throughout 2022. In the first three quarters of 2022, the growth of this indicator was mainly due to the deterioration of the loss ratio, while the deterioration at the end of the year was mainly due to the increase in operating expenses, i.e. other administrative expenses. As of January 1, 2023, seven companies violated at least one of the standards of solvency, capital adequacy, or business risk. [10–12]

Table 3 – The largest insurance premiums and payments by region of Ukraine as of 01.01.2023

Region	Total payments	CASCO	% of payments	OSATSV	% of payments	DMS	% of payments	Zel. map	% of payments	total % by selected species
Kyiv city and Kyiv region	7279978.4	2349178.2	32,27	1087697	14.94	1434525.3	19.71	397770.8	5.46	72.38
Dnipropetrovsk region	943028.8	409896.4	43,47	218797	23.20	54633.9	5.79	40056.7	4.25	76,71
Zaporizhzhia region	443935.8	188605.1	42,48	117165	26,39	73771.5	16.62	17776.2	4.00	89.50
Lviv region	931859	288069.9	30,91	244543	26,24	18005.8	1.93	280161.8	30.06	89.15
Odesa region	579566.5	169092.8	29,18	172147.4	29.70	14188.2	2.45	162543	28.05	89.37
Kharkiv region	428551	199691.5	46.60	136347.1	31.82	21082.6	4.92	38293.9	8.94	92.27

Source: based on [9]

Conclusions. Thus, the conditions for the progressive development of the Ukrainian insurance market were ensured even before the beginning of the full-scale invasion of Russia. They contributed compliance and created a basis for adjusting the requirements of legislation regarding the ownership structure, consumer rights protection, as well as prevention and countermeasures against the legalization (laundering) of proceeds obtained through crime and the financing of terrorism. The Russian-Ukrainian war slowed down the transformation processes due to a number of political, economic, social and technological factors, making the development of the Ukrainian insurance market limited and sometimes contradictory. The main reasons for this were: the external and internal migration of the population, which caused a change in insurance priorities, the lack of a methodology for managing insurance companies in war conditions, the discrepancy between the active and passive structures of many insurance companies, low rates of penetration and

density of insurance, low solvency of the population and lack of trust in insurance market operators.

The organization of the work of insurance companies of Ukraine during the period of armed invasion is a multi-criteria task that requires the development of solutions and methods. We consider the development and further development within the framework of state programs and on a unified conceptual basis of the methodology of managing insurance companies in conditions of war, the creation and expansion of a modern intellectual knowledge base of this subject area to be the priority areas of insurance management. Measures to ensure the organization of the work of insurance companies during the armed invasion should be based on advanced management techniques using the latest technologies.

The purpose of further research in this direction may be to identify levers for accelerating the progressive development of the insurance market of Ukraine.

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