Kyiv National University of Trade and Economics

Banking department

FINAL QUALIFYING PAPER
on the topic:

Insurance market of Ukraine integration into the global financial space

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Kyiv, 2021

Kyiv National University of Trade and Economics

Faculty of Finance and Accounting
Department of Banking
Specialty 072 Finance, Banking and Insurance
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Approved by
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Task
for a final qualifying paper

METENKO YANA ANATOLIIVNA

1. Topic of a final qualifying paper

Insurance market of Ukraine integration into the global financial space

Approved by the Rector's order from November _4_ 2020, No. 3286

2. Term of submitting by a student his/her terminated paper (project) to 19.11.2021

3. Initial data of the final qualifying paper (project)

Purpose of the paper (project) Scientific substantiation of theoretical bases, development of methodical approaches and practical recommendations on integration of insurance market of Ukraine into the global financial space

Object of the research Insurance market of Ukraine integration' directions into the global financial space

Subject of the research Integration process of insurance market in Ukraine into the global financial space

4. Consultants of the research and titles of subsections which were consulted:

Section	Consultant (last name and initials)	Date and signature	
		The task given	The task fulfilled

5. Contents of a final qualifying paper (list of all the sections and subsections)

CONTENT

6. Time schedule of the paper

No.	Stages of a final qualifying paper	Terms of a final qualifying paper	
		de jure	de facto
1	2	3	4
1.	Approval of the Task of the FQP (Ukrainian)	02.11.2020	02.11.2020
	Approval of the Task of the FQP (English)	24.12..2020	24.12..2020
2.	Submission of an **article** to the Banking department (English), paper and electronic versions	01.03.2021	01.03.2021
3.	Part I. List of sources used (references)	19.04.2021	19.04.2021
4.	Part II. List of sources used (references)	22.06.2021	22.06.2021
5.	Part III, Introduction, Conclusions, References	10.09.2021	10.09.2021
6.	Submission of the FQP to the Banking department (all Parts, appendices), **resume** of a scientific adviser	12.10.2021	12.10.2021
7.	Preliminary FQP' protection at the Banking department, **review** (KNUTE, Ukraine), **review** (KNUTE, English)	02.11.2021	02.11.2021
8.	Submission of completed (intertwined) the FQP to the Banking department, supporting documents (summary, supporting data, three reviews)	19.11.2021	19.11.2021
9.	Public FQP' protection in the examination commission	07.12.2021	07.12.2021

7. Date of receiving the task October, 29, 2020.
8. Scientific adviser of the final qualifying paper

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Erkes O.Y., PhD in Economics, Associate Professor of the Department of Banking
(signature)

10. The task received by the student Metenko Y.A.____________________
(signature)

11. Resume of a scientific adviser of a final qualifying paper

Resume of a scientific adviser of a final qualifying paper

Аванесова Ірина Анатоліївна
08.11.2021, Пн, 17:33
Кому: Метенко Яна Анатоліївна

Student METENKO YANA ANATOLIIVNA completed the final qualifying paper on a topical topic on Insurance market of Ukraine integration into the global financial space.

While working on the research, the student used all the knowledge and practical skills acquired during her studies in the English-speaking master's program in "Financial Intermediation".

Advantages of the final qualifying paper are results that made possible to formulate the scientific novelty that the process of integration of the insurance market of Ukraine into the global financial space depends on the standardization of methodological approaches to the interaction of such market participants.

To the disadvantages of work should be classified fragmentation of published the results of the study.

But, in general, the work is structured according to the general KNUTE requirements for such work and may be recommended for protection in Exam Comition and make sure obtaining by METENKO YANA ANATOLIIVNA excellent scores.

Iryna Avanesova,
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Note about preliminary paper defence ________________________________

Serazhym Y. V., PhD in economics,

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12. Resume about a final qualifying paper

A final qualifying paper of the student METENKO YANA ANATOLIIVNA can be admitted to defence in the Examination Board.

Head of the project team
(Manager of the educational program) Erkes O.Y. ______________________
(last name, initials, signature)

Head of the Department Shulha N. P. ______________________
(last name, initials, signature)

________________. _____. 2021.

CONTENT

INTRODUCTION

The actuality of the topic: The integration of the internal market into the world economy is an integral part of the sustainable development of any country. Insurance as an objectively necessary attribute of a market economy provides reliable guarantees for the restoration of violated property rights and interests in the event of insured events. At the same time, insurance significantly affects the accumulation of monetary funds, which is a support and a significant stable source of long-term investment in the developing domestic financial market. In addition, the globalization of the world economy requires easier access to most services from anywhere in the world. Therefore, the topic of integration of the insurance market of Ukraine into the global financial space is necessary to find successful aspects in the foreign experience of this activity for their further implementation in the domestic space, and therefore requires study, development of relevant ways of providing services, as insurance support paradigm for financial market.

The work is used by the legal and normative base of the European Union and Ukraine, periodic literature of Ukrainian publishers, textbooks, reports, and researches of international companies and other sources. For a more complete disclosure of this topic, the sources of such authors as Avanesova I.A. [1], Yuriy S.I. [1], Gabidulin I.A. [2], Sabodash R.B. [3], Furman V.M. [11], Bazilevich V.D. [12], Osadets S.S. [13], Gamankova O.O. [14], Shkolnyk I.O. [7].

The purpose of final qualifying work is scientific substantiation of theoretical bases, development of methodical approaches and practical recommendations on integration of insurance market of Ukraine into the global financial space.

To achieve this goal, the following **tasks** are solved**:**

1. Research of the theoretical and methodological integration basis of insurance market in Ukraine into the global financial space;
2. The insurance market entities definition and type of their interaction;

3. Research of normative legal principles of regulation of insurance activity in the European Union;
4. Research of the process of adapting the Ukrainian legislation to European standards in the field of insurance services regulation;
5. Research of for the main development trends in the global insurance market in the new realities;
6. Analysis of practical aspects of providing insurance services in Ukraine;
7. Analysis of quantitative indicators of insurance market;
8. Recommendations for the implementation of foreign experience into domestic market;
9. Development of a new insurance product by realizing model of relationship between bank and insurance company.
10. Development of a new insurance product by realizing model of relationship between bank and insurance company and development of a mathematical model for calculating the product's compliance with the market.

The object of final qualifying work is the insurance market of Ukraine integration' directions into the global financial space.

The subject of final qualifying work is the integration process of insurance market in Ukraine into the global financial space.

The following methods of research are used in the course work: generalization and systematization of scientific developments of domestic and foreign scientists-economists and normative-legal base.

The information base of the study is legislative and regulatory acts on regulation of insurance activities; official data of the National Bank of Ukraine; monographic research and scientific publications on the problem under study.

The scientific novelty of the obtained results is the following:

1. For the first time an offer of insurance product, which is aimed at insurance support of the financial market as a whole and includes the interaction of two financial institutions - a bank and an insurance company - was developed;

2. For the first time formula for calculating the compliance of an insurance product to the market, taking into account the specific terms of the offer developed by us, was developed.

The practical significance of the results obtained. Practical recommendations on how to create a financial service can be useful for insurance companies, banks and other financial institutions. Financial institutions can use these recommendations to develop the internal financial market and promote its integration into the global financial space.

Master's personal contribution. Graduation is a self-completed study by the author.

Publications. Some results of the study were reflected in a scientific article: Metenko Y. Combining of banking and insurance activities in Ukraine: implementation if foreign experience // Financial institutions in the circumstances of global imbalances: All–Ukrainian. stud. conf. of science / resp. ed. N.P. Shulga. - K.: Kyiv. Nat. Trad. - Econom. Univ., 2021. - 386 p. (P.: 333-338).

Some results were presented in the scientific work on All-Ukrainian competition of student research papers on the specialization "Banking" in 2020/2021 academic year.

The result of research became the basis for a report at the student scientific conference “Integration process of insurance market in Ukraine into the global financial space”. Financial police in the context of economic transformation: Section №1. Financial markets and institutions: the challenges of time: abstracts of the report Stud. Science conf. (Kyiv, November 17, 2021): Kyiv: Kyiv National Unyversity of Trade and Economics, 2021.

Structure of work. The work consists of 3 sections, introductions, conclusions, a list of used sources and additions. The volume of work is 54 pages. The paper presents 4 tables, 13 figures, 7 additions and used 60 scientific sources.

SECTION I
THEORETICAL AND METHODOLOGICAL INTEGRATION BASIS OF INSURANCE MARKET IN UKRAINE INTO THE GLOBAL FINANCIAL SPACE

Today, the Ukrainian insurance market is on the verge of gradual integration into the world. Therefore, it is very important to find out what place the insurance market occupies in developed economies, where the insurance industry is recognized as one of the most important. It provides an effective system of protection of property rights and interests of all citizens and enterprises, maintaining social stability, the economic security of the state, and is an important financial tool for regulating the national economy and a powerful source of accumulation for further long-term investment in the economy. In the conditions of the developed market relations and strengthening of globalization processes development of the insurance market is caused by the social and economic needs of the development of a society.

Besides, for such a financial system model to function effectively, the financial system requires strong financial intermediaries, which can be banks and non-bank financial institutions, primarily insurance companies and non-state pension funds. The role of the latter is of particular importance because it is they who provide the market with the long-term funds that are necessary for economic growth. Quite strong financial relations exist between the insurance market, the securities market, the banking market, and public finance, where insurers place their insurance reserves and investment resources.

The evolutionary development of the insurance market is a long process that depends on the economic stability of the state and political changes. Improving the welfare of the population and the socio-economic level of development of the state is impossible without a developed insurance market, as it is an integral part of the financial system and has a direct impact on its condition.

The importance of a developed insurance market is the creation of an effective system of protection of the population, businesses, the state, maintaining the welfare and social stability of society are impossible without the effective functioning of this market. Secondly, taking into account the world experience, the insurance market is a significant source of long-term investment in the economy. Third, the further development of the insurance market is also justified by the fact that funds from it can become a source of budget funding.

The level of development of the insurance market reflects the opportunities for economic growth of the country and is one of the main indicators of a developed financial system of the state. According to the principle of multifacetedness, the scientist S. Yuriy notes that the insurance market is an independent, formed system that combines many elements, namely insurance companies that provide insurance services to legal entities and individuals [2].

At the same time, the insurance market is a separate segment of the financial market, part of the relevant macro system. According to S. Yuriy [2], the insurance market is not an isolated element of the financial market, but operates in close cooperation with its other components, namely:

1) the banking market (in the form of a consumer of banking services for settlement services, as a creditor during the placement of funds on deposits, as a seller of insurance services during the insurance of financial risks and other risks inherent in banking, as well as a partner during the insurance of collateral on loans, etc.) [2];

The direction of bank insurance intermediation is not sufficiently developed in the domestic economy and does not have legal regulation to be ready to fully meet the needs of consumers, which are changing rapidly in new circumstances. That is why the strengthening of ties between the sectors of the economy through the introduction of progressive foreign experience will significantly increase the competitiveness of banks and insurance companies and, consequently, increase the service that customers will receive.

"**Bank insurance intermediation**" is a partnership between a bank and an insurance company for the sale of insurance services by a banking institution through its channels of selling financial services to its customers.

For Ukraine, this concept is quite new, given the specifics of the formation and development of the domestic insurance market. The population of Ukraine had little knowledge in the field of insurance, respectively; we can see a certain distance from the purchase of insurance policies outside the branches of the insurance company. In turn, insurers and banks are interested in developing relationships.

Systematization of approaches of domestic and foreign scholars indicates the lack of a unified approach to determining the forms of combining banking and insurance activities (Addition A).

The most popular form of combining banking and insurance activities in Ukraine is a bank agreement with an insurance company, the so-called Agency Agreements or Power of Attorney Agreements. In the case of cooperation in this form, the interaction of the bank and the insurance company as specialized independent intermediaries is implemented based on mutual service. Moreover, the choice of partner, in this case, is on a competitive basis, taking into account the proposed conditions of financial services.

Under this form of cooperation, the insurance company, carrying out its activities, provides services to the banking institution in the field of banking risk insurance, as well as the risks of the bank's customers, collateral and more. Another aspect of mutual service is the provision of classic banking services to insurance companies, such as settlement and cash services, salary projects and more. An important aspect of cooperation between banking and insurance intermediaries is the placement of insurance reserves. The bank's interest in this is explained by the fact that placed insurance reserves are an important source of financial resources, especially in terms of long-term lending. All forms of cooperation between the bank and the insurance company are formalized in separate agreements.

Banks distribute insurance products separately or together with banking products for a fee. At the same time, partners do not provide access to the database of their client database or provide it in a very limited amount [8]. These relationships are called the agency and are formalized in separate agreements subject to mutual agreement between the bank and the insurance company. The condition for the sale of insurance company policies through the bank's network is usually the placement of a significant part of insurance reserves in the accounts of the partner bank (Fig. 1.1):

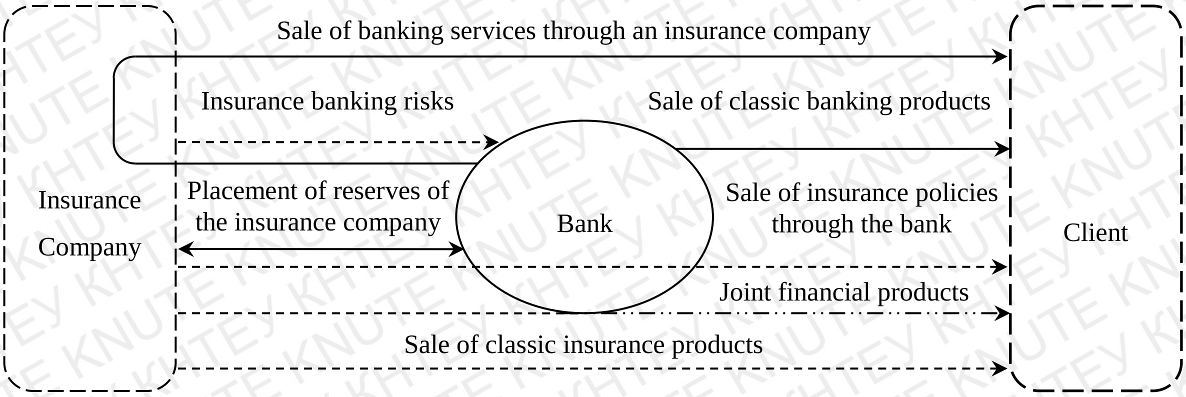

Fig1.1. Directions of integration and convergence of banking and insurance business at the stage of agency relations [9]

In Ukraine, according to current legislation, banks are prohibited from activities in the field of material production, trade and insurance, except for the functions of an insurance intermediary. It is also clearly established that the activity of providing financial loans has the right to carry out based on the relevant license only a credit institution and such activities cannot be combined with any other type of financial [9].

2) The securities market, the foreign exchange market and the precious metals market during the formation of its asset structure due to the most efficient use of accumulated insurance reserves [2].

According to M. Karlin, O. Ivashko, N. Prots in the insurance market as a whole and the insurance company, in particular, is influenced by many external factors, among which they highlight: the rapid course of globalization, a high level of mobility, internationalization of the insurance market, the related financial and insurance markets, a fairly significant level of dependence on external reinsurers, a large variety of financial instruments, a fairly significant dependence of the insurance market on foreign capital, the imperfection of domestic legislation [11].

It should be noted that in the economic literature there is no single interpretation of the concept of "insurance market". Because this concept includes two important economic categories: "insurance" and "market".

However, we note the main approaches to the interpretation of the concept of "insurance market": V. Furman considers the concept of the market as an institution or a mechanism that combines buyers and sellers to buy or sell goods, services and works, through supply and demand. the market price is formed [12].

We consider this definition to be economically correct, but it does not fully cover the category of the insurance market, while V.D. Bazylevych considers the insurance market from two positions. On the one hand, the insurance market is "a complex, multifactorial, dynamic, in some way structured system of economic relations arising from the need for insurance protection." On the other hand, it considers the insurance market as a part of the financial market, where the demand and supply for insurance services are formed, and the object of purchase and sale is insurance protection [13]. This definition is more economical and clearly shows the connection between the financial and insurance markets.

However, S. Osadets reveals the insurance market through the prism of the area in which insurers, policyholders, insurance intermediaries, as well as insurance infrastructure organizations (associations and associations operating in the market) interact [14]. We agree that this interpretation interprets the definition of the insurance market quite well, but the scientist does not explain the relationship of this market with the financial system.

We share the opinion of O. Gamankova, who interprets the insurance market as a holistic entity, which can not be fully attributed to the financial services market, because that part of it, which is related to insurance capital trading, is outside the financial services market, it belongs to financial market [15]. That is, we understand that the scientist divides the concept of "insurance market" and "financial services market", but in summary considers the insurance market as an integral part of the financial market.

In addition, a good interpretation of this definition by the scientist S. Zhuravin, who defines the insurance market as a system of economic relations arising from the purchase and sale of insurance coverage in the process of meeting public needs for insurance protection [16].

We agree with the opinion of the scientist O. Kozmenko, who clearly distinguishes the relationship between financial and insurance markets, namely, believes that the insurance market and the financial market are independent components of the country's financial system, which intersect only in investment activities with insurers market act as institutional investors, ie the relationship between the financial market and the insurance market is manifested at the subjective level. At the same time, in terms of the formation of types and technologies of insurance, there is a relationship between insurance and financial markets at the objective level. The component element within which the financial services market intersects with the insurance market is the insurance services market [17].

There are many of insurance companies in the insurance market, which, thanks to a prudent investment policy, can obtain additional income and, as a result, cover possible losses from insurance activities, which thus has a positive impact on the financial system.

M. Karlin, O. Ivashko, N. Prots define the financial system as a set of interconnected and at the same time separate areas and links of financial relations, which reflect the process of distribution and redistribution of GDP, a certain system of financial institutions and bodies [11].

In general, these markets are part of the country's financial system, which covers the monetary relations between the state, enterprises, institutions, organizations, and the population.

Regulatory regulation of insurance activities is an important component of the financial management system, in particular its security subsystem. After all, regulation in terms of financial management is implemented mainly through the formation of the legislative and regulatory framework for the regulation of insurance activities. This type of regulation takes place at the international, national and intra-organizational levels – the main documents are shown in Addition B.

The international level of legal regulation complements the project Solvency, developed by the European Committee for the Supervision of Insurance Markets and Pension Systems. The Solvency project consists of two parts. Solvency I provided control over the solvency of insurers, but much more powerful in its ideological content project Solvency II. Because it is based on the assessment of the investment risk of the system, as well as the rules concerning the own funds of insurance entities. Solvency II has three Pillars: quantitative requirements (Pillar I), governance of the undertaking and supervisory activity (Pillar II) and supervisory reporting and public disclosure (Pillar III) [18].

From 2018, it is gradually (fragmentarily) implemented into Ukrainian legislation:

1) The insurer is obliged to comply with all criteria and standards on any date - Previously: Minimum Capital Requirements (MCR) and Solvency Capital Requirements (SCR) had to be met only on the date of registration and pegged to the euro.

2) MCR: UAH 30 million UAH for non-life, UAH 45 million UAH - life:

- from December 31, 2018 to June 29, 2019 inclusive - 30% of the MCR and 30% of the SCR are applied;
- from June 30, 2019 to June 29, 2020 inclusive - 60% of the MCR and 60% of the SCR are applied;
- from June 30, 2020 - the values of the MCR and SCR in full [19].

Most of the legal framework governing insurance activities is outdated, but after the transition of insurance companies from July 1, 2020, there are gradual changes in this direction. It should be noted that the draft law №5315 "On Insurance" is registered in the Verkhovna Rada of Ukraine. This document sets out in a new version the current outdated profile law and contains rules on the activities of insurers and rules relating to insurance contracts, intermediaries and interaction with consumers of insurance products. This document also implements the requirements of the Solvency II and other European directives in insurance field [19].

In summary, we believe that the insurance market of Ukraine is in a very difficult environment of competition between financial institutions for free monetary resources of economic entities and the general population. Therefore, in modern conditions, the insurance market plays an extremely important role. The stability of the financial system, economic independence, the level of development of the social sphere, and the financial security of the country largely depend on its development and coverage.

Also, having considered some points of view of scientists on the essence of the insurance market, we have proposed our interpretation of this concept. It should be noted that the insurance market of Ukraine is still at the stage of development and integration into the world space, while its relative, absolute and qualitative indicators are growing, but they have not yet reached the level of developed countries. Ukraine's insurance market is quite young compared to the leading countries, where it has been developing for several centuries. In addition, the insurance market of Ukraine has significant potential, which is why it is important to create the necessary conditions and opportunities for its development.

In this section, we have analyzed the theoretical foundations and approaches of various scholars to the definition of "insurance market" and its place in the financial market. Therefore, taking into account the definition of the insurance market, in our opinion, they do not fully cover this concept and need some addition. Thus, **we propose definition “insurance market”** the sphere of financial and economic relations between insurers, policyholders, insurance intermediaries and the state on the purchase and sale of insurance coverage resulting in mobilization, distribution, redistribution of funds, and insurance reserves are used as an investment resource in the financial market. In addition to the theoretical foundations, the regulatory framework in the field of insurance was covered. In the following sections, we focus on the study of the global and domestic markets from a practical point, which will help bring out the conceptual recommendations needed for the insurance market of Ukraine for integration into the global financial space.

SECTION II
METHODICAL APPROACHES TO INTERACTION BETWEEN SUBJECTS OF INSURANCE MARKET IN UKRAINE DURING 2016-2020

2.1. Development stages and main trends in the world insurance market

Ability to the international competitiveness of domestic insurance services - the main goal of Ukraine's integration into the process of globalization of insurance relations. The Government of Ukraine has already begun to transform the national economy, which provides for such a starting task as the development and justification of methods of sustainable development in the international insurance system, which is possible achieved through the development of an efficient financial ecosystem, the key players of financial service providers which are insurance companies.

Currently, there is a strong dependence of countries on the state of the world economy, and each country is given a special place and a set of preventive measures in solving global problems. Ukraine can become part of the international insurance system and the world economy in general, enter the universal insurance system, which brings together highly developed countries, developing countries and countries with economies in transition based on basic international rules and disciplines.

To cover the topic of the unit, we have processed report on the global insurance market, which includes premium volumes by country, penetration rate, insurance density and key macroeconomic indicators, released by Swiss Re Institute. During the analysis, we identified the main points that best highlight the current situation in the world insurance market [29].

In 2020, the insurance premium volume was 6 287 billion dollars, which has not changed compared to 2019. The first 10 countries by premium volume - USA, China, Japan, United Kingdom, Germany, France, South Korea, Italy, Canada, Taiwan . In more detail, the premium volume and the country's market share in the world are imaged in Figure 2.1. Ukraine's market placed under 59 number and has a share of

0.03% in the world market of insurance premiums. It is important to note that Ukraine belongs to emerging EMEA and within this category Ukraine is mediocre.

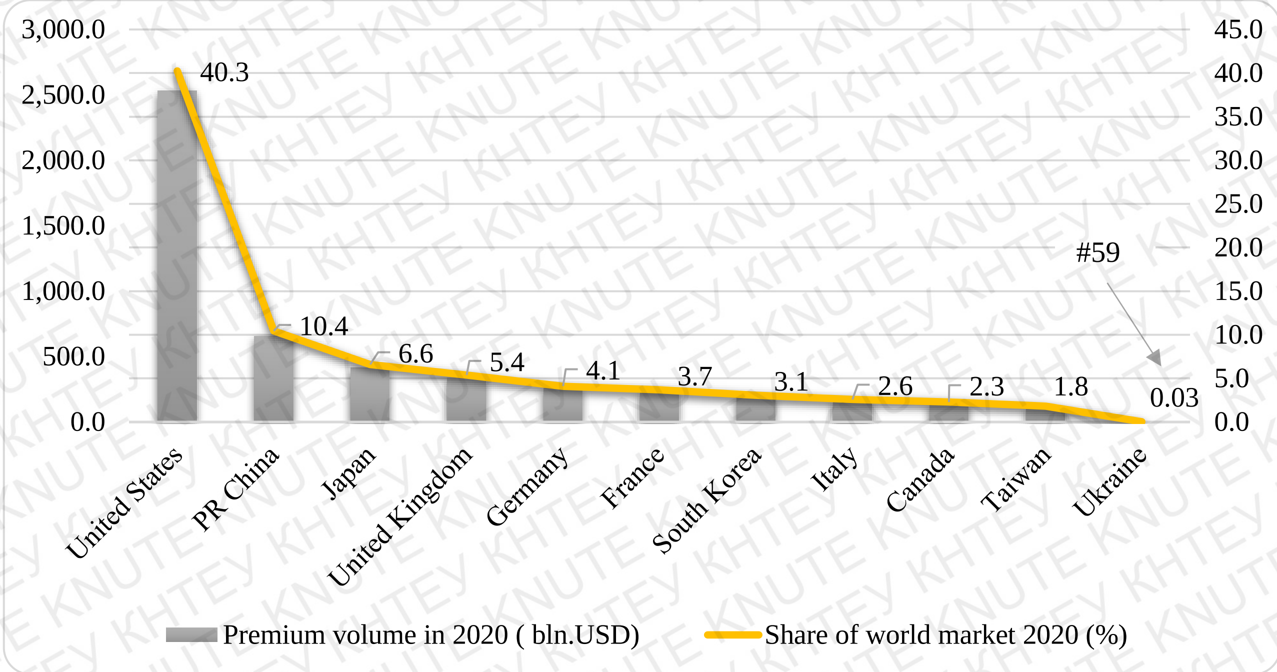

Fig.2.1 Dynamics of the global insurance market in terms of insurance premiums and countries 2019-2020

** Built by the author according to [30]*

Rapid vaccination and large-scale fiscal stimulus, including unprecedented direct transfers to households and businesses, are contributing to a stronger economic recovery than analysts predicted last year. Swiss Re raises its forecast for global real gross domestic product (GDP) growth to a historically high 5.8% in 2021. Insurance demand is benefiting from the growth momentum and global premium growth will be an above trend by 3.3% in 2021 for a total of $6.9 trillion and 3.9% in 2022. By the end of 2022, Swiss Re predicts that global premiums will exceed $7 trillion for the first time in history. In 2021, premium growth in key markets is projected at 6.3% for China, 1.7% for the US, 2.8% for Western Europe and 5.6% for emerging markets (fig. 2.2).

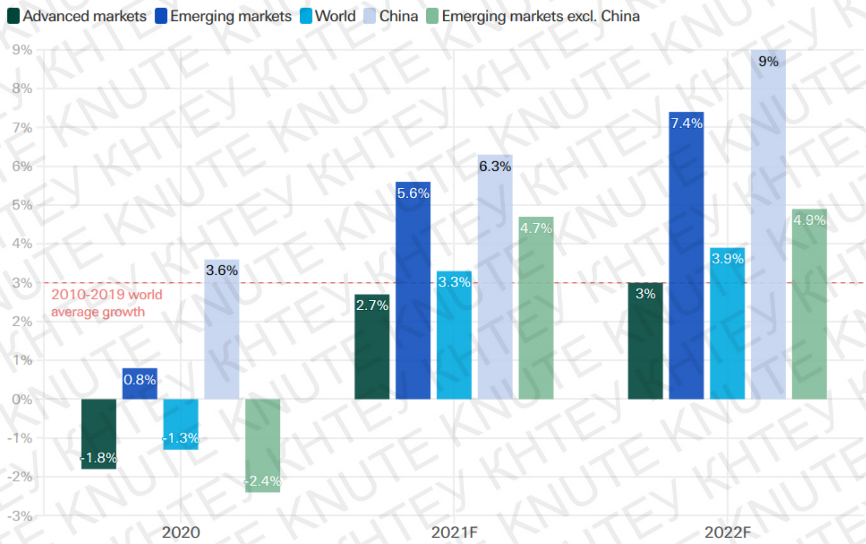

Fig.2.2 Dynamic of world insurance market growth in written premiums by region 2020 and forecast 2021-2022 [30]

The report examines how factors such as inflation and digitalization are affecting the development of the insurance industry. A key opportunity for insurers is the positive development of consumer awareness, which has been reinforced by the COVID-19 pandemic. The report highlights that global health and protection insurance premiums rose 1.9% and 1.7%, respectively, in 2020 as the pandemic raised awareness of the value of medical and protective-grade products [29].

Insurance Penetration ratio, which is defined as the ratio of the volume of insurance premiums to GDP, is 1.4% for the Ukrainian market in 2020 (of which "non-life" - 1.3%). For comparison, in Europe - 7.9%, the world average - 7.4%, USA and Canada – 11,8%. The world leaders are the United Kingdom, the EU’s countries and the developed countries of the Asia-Pacific market, which also differ from others in that the share "life" exceeds the "non-life", USA, but with the privilege of non-life [29].

Despite this, according to one of the largest reinsurance companies Swiss Re Sigma, the Ukrainian insurance market entered the TOP-10 most dynamic markets in the world and ended 2020 with a record profit of UAH 2.2 billion [29]. Return on assets is 3.4%. According to this indicator, insurers are ahead of other Ukrainian non-banking financial institutions.

Ukraine ranks 73rd in the overall ranking. In fig.2.3. reflected information on the TOP-10 countries and Ukraine as the ratio of insurance premiums to GDP.

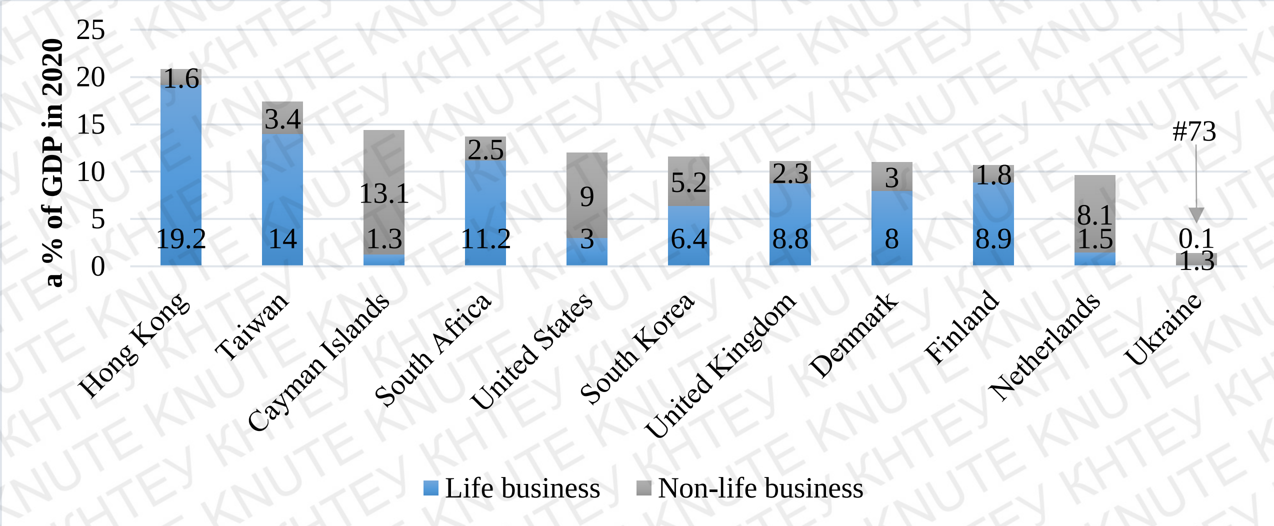

Fig.2.3 Insurance penetration premiums in world insurance market as a % of GDP in 2020

** Built by the author according to [29]*

Consumer survey in 12 Asia-Pacific markets in early 2021 found that many feel under-insured and aim to buy more protection, despite an already high rate of ownership. For companies too, pandemic-driven disruption has heightened awareness of supply chain and cyber risks. A second shift is the acceleration in demand to transact online. Insurers need to offer digital engagement at all touchpoints as they compete with new, non-traditional players entering the consumer insurance market [31].

In terms of penetration, the Asia-Pacific market is bifurcated: realizing insurance product through now accounts for 30% of all new life insurance business, but in total, penetration of insurance product as a share of the total customer base of banks is low, often ranging 1-4%. Relatively low penetration rates in Europe - 37% in life insurance and 8% in risk insurance products indicate that there is enough opportunity for growth in bank sales. Regardless of whether banks want to increase sales of insurance products, the use of digital tools will be key [32].

Of course, new conditions, such as the COVID-19 pandemic, have changed almost every aspect of life and business, and bank insurance is no exception. Quarantine restrictions have forced banks to reduce opening hours and close branches in many European countries, where some have seen customers only by appointment.

The impact of quarantine restrictions has affected to bank insurance intermediation, and the path of cooperation between insurers and banks will be reconsidered - COVID-19 affects the growth of bank insurance intermediation, the accelerated effect of consumer preferences on digital channels and potential responses to bank insurance intermediation is becoming the next norm of doing business.

The growth of bank insurance intermediation premiums in Europe over the last ten years has exceeded the growth of other insurance channels. According to McKinsey's analysis, between 2012 and 2019, premiums for life insurance products, realized through banks, grew by 3.6% per year (compared to 3.1% in other channels). At the same time, premiums for risk insurance products grew even stronger - 5.3% per year (against 2.0% in other channels). There is still plenty of room to grow, namely in non-life products, given the bank insurance intermediation channel represents only 9 percent of premiums [32].

A McKinsey survey conducted by Finalta before the COVID-19 pandemic found that 75% of non-banking insurance sales were distributed through branches, which formed the basis for COVID-19's impact on banking insurance intermediation. According to interviews with European insurance executives, suspensions and quarantine measures contributed to a drop of between 20% and 50% in new bank sales, depending on product and geography, compared to the same period last year [31].

We tend to believe that in 2021, the greatest risks and challenges are the biggest field for growth. The most important strategic and tactical tasks of insurers are inextricably linked and strengthen each other. Only in the holistic development and synergy of all lines within the insurance company - product offerings, market access and distribution, workforce strategies, data and technology environment - is it possible not only to achieve stability in crises but also to grow quantitatively and qualitatively by influencing and supporting the financial market and society as a whole.

After analyzing the international sources responsible for researching global financial markets and writing reports, the book 2021 Global Insurance Outlook [34] attracted our attention the most, which, in our opinion, most clearly and relevantly describes three critical dimensions - trends insurers and the industry as a whole - and strategic connections on each other. The authors of the book are specialists in the field of regional and global insurance market of Ernst & Young Global Limited - one of the world's largest international companies providing professional audit, consulting, tax and legal services.

First of all, we want to list these trends and provide general explanation (key imperatives and strategic connections can find in Addition E):

I. **Redefine and refine purpose in setting the strategic direction** - insurers must rationalize and rethink their core strategies — from what products they offer, to how they operate, to which markets they serve - purpose and long-term value are the best lenses for this critical task. Purpose is a useful framework both for insurers to increase their relevance to customers' lives and to develop new solutions that align to changing needs. For insurers facing a complex matrix of risk and opportunity, a clearly articulated and fully authentic purpose statement provides a strong strategic foundation in a time of uncertainty. Premium holidays and discounts offered after the pandemic are good examples of how insurers can live their purpose. Such steps also can create goodwill as insurers try to increase their social relevance and win over skeptics in the court of public opinion.

Beyond informing board and C-level decision-making, orienting on long-term value, including environmental, social and governance (ESG) considerations, provides useful metrics to measure the impacts of purpose-driven strategies [34].

II. **Transform the business to be more agile, digital and customer-centric** – while purpose should guide strategy formation and refinement, transformation efforts should be laser-focused on making the organization more agile, digital and customer-centric. Everything insurers do, from product portfolios and organizational models to marketing and sales programs, should be designed around deep insights into customer needs. This is not “tech for tech’s sake” with an end goal to optimize enterprise architecture, but rather to meet customer needs and drive better outcomes. Processes should be “digital by default,” with straight-through processing to eliminate frictional costs at key touchpoints. More agile operations and stronger digital capabilities will help insurers meet customer expectations for speed and personalization. Those attributes also are critical to boost performance across the value chain and develop new business models that hold the key to long-term success [34].

According to the 2020 survey, cybersecurity is the highest priority for insurance companies around the world - two-thirds of respondents said they expected their company to have a significant or slight increase in its cybersecurity spending. The least popular reaction was the automation of robotic processes; only 30% of respondents expected an increase in costs for this category. More information about digital technology investment priorities of insurance companies worldwide in 2020 are shown in fig.2.4.

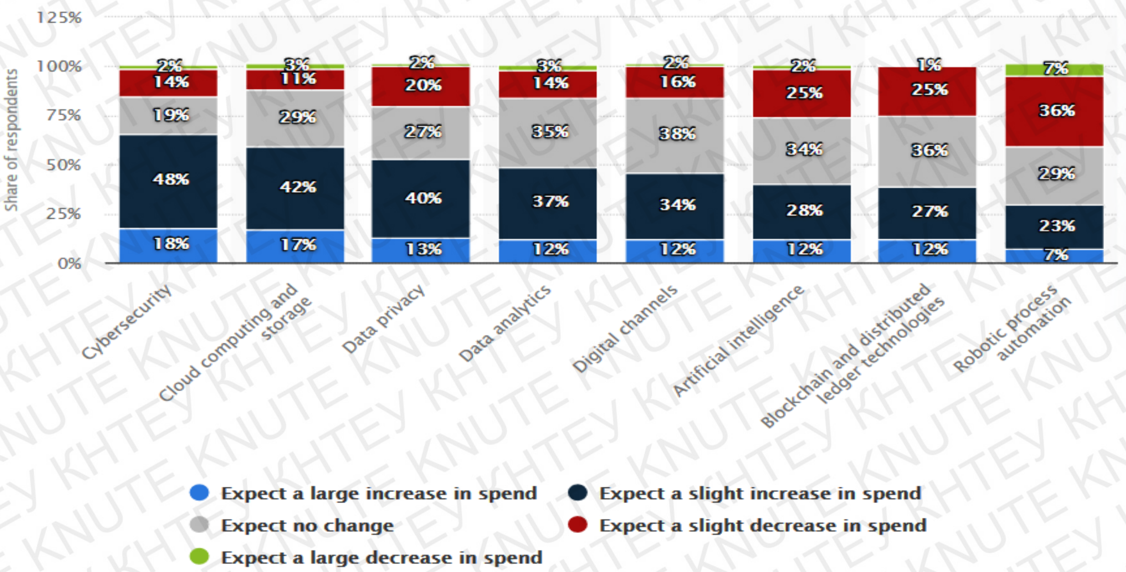

Fig.2.4 Digital technology investment priorities of insurance companies worldwide in 2020 [35]

III. Create value by optimizing cost management and capital allocation.

While balance sheets across the industry were in strong shape before the pandemic, insurers must take action to generate stronger returns for shareholders and more value for customers. By simultaneously optimizing cost structures and strategically prioritizing investments, insurers will be able to meet both goals. However, serious economic pressure, low interest rates, and significant strain on capital reserves and liquidity necessitate hard choices. All options should be on the table: automation, divestment, restructuring and outsourcing. For instance, by teaming with InsurTechs in ecosystems or other partners, insurers can avoid large capital outlays as they seek new revenue. They also avoid the risk of subpar returns on big investments. The goal is lean and agile operations, with a flexible cost structure that can easily scale up or down as business expands or contracts. Rather than tactical cost cutting, insurers need to manage a strategic cost agenda [34]. Another investment priority is specific value chain improvements that can deliver substantial returns quickly (e.g., automating claims and customer service processes) [35].

To achieving this most insurers are more likely resetting priorities, reducing nonessential expenses, and postponing less critical investments to free up capital for areas needed to recover and thrive, with spending priorities differing by region (fig.2.5):

Fig.2.5 Operational priorities in investment differed by region insurance market in 2020 [36]

In this subsection we researched the current situation in the global insurance market and forecast future results that can be achieved given the new reality of development in a world with a pandemic; international experience in combining the activities of insurers and banks; highlighted and described the main trends in the world insurance market. The information from the subsection is the basis for the following one in terms of comparison with the Ukrainian market, highlighting the key points that bring closer and stop the integration movement of the domestic market into the global financial space.

2.2. Problems identification about the integration of domestic' insurance market into the global financial space

In developed countries, insurance is an important component of economic security and the financial system of the state. In the financial market, insurance companies are not only insurers and financial intermediaries, but also financial managers and investors. Insurance companies insure the risks of other financial market participants, increasing the level of financial security in it.

The current state of development of the insurance market of Ukraine indicates that it does not perform its role effectively enough in the functioning of the financial system. According to various experts, the share of personal insurance payments in Ukraine is only 4-5%, while in Western Europe and the United States this type of service is about 60%, in Japan - 80%, in the UK - 70%, in the world on average - 58.3% [37]. It should be noted that the main reasons are, firstly, mental characteristics, and secondly, the economic situation of both the state and the population.

At the same time, the insurance market of Ukraine performs its functions, in particular, as a subject of the financial market, only partially, slowly adapting to European and world standards. However, at the current stage of development of the Ukrainian economy, all types of financial intermediaries are constantly faced with crises that are exacerbated by military aggression, pandemics, devaluation of the national currency, distrust of government, high levels of corruption, low investment attractiveness and significant debt burden. However, most of their activities are hindered by the underdevelopment and instability of the financial market of Ukraine as a whole. Therefore, today one of the most pressing social challenges is ensuring the comprehensive development of all activities of insurance companies in the financial market of Ukraine.

As of September 30, 2021, 152 non-life insurers are operating in the non-banking market and 17 life insurers. As shown in Fig. 2.6, starting from 2016, the number of insurers has almost halved - from 310 insurance companies as of 31.12.2016 to 169 as of 30.09.2021.

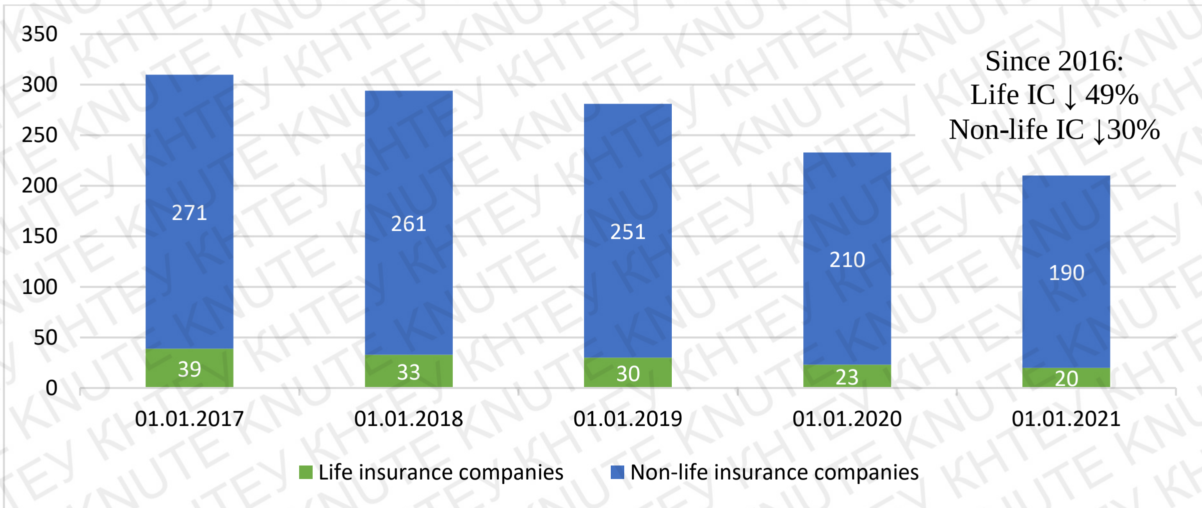

Fig. 2.6 Number of insurance companies in 2016–2020 on the insurance market of Ukraine

** Built by the author according to [38-41]*

The reasons for the exit of insurers from the market in 2016-2018 were mainly either the legal requirement to have no insurance activity for 6 months, or the decision to revoke the license. But the revival of companies' exit from the market began with the implementation of European legislation, namely Solvency II, in Ukraine in terms of implementing new regulatory requirements - MCR and SCR, which were described by us in Setion I. On June 30, 2020, the transition period for full compliance with regulatory requirements ended, and on July 1, 2020, the National Bank of Ukraine became the regulator for insurance companies to replace the National Commission for State Regulation of Financial Services Markets [42].

As a result, there were problems in some insurance companies, which violate the requirements of the new regulator. In particular, 57 insurers did not fully comply with the requirement for solvency and capital adequacy. The main reason – low quality of assets. However, it should be noted that the number of violators of solvency requirements is gradually declining - insurers who violate regulations, submit to the NBU plans to resume operations or eliminate violations in a short time. Those who are unable to eliminate the violation cease to exist. Therefore, as of July 1, 22 licensed insurers did not meet the standard of solvency and capital adequacy [43].

90% of insurance premiums for 2020 are concentrated in 60 insurers (50 non-life insurers and 10 life insurers). More than 50% of non-life insurance premiums are concentrated in 10 insurers. The life insurance market is traditionally small and has a high concentration of a quarter of market players (5 ICs) who account for 90.3% of life insurance reserves. The distribution of market concentration in 2020 is quite stable and has not changed significantly, see Fig.2.7.

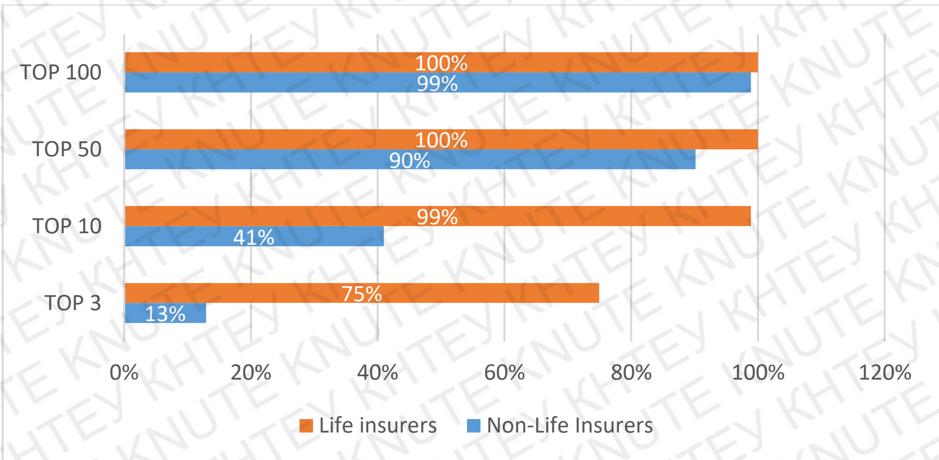

Fig.2.7 Concentration of insurance companies

** Built by the author according to [38]*

In 2020, 35% of insurance premiums traditionally fell on car insurance (MTPL, Green Card, CASCO). Personal types of insurance (VHI, accident insurance, life insurance) amounted to 31% [32], see Fig.2.8. Priority for insurance companies remains such segments as car insurance and life insurance. In the first case, there is an increase in sales of new cars, including lending programs, which, as a rule, are issued and CASCO, and sometimes immediately the life insurance of the borrower. In the second - the growth of fears for your health: buying a policy is relatively cheap but allows you to get quality medical care, which is especially important in the current environment [30].

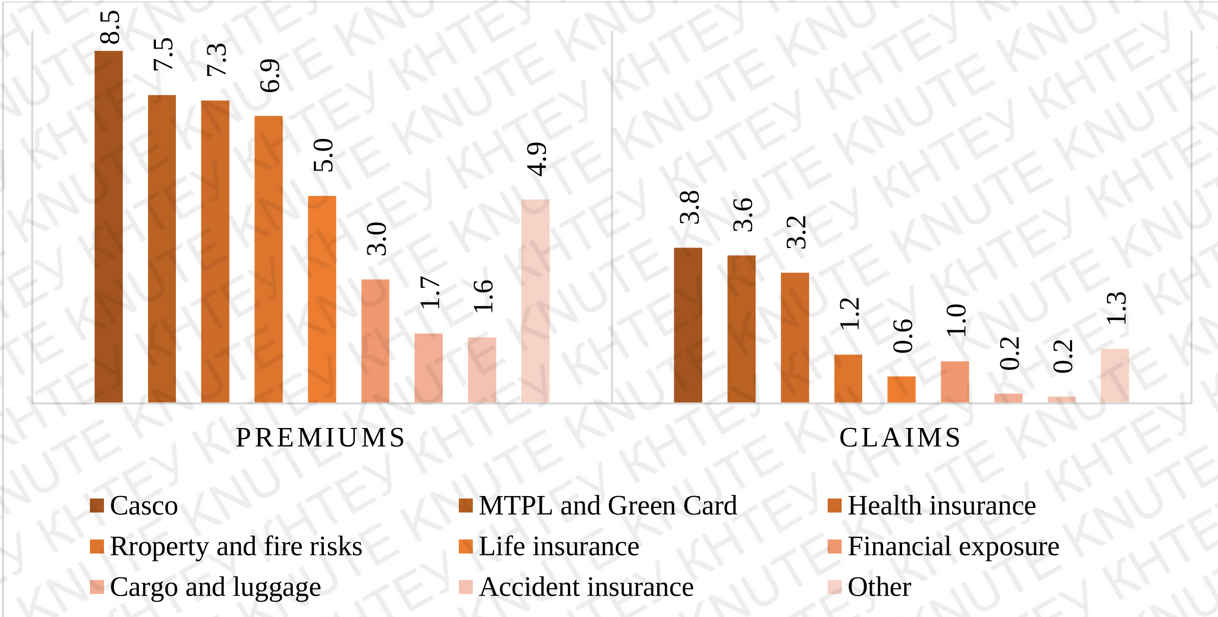

Fig.2.8 Breakdown of insurance premiums and claim payments by most popular types of insurance in 2020, UAH billions

** Built by the author according to [38]*

Total written premiums in 2020 compared to 2019 decreased by 15% and amounted to UAH 45.2 billion - a downward trend was formed in the non-life segment (-16.9%), in the life segment insurance premiums increased by 8.7 %. The volumes of paid insurance payments/indemnities for 2020 remained at the level of the previous year (+ 4%), while the increase in payments was to the larger life segment (+ 12.6%), in the non-life segment in 2020 the volume of payments remained almost unchanged +

3.2%). The level of payments was 33%, an decrease of 3 percentage points from 36% in 2020. In the second quarter of 2020, the general indicators of insurance premiums and insurance payments significantly "requested", which is only partially related to the introduction of quarantine measures. The fluctuations of indicators continue to be influenced by the exit from the market in 2020 of some insurers that have historically been engaged in incoming reinsurance see Fig.2.9.

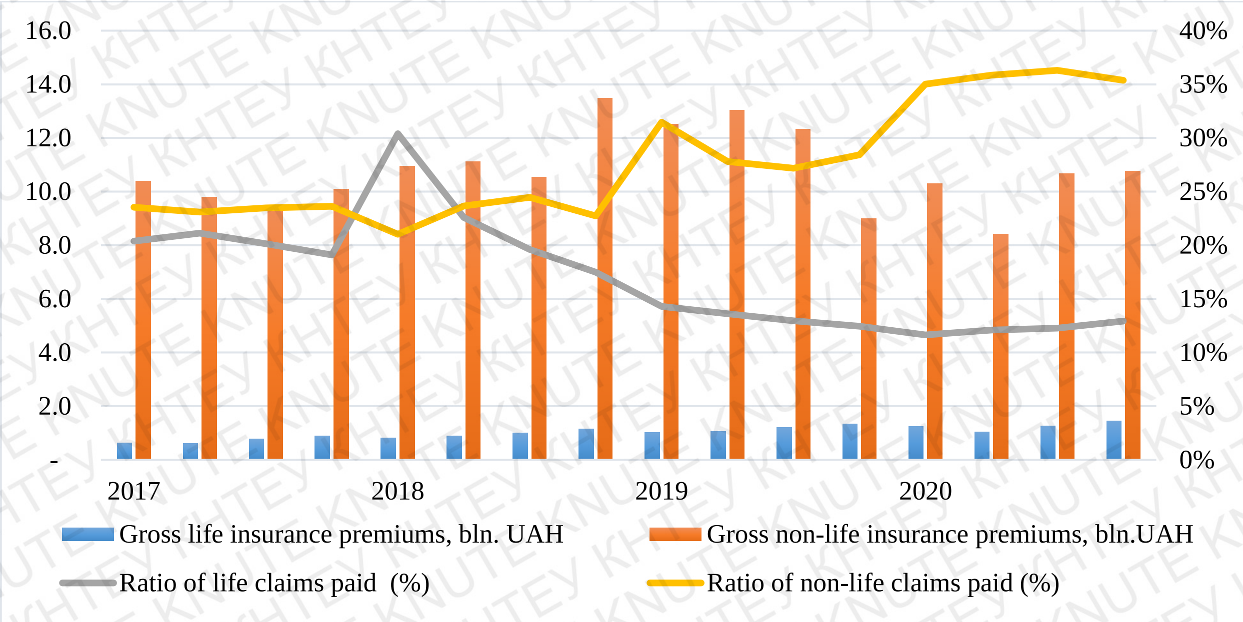

Fig.2.9 Premiums and ratio of claims paid by type of insurance in 2017-2020 quarterly, UAH billions, %

** Built by the author according to [38-41]*

In general, for 5 years the insurance market of Ukraine has been constantly increasing premiums and has repeatedly been included in the top rankings of the most dynamic markets in the world. Detailed analysis of indicators is reflected in Addition F.

As mentioned in the previous sections, one of the forms of insurance services is cooperation with banks, namely bank insurance intermediation. That is why we analyzed the insurance market through the prism of banks. Large banks that specialize in providing services to individuals, such as PRIVAT BANK, OSCHADBANK, OTP BANK, CREDIT AGRICOLE BANK, UKRSIBBANK have a very wide range of partner insurers, which are divided into life and non-life insurers. They work with successful insurance companies that are the leaders of accumulated insurance premiums, thus creating a positive attitude towards the products sold. Their main partners are ARX, PZU, UNIQA, UNIVERSALNA, etc.

CREDIT AGRICOLE BANK is actively developing in the field of bancassurance, which cooperates with 15 "life" and "non-life" insurance companies with credit and non-credit insurance products. CREDIT AGRICOLE BANK’s branches [45] sell not only insurance products that are required under the terms of credit but also non-credit insurance products: Compulsory and Voluntary MTPL, Green Card, CASCO, P&C, Travel and others.

It should be noted an increase of 27% in the total value of received insurance premiums in 2019 compared to 2018, in monetary terms - 620 million UAH (including credit and non-credit insurance products). The main directions of development of bank insurance intermediation in the bank are maximum digitization of processes; improvement of the product line of insurance products and their redistribution into differentiated sales channels; focus on improving the efficiency of insurance processes in the bank and increase the resulting level of commission income from this business [46]. A significant advantage of the bank is that even in the direction of non-credit bank insurance intermediation in most types of insurance customers are offered a choice of not one but several insurance companies, which provides the client with the opportunity to evaluate existing offers of market leaders and buy the necessary insurance product.

After analysis, we can highlight that the modern insurance market is formed in conditions of a gradual increase in basic macroeconomic indicators. In addition to positive macroeconomic indicators, there are the following prerequisites for the development of the national insurance market:

- gradual growth of incomes of the population with a tendency to overcome low level of solvency;

- increasing the interest of legal entities and individuals in protecting their property interests;
- increase in the number of profitable enterprises;
- legislative introduction of compulsory civil insurance legal liability of owners of land vehicles;
- development of financial services markets (including the stock market) and formation of a national mortgage lending system;
- introduction of a non-state pension system.

However, there are also negative factors that hinder market development insurance services:

- imperfect protection of the rights of consumers of insurance services;
- low level of ratio of insurance payments with deductions payments transferred for reinsurance to Ukrainian insurers, and gross domestic product, a small customer base of insurers, as well focusing on insurance activities mainly on property insurance legal entities;
- lack of reliable financial instruments for investment;
- Insufficient level of personnel and scientific support of insurance market;
- low level of insurance culture of the population.

This subsection analyzed the main indicators of Ukraine's insurance market development and its place in the world, including by the new regulatory requirements of the regulator, identified the main advantages of the domestic market and the problem of integration, studied the banking insurance market. To develop proposals for improvement on the way to integration, it is also important to address the issues of risk management of insurance companies, which is an important issue for this type of activity.

2.3. Methods of risk management of insurance services

In today's world, the activities of any business are associated with a variety of risks. With regard to insurance companies, the greatest impact on their operation have risks that are due to the very essence of the insurance service. On one hand, insurance companies are selling what many people consider to be a risk mitigation. On the other, insurance companies themselves face a variety of risks they need to mitigate. Thus, effective management of this risks is one of the most important conditions for ensuring financial stability and the required level of solvency of the insurance company.

The current state of the finances of insurance companies requires the search for new ways to increase their competitiveness and financial stability and stability, which, in turn, can provide an effective mechanism for risk management. However, today, most insurers do not have an effective risk management system, which complicates their operation. For effective risk management, it is necessary to clearly define existing methods of risk management.

First of all, we would like to outline how risk management differs from risk assessment - risk assessment measures different risks and helps the insurance company to identify the most significant ones. Enterprise Risk Management (ERM) for insurance companies means monitoring and updating the means of controlling reduced or assumed risks if the company does not choose to participate in the transfer of risks [47].

According to a study by the National Association of Insurance Commissioners (NAIC), core risks in the insurance business include “underwriting, credit, market, operational, liquidity risks, etc.” Given this wide variety of concerns, there is a tremendous opportunity for risk management in insurance companies to make a positive impact [48].

Fig. 2.10 shows the main stages in risk management of an insurance company, below we will describe the general stages and describe in more detail the methods of risk management of insurance companies.

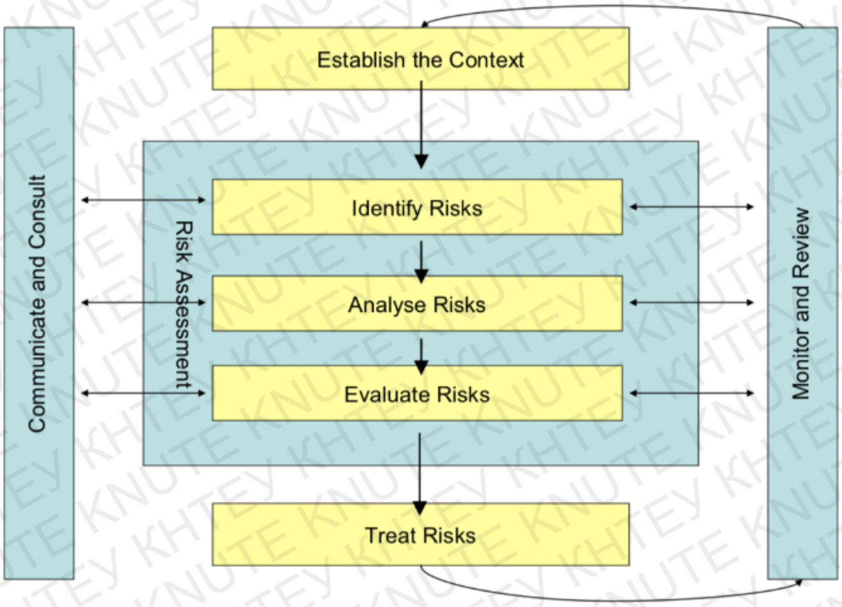

Fig. 2.10 Risk Management Framework [49]

I. Establish the Context

The foremost step in risk management is to ensure that the key objectives are clarified to certify there is a common understanding of what the risk managementis aiming to achieve. There are several issues to consider in establishing the risk management context which are legislation, standards and policies, stakeholders to be impacted and specialist professional or other relevant knowledge. This provides a resilient basis for the identification of the risks [49].

II. Risk Assessment is the overall process of risk identification, analysis, and evaluation.

Risk identification is the starting point for identifyingthe nature, sources and cost of risk, areas of impacts,events, causes, and potential consequences. Attention should begiven not only toexisting risks but also to those arising fromnew activities.

Risk analysis involves developing and understanding of the riskthat will help make the decisions most appropriate for risktreatment. Risk analysis involves measuring risk by considering consequences of an unfavorable event and likelihood of suchevent occurring. Factors that affect consequences and likelihoodshall also be identified.

Risk evaluation helps in making decisions, based on theoutcomes of the risk analysis, in particular to inform seniormanagement. It mainly involves comparing the level of riskfound during the analysis process with the insurance company’srisk appetite, risk tolerance and regulatory limits [49].

III. Treat Risks - methods of risk management of insurance services

After the risks are assessed, insurance company shall choose the best option to eliminate or mitigate (manage) unacceptable risks. There are four main methods of risk management: risk avoidance, risk transfer, risk reduction and risk retention. Risk treatment options are not necessarily mutually exclusive or appropriate in all circumstances. Several risk management methods are often used simultaneously.

- **Risk avoidance (risk elimination)** involves the complete avoidance of activities that pose a potential hazard. This method has limitations in use, as it requires the waiver not only of certain activities associated with risk but also of the associated future benefits. So, avoiding risk, we lose potential income [50].
- **Accepting and retaining** the risk by making informed decision and having plans for managing and funding the consequences of the risk if it occurs. Even if there is no reduction, avoidance or transfer of risk, it is still accepted. Within this method, the creation of self-insurance funds is quite effective. Risk acceptance is effective for those risks that do not pose a significant financial threat. But if you do not have enough own funds to contain the risk of large amounts, it is necessary to try to attract other ways to manage this risk [51].
- **Risk reduction (risk mitigation)** involves reducing the degree of possibility of loss. This can be done by increasing precautionary measures or limiting (limiting) risky activities through staff training, changing procedures, or by reducing theimpact through diversifying credit portfolio, setting up off-site data backup etc. Asset diversification and hedging are forms of reducing investment risks. Investing in information is one way to reduce risks, because the higher the awareness of risky activities, the less uncertainty there is [50].

- **Risk transfer (risk insurance).** In this method, the financial risk is transferred to a third party. Risk sharing is also a type of risk transfer. That is, the greater the number of those who share the risk, the fewer negative effects will be manifested [51].

IV. Risk Control and Monitoring

The most important ways for insurance company to address risks is to put in place adequate risk control mechanisms: establishment and communication of risk limits through policies, standards and procedures that define responsibilitiesand authority. The Insurance company's monitoring and review processes should encompass all aspects of risk management process for the purposes of:

- Detection of changing risk sources and factors within and outside the institution,
- Obtaining further information to improve risk assessment,
- Ensuring that controls are effective and efficient in both design and operation,
- Analyzing and learning lessons from events, trends etc., and
- Identifying emerging risks.

Insurance company must have an independent risk management department. The main functions of the department/units include the following:

- managing the process for developing risk policies and procedures,
- coordinating with business users to prepare functional specifications,
- preparing and forwarding risk reports, and
- assisting in the implementation of all aspects of the risk function [49].

V. Communication and Consultation

Suitable communication and consultation with internal (within insurance company) and external stakeholders throughout the risk management process promote a common understanding of stakeholder interests, risks identified and the process for managing them. Top management shall be aware of the insurance company's risk profile on an ongoing basis and shall regularly report it to the board or a board-level committee for review [49].

VI. Management Information System (MIS)

Effective MIS is necessary for adequate risk monitoring and reporting. When MIS can generate key risk indicators in the form of accessible reports in a timely manner, then risk managers can monitor the risk levels continuously and inform senior management and board as necessary or as required. The MIS should be able to produce reports in accordance with regulatory requirements. In addition to regular reporting, there should be a system to address any exceptions observed. Further, there should be an explicit procedure regarding measures to be taken to address suchdeviations [49].

When studying the world experience in risk management in the insurance sector, the greatest attention should be paid to the transfer of insurance risks, ie reinsurance. Reinsurance is a necessary condition for ensuring the financial stability and solvency of the insurance organization.

In most cases, insurers do not have the opportunity to form a perfectly balanced portfolio of risks, as a small number of objects of insurance or the insurance portfolio contains large and dangerous risks, which add to the portfolio elements of imbalance. Reinsurance not only helps to protect the insurance portfolio from the impact of a series of large insured events or even a single catastrophic event, while the payment of insurance indemnity in such cases does not place a heavy burden on one insurance company, but is carried out collectively by all participants.

In addition to traditional reinsurance, the experience of foreign insurance companies demonstrates the use of alternative instruments for the transfer of insurance risks, which provide the formation of sources of their coverage through the mechanisms of the stock market. The emergence of alternative instruments for the transfer of insurance risks was caused by the need to find new sources of financing for catastrophic risks, to cover which the capacity of the traditional reinsurance market was insufficient. At the present stage, financial instruments that provide for the transfer of catastrophic risks are the most popular among alternative risk transfer instruments. These include CAT bond, sidecar, insurance loss warranty, etc. [51].

Thus, the specifics of risk management in the insurance organization is the need to manage in addition to its own risks and risks that are accepted under insurance contracts, ie insurance risks. Thus, the transfer of risks in the insurance sector is significantly different and has a number of features. As a result of the interaction of the insurance and stock markets, new alternative instruments for the transfer of insurance risks began to develop. Their use in insurance activities, along with reinsurance, is a priority for the development of risk management in insurance companies.

In the second section we presented research methodical approaches to interaction between subjects of insurance market: we analyzed the current situation in the global and domestic markets, identified the main trends of future development of the industry and the problems of Ukrainian integration into the global financial space, and described methods of risk management of insurance services as a unique institution that needs to manage its risks, as an enterprise, and the risks it takes on insurance.

Based on the results of this section, the next section will set out the main recommendations for providing insurance services in the domestic market based on world experience, as well as develop an insurance product that serves as insurance support for the financial market and a model for calculating the product for Ukraine.

SECTION III

RECOMMENDATIONS FOR INTEGRATION OF INSURANCE MARKET IN UKRAINE INTO THE GLOBAL FINANCIAL SPACE

3.1. Providing insurance services: foreign experience

In the second section, we identified the world leaders by insurance penetration in country's GDP and share in world insurance market are the USA, Canada, United Kingdom, the EU's countries and the developed countries of the Asia-Pacific market.

The main approaches to insurance in foreign countries are reduced to its role in various areas of production, financial and credit system. In general, we consider the experience of organization and features in the insurance markets of the insurance system in foreign countries on the example of individual countries and interesting projects. Thus, insurance in the USA has developed significantly due to the need to reduce economic risks. Private insurance companies, insurance cooperatives and the government provide insurance. Private insurance companies are one of the most powerful sectors of the American financial and credit system. At the same time, the United States does not have a single state insurance system. Each state has its own insurance laws.

In France, the 1982 law on insuring anyone's property against the effects of natural disasters stipulates that the state must develop special "risk plans" in which any area will be assigned to a particular danger zone in the likelihood of being prone to certain natural disasters. In this In this case, compensation for natural disasters is not provided in areas declared "risk areas", unsuitable for construction and other measures due to increased danger. Also, the costs are not reimbursed in case of violation of the rules established in this area to prevent the consequences of natural disasters. However, all buildings or activities that existed in the area before the announcement their "dangerous" or the development of appropriate rules, are subject to insurance even when they do not meet these conditions [52].

There is unique cooperation between Europian countries - the company's objective is to market General Insurance products, taking advantage of the knowledge and experience of Crédit Agricole Assurances and the distribution network of ABANCA in Portugal and Spain (fig.3.1).

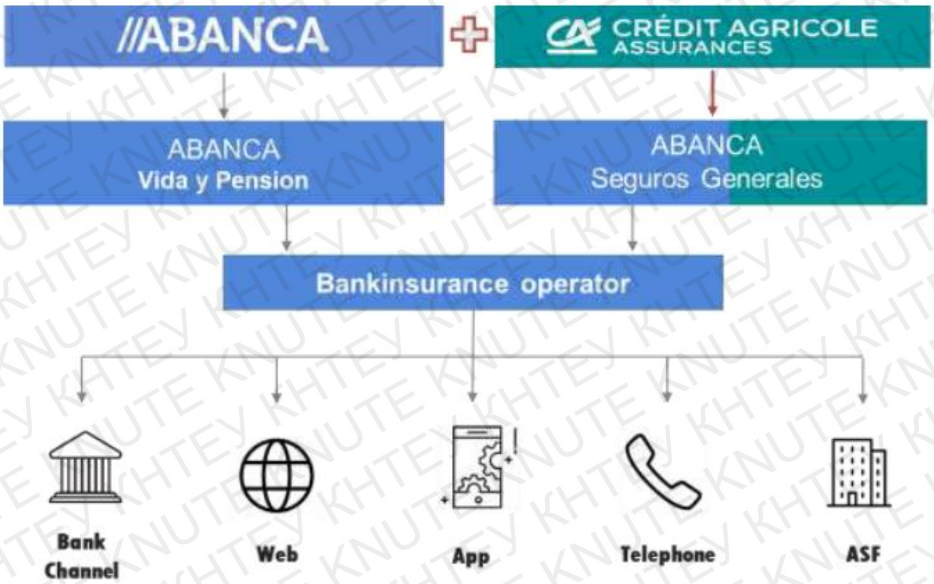

Fig. 3.1 Model of cooperation Credit Agricole Assurance and ABANCA

** Built by the author according to [53]*

The new insurer will develop a business model that is supported by technology, digitization and multi-channel operations. Its offer will cover major insurance lines, products that claim to be "simple, innovative, flexible and with guarantees and coverage that are not usually found on the market," the company explains. The company plans to launch its first insurance policies in the first quarter of 2021, which will be sold through the commercial network Abanca, and will also be available online and in mobile banking. The offer will be gradually expanded with new products, which will also be available on the open market in the medium term. Another hallmark of the company will be comprehensive support and assistance to the policyholder in the event of a claim, to achieve an excellent customer experience and speed up the management of repairs or compensation.

Swiss Re has entered into a partnership with BlaBlaCar, the world's leading community-based travel platform, and motor insurance specialist L'olivier Assurance. The partnership has enabled the creation of BlaBlaCar Coach, an innovative smartphone app that offers drivers personalised coaching and tips for safer driving and is available with an annual car insurance. This collaboration will advance innovation in the French mobility market, with the aim of improving road safety and making mobility more sustainable.

Swiss Re's vision to make the world more resilient matches with BlaBlaCar's long-term ambition to improve road safety and reduce the environmental costs of transportation. The digital brand L'olivier Assurance was the perfect fit for this partnership. Over the years, the company has built a reputation in the market for delivering quality products at competitive rates and a record of accomplishment of superior customer service. It combines agility and digitalisation expertise to deliver an unmatched customer experience to those seeking to purchase insurance [54].

Regarding this development in Ukraine there is a similar analogue of insurtech from Insurance Company Universalna – Kasko2go.

Kasko2GO is a mobile application that uses artificial intelligence to predict the possibility of an insured event based on how often the driver is behind the wheel, how he behaves in the flow of cars, his reaction to external stimuli on the road and many other factors. Based on this analysis, the cost of insurance is formed - it is a monthly breakdown of the payment, which is important given the high cost of insurance. Moreover, the product can be "paused" at any convenient time and not pay for it if you do not plan to use the car.

Kasko2GO does not require the installation of any additional devices. Client also does not need to go to an insurance company, conduct exhausting examinations, and sign documents.

We want to highlight social mission of this insurtech, because this product improves driving culture. This was proved by the statistics of European countries, where such products have been working for a long time. In Switzerland and Germany, drivers who use Kasko2GO are more careful on the roads, less prone to the risk of accidents. Responsible drivers who have Kasko2GO installed do not pay the "average check", thus compensating for the costs of the daredevils. They pay a fair price based on their safe driving style [55].

Consider the German insurance market, which is characterized by dynamic development. The annual increase in the number of insurance payments in Germany is 10%. Personal insurance in the structure of the national insurance market is 37%. Health insurance, which is slightly less popular than in other Western European countries, accounts for about 12% of total insurance payments. Property insurance occupies 51% of the German national insurance market [56].

Insurers in Germany are not allowed to engage in any activity other than insurance. The insurance business in Germany is highly regulated. There is currently a law on state insurance supervision in 1983. All national and foreign insurance companies operating in Germany are subject to mandatory control by the Federal Office for the Supervision of Insurance Companies [52].

The UK insurance business has been focused for many years in London as a global financial centre. The largest international insurance The London market serves the financial flows of several countries and companies. Confidence in the London International Insurance Market is based on the significant human resources of insurance market specialists, highly developed market infrastructure and the presence of the well-known insurance corporation Lloyd in the UK [57]. Insurance companies in the UK are not allowed to engage in any business other than insurance.

The basic structure of the London International Insurance Market - Lloyd Corporation is represented by 400 insurance syndicates, which unite individuals - underwriters who are directly involved in the insurance activities of the corporation. Underwriters are liable for obligations under insurance contracts within the syndicate.

Dynamic and mobile syndication structures form the economic environment of the international insurance market in the Lloyd Corporation system.

Each syndicate is represented in this market through a leading underwriter who directly assumes the risks of syndication insurance from an intermediary - broker Lloyd. Lloyd's corporate membership is open to all UK citizens and residents. Insurance companies pay income tax on the insurance business, as well as real estate tax. In some cases, insurance transactions are subject to stamp duty, but the scope of these transactions is very limited [58].

The Asia-Pacific and Latin American markets show a focus on the combining banking and insurance activities, through which banks actively sell life insurance products. After all, life insurance fits particularly well into the framework of bank insurance intermediation, as it is related to financial products - for example, sales of life insurance products of the Bank's borrower increased rapidly with the credit boom of the 2000s. In addition, where banks have access to their clients' financial assets, they often work to promote products with built-in life insurance as an alternative form of investment that also allows for tax benefits [32].

The situation with risk insurance products is more complicated due to lower insurance payments and commissions and at the same time additional costs for product promotion. However, due to low-interest income, banks need to look for new sources of income. As a result, they began to realize the potential of individual sales of risk insurance products.

For the period 2011-2017 global insurance sales through banks increased in all regions, Latin America showed an increasing trend of written premiums by 12 percent. Sales in the Asia-Pacific region grew by 9.2%, with China accounting for two-thirds of the growth. In both regions, the growth can be explained by the motivation of banks to increase income in the face of declining net interest income. Besides, the rapid growth in GDP per capita and living standards in most Latin American countries in the

2000s led to more affordable income and the total number of people buying insurance products [59].

The provision of services is impossible without a regulatory framework by supervisors, so it is appropriate to describe two documents that are important in the European space in the context of insurance regulation – Solvency II and IFRS 17.

Solvency II is a harmonised prudential framework for insurance firms, introduced in 2009 to replace a patchwork of rules and came into effect on 1 January 2016 in the areas of:

- life insurance
- non-life insurance
- reinsurance

Often called "Basel for insurers," Solvency II is somewhat similar to the banking regulations of Basel II. For example, the proposed Solvency II framework has three main areas (pillars):

- Pillar 1 consists of the quantitative requirements (for example, the amount of capital an insurer should hold, SCR, MCR).
- Pillar 2 sets out requirements for the governance and risk management of insurers, as well as for the effective supervision of insurers - each insurance company isrequired to carry out an OwnRisk and Solvency Assessment (ORSA). The ORSA requires each insurer to identify the risks to which it isexposed, including those not covered under Pillar 1, to identify the risk management processes and controls in place, and to quantify itsongoing ability to continue to meet the MCR and SCR.
- Pillar 3 focuses on disclosure and transparency requirements.

Solvency II rules introduce prudential requirements tailored to the specific risks which each insurer bears. They promote transparency, comparability and competitiveness in the insurance sector [18, 20-21].

In addition to Solvency II, which went live January 2016 in the European Union, another regulation will soon change the face of the insurance industry – IFRS 17 (formerly known as IFRS 4 Phase II) issued by the International Accounting Standards Board (IASB).

The objective of IFRS 17 is to improve financial reporting by providing more transparent, comparable information about:

- The effect of the insurance contracts on financial performance.
- The way by which entities earn profits or incur losses, through underwriting services and investing premiums from customers.
- The nature and extent of risks that companies are exposed to as a result of issuing insurance contracts [60].

After studying the documents, we identified the main differences between the documents, which are reflected in table 3.1.

Table 3.1

Differences between Solvency II and IFRS 17

Criteria	Solvency II	IFRS 17
What does the document focus on?	Lead to competitiveness of the products in terms of their pricing and features offered by insurers with a focus on an enhanced level of policyholder protection and solvency capital requirements.	Eims to apply uniform accounting standards for all types of insurance contracts (and reinsurance), as well as bridging the gap between insurance standards. Reporting in accordance with IFRS 17 will be much more transparent due to the stringent disclosure requirements.
Risk and liquidity restrictions	Specifies the risk-free rate as well as liquidity premium	Does not impose such restrictions on liquidity premiums
Profit recognition	Profits are recognized immediately at the inception	Profits will be recognized over the life of the individual insurance contract.
Including general overheads in cash flows.	Yes	No

*Built by the author according to [18, 20-21, 60]

Ukraine's integration into the modern European economic and legal space involves the adaptation and harmonization of national legislation with the norms and standards of the legal system of the European Union, which requires the formation of a developed insurance market, promoting economic activity of all market participants, expanding the legal framework a market that meets European standards.

In a broader sense, in our country, there is the development of insurance protection as a separate area of state regulation of business development and entrepreneurship in various sectors of the national economy, ie by adopting special laws, defining mandatory types of insurance, regulating insurance companies

Based on the previously analysis of the statistical base of the global and domestic market, identifying key development trends taking into account regulatory requirements in the next section, we have developed a proposal for the ukrainian insurance market, which can ensure that insurance companies perform insurance not only for customers but also support the financial market.

3.2. Ukrainian insurance market paradigm oriented by risk

Ukraine's insurance business is developing rapidly, but there are a number of problems and difficulties in its formation. At the present stage of economic development there is a need for legislative support and clear regulation of organizational and economic issues of the insurance business, ie the development of new laws and amendments to existing ones.

The draft law №5315 "On Insurance" has been registered in the Verkhovna Rada of Ukraine. This document sets out in the new version of the current outdated profile law and contains rules on the activities of insurers and rules relating to insurance contracts, intermediaries and interaction with consumers of insurance products [19].

The risk-oriented approach in the regulation and supervision of insurers - the key objective of risk-based prudential supervision of financial institutions is to assess current and future solvency and to identify existing and potential solvency risks in the early stages.

According to the NBU White Paper on Insurance Market Regulation, the implementation of the risk-oriented approach is based on the following principles:

▪ Proportionality principle - regulatory requirements and intensity of supervision are determined on the basis of size, significance (company's impact on the market and the economy as a whole), the complexity of the business model and risk profile of the financial institution;

▪ Forward-looking principle - the analysis of activities is carried out taking into account the understanding of the business plan, prospects and potential risks of the company;

▪ Early warning principle - assessment of potential risks and their detection at an early stage for timely further communication or taking appropriate measures;

▪ Professional judgment principle - assessment is based on motivated and substantiated conclusions based on knowledge and experience, as well as on a comprehensive and comprehensive analysis of information;

▪ Principle of legal certainty - is to establish clear and understandable requirements for compliance through a system of laws and regulations, including schedules to bring the activities of financial institutions in line with the new requirements [42].

Examining the functioning of the insurance market, development trends and the importance of this area of activity, we concluded that insurance activities, in addition to the function of insurance for customers, plays a significant role in the financial market and can be a catalyst for its development. To prove this hypothesis, we propose to consider insurance activities as a insurance support paradigm for the financial market.

The banking market needs long-term resources to perform its direct lending function. Early lending is required by both the market of corporate clients for business development and the market of individuals, for example, for mortgage lending. Unfortunately, due to a lack of long-term funds, a relatively small number of banks in

Ukraine are engaged in long-term lending. In addition to lending, banks with long-term funds would be able to invest to increase their profits and support the financial market on a long-term basis.

One of the sources of attracting funds to the bank is deposits from individual clients, but short-term deposits predominate among this segment of clients. The choice of clients is influenced by low financial literacy, negative experiences in the past and distrust of the banking system and the economy as a whole.

To solve this problem, we offer an insurance product that will be a protection for the client in case of risk of non-return of the deposit in case of bankruptcy.

The main terms of product are described on Table 3.2.

Table 3.2.

The main terms of insurance product "Insurance of bank deposits"

Term	Description
The subject	The long-term bank deposit of personal individuals
Covered risk	The risk of non-return of a bank deposit
Term of the agreement	During the entire term of the deposit agreement
Sum insured	The amount of the deposit and depend on option of receiving insurance payment
Franchise	0%, 5%, 10%
Coverered of interest income	Optionally subject to capitalization or payment at the end of the contract
Option of receiving insurance payment	1) Indirect - the insurance company pays only the amount that is not covered by the Deposit Guarantee Fund of individuals. 2) Direct - the insurance company pays the client the full amount of the deposit, regardless of the amount and issues a recourse to the Deposit Guarantee Fund of individuals for a refund of up to UAH 200,000.
Currency of insurance payment	UAH
Terms of implementation	Built into the banking product by default or offered at the customer's choice
Terms of payment of the insurance payment	The Bank transfers funds at the expense of the client's interest income
Type of agreement	Built into deposit agreement

*Built by the author

"Insurance of bank deposits" is a product of a mutually beneficial relationship between a bank and an insurance company. The effect of such a launch will be the bank, insurance company, consumer of financial services and the financial market - more about the impact in Fig. 3.2.

Bank: 1) increase in long-term deposits; 2) the possibility of using funds for long-term purposes; 3) the bank does not bear risks in the sale of the insurance product, and acts as an insurance agent; 4) generate additional commission income.	**Insurance company**: 1) new clients base; 2) additional premiums 3) additional investment income; 4) no operating cost for distribution (product is sold through the banking network).
Effect from product launch	
Client: 1) the opportunity to return the entire amount of the deposit, not just 200,000 UAH; 2) choosing a direct settlement, can receive a payment from the IC without wasting time acting following the procedure of the DFG.	**Financial market**: 1) insurance support by attracting long-term funds to the market; 2) protection of customers of financial services.

Fig.3.2 Impact of the product "Insurance of deposit" launch for the bank, insurance company, client and financial market

**Built by the author*

Since any financial institution is, first and foremost, a business that must generate a profit, insurance companies need to take into account all factors before launching product and determine the break-even point, taking into account all associated costs. This will help determine if the service is overvalued. In case of revaluation, a service will not compliance to the market, because the cost is too high and the product will not be effective in the market.

Considering all of the above, we can describe an algorithm for how the insurance company can determine the suitability of bringing the product to market. The next step will be to standardize the information obtained into an algebraic expression, which will look like this (formula 3.1).

3.1

$$MC_p = R * I * CCM * CL$$

where, MC_p – compliance product to the market
R – risk rate
I – inflation rate
CCM – cost of contract managing
CL – comission level

If $1 < MC_p < 2$ – product is compliance to the market, if $MC_p < 2$ – product is overvalued and not compliance to the market. List of rate, which are using in formula, and their description presented on Table 3.3.

Table 3.3

List of rate and their meaning

Rate	Indicator	Form of use	Meaning
Risk rate	R	Index	The risk of non-return of the deposit by the bank, which is influenced by a certain list of factors. The coefficient for the formula is determined based on the use of the estimation method and by using formula 3.2. The scale of valuation of each factor in the calculation is determined in Addition G.
Inflation rate	I	Index	As the term of the insurance contract is equal to the term of the long-term deposit, the Insurance Company when assessing the effectiveness of the product should set an inflation clause.
Cost of contract managing	CCM	Index	The interest that the insurance company spends on managing the client's contract.
Comission level	CL	Index	Interest paid by the Bank's Insurance Company for performing the function of an insurance agent under each contract

*Built by the author

3.2

$$R = (x_1 + x_2 + x_3 + x_4 + x_5 + x_6 + x_7) * p_b$$

where, X_1, X_2, X_3, X_4, X_5, X_6, X_7 - factors that are taken into account when assessing the risk of the product
P_b – probability of non-return bank deposit

Using formulas 3.1, 3.2 and description from Table 3.3 and Addition E we calculated the simulation for our product "Insurance of Deposit".

Table 3.4

The value of indicators

Indicator	Value	Indicator	Value
I	1.15	X_4	3
CCM	1.20	X_5	2
CL	1.15	X_6	1
X_1	3	X_7	7
X_2	4	P_b	0.047
X_3	2		

*Built by the author

3.3

$$R = (3 + 4 + 2 + 3 + 2 + 1 + 7) * 0.047 = 22 * 0.047 = 1.034$$

3.4

$$MC_p = 1.034 * 1.15 * 1.2 * 1.15 = 1.64$$

According to the presented calculations, we received an index 1.64. As we noted condition earlier $1 < 1.64 < 2$ – product is compliance to the market. So if our product will be have the same condition of relationship between bank and insurance company, factors, which described in Addition G will indicate moderate level of risk, we can presented this product to the market.

The proposed product and market compliance formula can be an example and basis for further development of similar products that will be implemented through the interaction of several financial institutions and aimed not only to increase their profits but also to support the financial market. Our model is a insurance support paradigm throughout the system, not within a single institution.

The wider introduction of algorithmization and unification of the approach to insurance services that support the financial market of Ukraine as a whole will promote the integration of the domestic market into the global financial space.

In this section, we deepened our understanding of the methodological foundations of foreign experience in providing insurance services, compared with existing proposals in the domestic market, which made it possible to identify a place that needs improvement. With this in mind, we have for the first time developed an offer of insurance product, which is aimed at insurance support of the financial market as a whole and includes the interaction of two financial institutions - a bank and an insurance company. We have for the first time developed a formula for calculating the complience of an insurance product to the market, taking into account the specific terms of the offer developed by us. The achievements of this section can be used in the financial space of Ukraine and will promote the integration of the domestic insurance market into the global financial space.

CONCLUSIONS

In the final qualifying work, the integration processes of the insurance market of Ukraine into the global financial space were considered. The formation of a developed insurance market will provide favourable conditions for market transformation of the national economy and stable development of international relations. Despite the fact that the quantitative indicators of the development of the insurance market of Ukraine have positive dynamics, its functional and institutional characteristics, in general, do not yet meet the real needs of the national economy. Successful development and improvement of the situation on the Ukrainian market of insurance services require coherence and coordination of work of both the state and insurance companies. At the same time, the state must provide the market with a stable regulatory framework, not burdensome state supervision, and on the other hand - insurance companies must be as honest and fair as possible in the process of cooperation with their customers.

Based on the results of the research conducted in this work, the following conclusions can be drawn:

In first section:

1) We summarized and analyzed scientific approaches to the interpretation of the concept of insurance market made it possible to determine its economic essence, namely the insurance market - the sphere of financial and economic relations between insurers, policyholders, insurance intermediaries and the state on the purchase and sale of insurance coverage resulting in mobilization, distribution, redistribution of funds, and insurance reserves are used as an investment resource in the financial market. The theoretical foundations of the insurance market were analyzed, as well as the methodological foundations of the relationship between insurance companies and banks, which is called "banking insurance intermediation".

2) The regulatory framework for insurance activities in Ukraine and Europe was described, and a study was conducted on the current state of implementation of European requirements into Ukrainian legislation.

In second section:

1) We analyzed the current state of the world insurance market and determined the place of Ukraine in this market - №59 on world insurance market.

2) The level of insurance penetration in the countries of the world and Ukraine's place on it - №73.

3) We have identified the main trends in the development of insurance companies in the world in the new reality - it is redefined and refined purpose in setting the strategic direction, transforming the business to be more agile, digital and customer-centric, creating value by optimizing cost management and capital allocation.

4) Based on the statistics of the National Bank of Ukraine, we analyzed the state of the domestic insurance market, which in recent years has shown a decrease in the number of insurance companies, but generates more insurance premiums. 2020, despite the challenges associated with the coronavirus epidemic, ended for the Ukrainian insurance market with a record profit of UAH 2.2 billion. For several years, our market is among the topmost dynamic markets in the world.

Summarizing the above, it can be argued that the insurance market of Ukraine is at the stage of development and integration into the world. The main factors under the influence of which the insurance market in Ukraine operates are:

- the continuation of the military conflict in the country;
- limiting effective demand from end-users of services by reducing the level of free income of the population and businesses;
- devaluation of the national currency;
- loss of deposits of individual insurers due to the liquidation of a significant number of banking institutions;
- reduction of stock market liquidity, etc.

Since insurance companies are unique institutions, it was important to investigate the risk management of this activity, as, on one hand, insurance companies are selling what many people consider to be risk mitigation. On the other, insurance companies themselves face a variety of risks they need to mitigate.

In the third section:

1) We analyzed the experience of the European Union in the field of insurance services and thus made a comparison with the activity of domestic market players. We have deepened our knowledge of European legislation and ways to implement it in the country.

2) We compared the two main documents on the regulation of insurance business - Solvency II and IFRS 17. Analyze the new regulatory requirements that are planned to be introduced by the legislature.

The achievements of the final qualifying work were reflected in the third section, namely:

1) An offer in the form of a new product "Insurance of Deposit" was created and its conditions were described as a result of the interaction between the insurance company and the bank. The product aims not only to generate additional insurance premiums for the insurer and commission income for the bank but also acts as insurance support for the domestic financial market.

2) An algorithm was created to calculate the compliance of the insurance product to market realities, taking into account risks, inflation, contract management costs and the commission of the insurance intermediary. The developed algorithm was also demonstrated on the example of calculation of the indicator of conformity of the insurance product developed by us to the market of Ukraine.

Our developments can be used in the financial space of Ukraine and will promote the integration of the domestic insurance market into the global financial space.

The research materials were presented in a scientific article and in published abstracts in Kyiv National University of trade and economics at the conferences.

Adaptation of the insurance market to changes related to the change of design of financial instruments in the insurance industry and the introduction of innovative technologies in the organization of insurance activities will help improve the quality of insurance protection of insured persons, stimulate the introduction of new types of insurance and insurance technologies. and methods of insurance supervision, etc.

The formation of a developed insurance market in Ukraine by taking into account the trends and peculiarities of the development of insurance markets of economically developed countries will provide favourable conditions for market transformation and stable development of the national economy.

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ADDITIONS

Addition A

Scientific and methodological approaches to defining the forms of combining banking and insurance activities*

Autor	Definition of the forms of combining banking and insurance activities
I. Gabidulina	Identifies two forms - the acquisition of an insurance company by a bank and the purchase of a bank by an insurance company, based on the possibility of creating a single information system between the bank and the insurance company, without which, in his opinion, successful implementation is impossible
French Scientific School	Provides the following forms: the bank's agreement with the insurance company on the implementation of insurance services in the bank's branches; merger of banking and insurance institutions with the majority share of the bank; merger of banking and insurance institutions with a small share of the bank; full control of the bank over the insurance company.
R. Sabodash	Emphasizes the following forms: the creation of a financial holding group, which includes banking institutions and insurance companies; activity based on agreements on joint activity; activities of banks and insurers based on agency agreements.
A. Messias-Hanschke	Identifies the following forms: distribution agreement, merger and acquisition agreement, de novo strategy, strategic alliance and share repurchase. The simplest form of this approach is a distribution agreement, which can be unilateral or bilateral.
O. Kowalewski	Highlights such forms as alliance strategy, joint venture strategy, own institution strategy and consolidated model and emphasizes that such forms as own institution strategy and consolidation strategy are typical for banks with a high degree of capitalization.
I. Shkolnyk	According to the scientist, the most common strategy in the global financial market is mergers and acquisitions. In addition to contractual relations, the scientist identifies the following forms: cooperation in mutual and cross-selling; alliance as a form of cooperation between the insurance company and the bank; the result is the creation of a new insurance company; mergers and acquisitions; financial conglomerate (supermarket).

*Built by the author according to [3-8]

Addition B

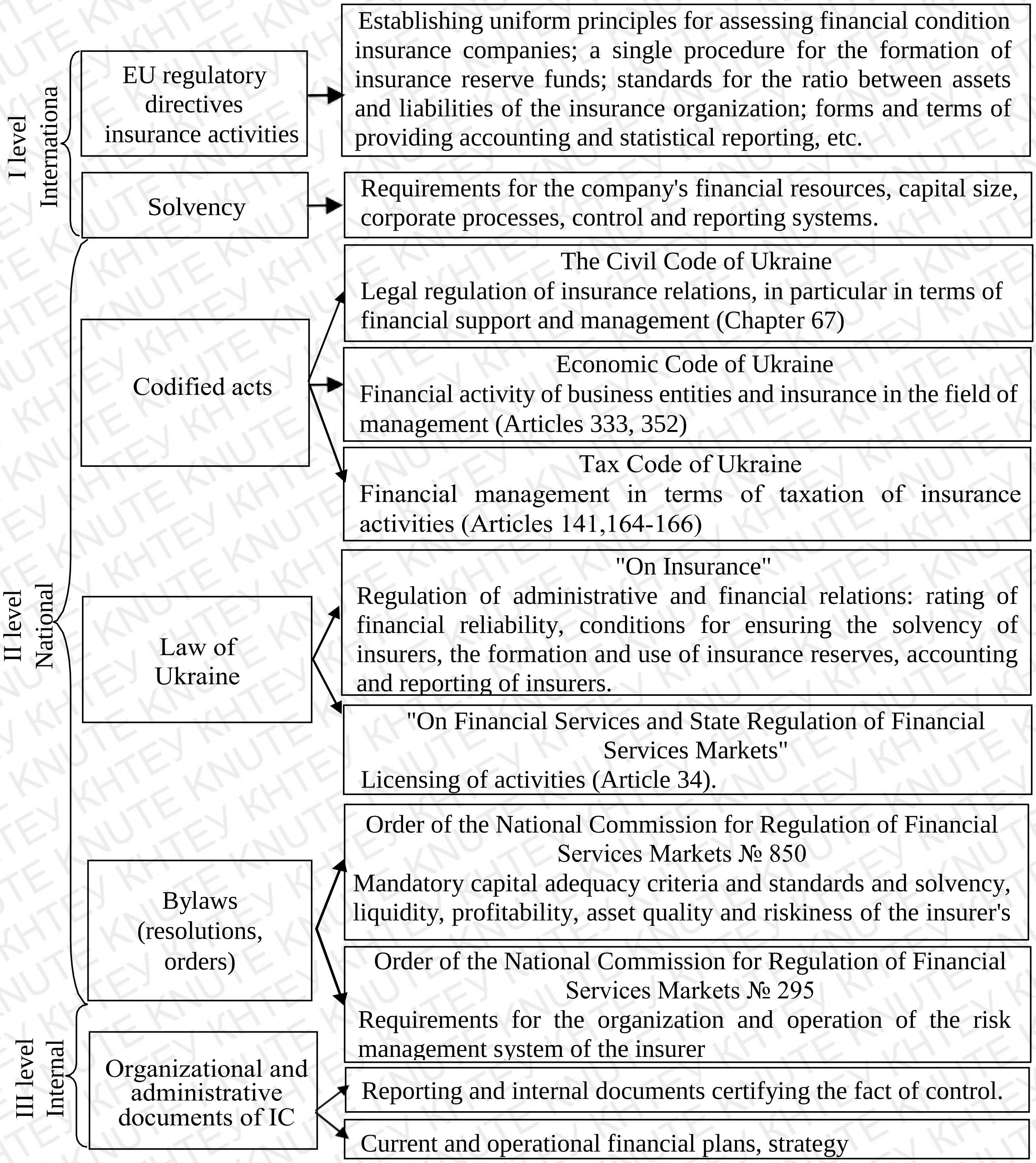

Fig.B.1 Regulatory and legal regulation of insurance in the field of financial management of insurance companies

** Built by the author according to [18-28]*

Addition C

Table C.1

Dynamics of the global insurance market in terms of insurance premiums and countries 2019-2020*

Market	Ranking 2020	Ranking 2019	Country	Premium volume (mln. USD) 2020	Premium volume (mln. USD) 2019	2020 compare to 2019 (%) Nominal (USD)	2020 compare to 2019 (%) Inflation-adjusted	Share of world market 2020 (%)
USA and Canada	1	1	United States	2 530 570	2 485 326	1.8	0.6	40.25
	9	9	Canada	143 468	134 839	6.4	6.8	2.28
			Total	**2 674 038**	**2 620 164**	**2.1**	**0.9**	**42.53**
Latin America and Caribbean	18	13	Brazil	57 623	73 388	-21.5	-0.5	0.92
	26	25	Mexico	27 689	30 352	-8.8	-1.5	0.44
	41	37	Chile	10 147	13 189	-23.1	-15.9	0.16
	42	43	Colombia	8 255	9 169	-10.0	-1.2	0.13
	43	42	Argentina	8 136	9 346	-12.9	-9.8	0.13
	51	51	Peru	4 012	4 230	-5.1	-2.4	0.06
	60	59	Ecuador	2 149	2 173	-1.1	-0.8	0.03
	65	65	Panama	1 511	1 568	-3.6	-2.1	0.02
	66	67	Uruguay	1 464	1 554	-5.8	2.2	0.02
	68	71	Trinidad and Tobago	1 335	1 359	-1.8	na.	0.02
	70	68	Costa Rica	1 264	1 426	-11.3	na.	0.02
	73	72	Dominican Republic	1 137	1 350	-15.7	na.	0.02
	79	79	Guatemala	994	1 010	-1.6	na.	0.02
	82	81	Jamaica	845	922	-8.3	na.	0.01
	86	83	Cayman Islands	754	843	-10.5	na.	0.01
	88	86	Cuba	666	741	-10.2	na.	0.01
			Other countries	3 872	4 417	3.5	na.	0.06
			Total	**131 855**	**157 037**	**-16.0**	**–2.8**	**2.10**
Advanced EMEA	4	4	United Kingdom	338 321	364 352	-7.0	-8.0	5.38
	5	6	Germany	258 566	249 207	3.8	1.2	4.11
	6	5	France	231 347	260 457	-11.2	-13.3	3.68
	8	8	Italy	161 973	167 881	-4.0	-5.2	2.58
	12	12	Netherlands	87 529	84 179	4.0	0.7	1.39
	14	14	Spain	66 323	70 982	-6.6	-8.1	1.05
	16	17	Switzerland	62 669	58 868	6.5	1.3	1.00
	17	18	Ireland	58 089	58 645	-0.9	na.	0.92
	19	20	Belgium	41 236	41 372	-0.3	-3.0	0.66

Continuation of the Addition C

Continuation of the Table C.1

Advanced EMEA	20	22	Sweden	40 939	38 026	7.7	na.	0.65
	22	23	Denmark	38 045	36 468	4.3	1.9	0.61
	23	21	Luxembourg	37 437	41 237	-9.2	-10.9	0.60
	25	26	Finland	28 853	29 020	-0.6	-2.8	0.46
	29	31	Austria	20 596	19 897	3.5	0.1	0.33
	31	30	Norway	20 160	21 396	-5.8	-0.5	0.32
	32	32	Israel	19 402	19 324	0.4	-2.5	0.31
	37	36	Portugal	11 422	13 805	-17.3	-18.8	0.18
	47	48	Liechtenstein	5 819	5 519	5.4	na.	0.09
	48	47	Malta	5 493	5 843	-6.0	na.	0.09
	50	49	Greece	4 882	4 975	-1.9	-2.5	0.08
	78	80	Cyprus	1 025	998	2.7	1.9	0.02
			Other countries	541	600			0.01
			Total	**1 540 666**	**1 593 051**	**-3.3**	**-5.7**	**24.51**
Emerging EMEA	19	19	South Africa	40 635	46 421	-12.5	-3.4	0.65
	28	28	Russia	21 323	22 856	-6.7	0.5	0.34
	34	35	Iran	15 975.4	15 104.5	5.8	-19	0.25
	35	34	Poland	15 511	15 871	-2.3	-4.0	0.25
	36	38	United Arab Emirates	11 825	11 984	-1.3	0.8	0.19
	38	39	Turkey	10 803	11 233	-3.8	5.8	0.17
	39	41	Saudi Arabia	10 357	10 104	2.5	-0.9	0.16
	45	44	Czech Republic	7 215	7 215	0.0	-1.9	0.11
	49	50	Morocco	5 080	4 646	9.3	7.3	0.08
	52	52	Hungary	3 868	3 916	-1.2	1.3	0.06
	54	54	Slovenia	2 977	2 818	5.7	3.7	0.05
	55	55	Romania	2 710	2 591	4.6	2.1	0.04
	56	56	Slovakia	2 477	2 495	-0.7	-4.4	0.04
	57	61	Egypt	2 390	1 899	25.9	8.8	0.04
	58	58	Kenya	2 199	2 235	-1.6	-2.5	0.03
	59	60	Ukraine	2 167	2 051	5.7	na.	0.03
	61	57	Pakistan	2 100	2 286	-8.1	-9.5	0.03
	62	62	Bulgaria	1 651	1 638	0.8	-2.6	0.03
	63	64	Croatia	1 584	1 583	0.1	-0.2	0.03
	64	63	Lebanon	1 564	1 611	-3.0	-47.3	0.02
	67	69	Qatar	1 452	1 383	5.0	7.8	0.02
	71	75	Kazakhstan	1 250	1 223	2.2	2.8	0.02
	72	66	Nigeria	1 213	1 565	-22.5	-14.8	0.02
	74	74	Kuwait	1 136	1 235	-8.0	-9.1	0.02
	75	73	Algeria	1 065	1 248	-14.7	-11.3	0.02
	76	78	Serbia	1 064	1 021	4.2	0.6	0.02
	77	76	Oman	1 033	1 106	-6.7	-5.9	0.02

End of the Addition C

End of the Table C.1

Emerging EMEA	81	84	Tunisia	900	817	10.1	-0.1	0.01
	83	82	Jordan	833	865	-3.8	-4.1	0.01
	84	85	Bahrain	793	764	3.7	6.1	0.01
	85	87	Ghana	759	673	12.7	10.0	0.01
	87	88	Ivory Coast	685	663	3.4	na.	0.01
			Other countries	9 372	11 361			0.15
			Total	**185 966**	**194 483**	**-4.4**	**-3.0**	**2.96**
Advanced Asia-Pacific	3	3	Japan	414 805	427 580	-3.0	-5.4	6.60
	7	7	South Korea	193 709	179 018	8.2	5.1	3.08
	10	10	Taiwan	113 304	117 823	-3.8	-7.8	1.80
	13	15	Hong Kong	73 131	70 696	3.4	2.1	1.16
	15	16	Australia	62 840	68 688	-8.5	-8.4	1.00
	24	24	Singapore	35 061	31 299	12.0	13.5	0.56
	40	40	New Zealand	10 238	10 703	-4.3	-4.5	0.16
			Other countries	327	324			0.01
			Total	**903 415**	**90 6132**	**-0.3**	**-2.6**	**14.37**
Emerging Asia-Pacific	2	2	PR China	655 874	617 399	6.2	3.6	10.43
	11	11	India	107 993	107 893	0.1	-1.7	1.72
	27	27	Thailand	26 765	27 526	-2.8	-1.2	0.43
	30	29	Indonesia	20 542	22 840	-10.1	-9.4	0.33
	33	33	Malaysia	18 427	17 543	5.0	6.8	0.29
	44	45	Vietnam	7 965	6 890	15.6	12.0	0.13
	46	46	Philippines	6 408	6 297	1.8	-5.0	0.10
	53	53	Macao	3 632	3 527	3.0	1.1	0.06
	69	70	Bangladesh	1 323	1 380	-4.2	-8.2	0.02
	80	77	Sri Lanka	963	1 100	-12.5	-14.2	0.02
			Other countries	1 214	1 098			0.02
			Total	**851 105**	**813 493**	**4.6**	**2.4**	**13.54**
World				**6 287 044**	**6 284 360**	**0.0**	**-1.3**	**100.00**

*Built by the author according to [29]

Addition D

Table D.1

Insurance penetration premiums in world insurance market as a % of GDP in 2020

	Ranking	Country	Total business	Life business	Non-life business
USA and Canada	5	United States	12.0	3.0	9.0
	12	Canada	8.7	3.5	5.2
		Total	**11.8**	**3.1**	**8.8**
Latin America and Caribbean	3	Cayman Islands	14.5	1.3	13.1
	22	Jamaica	5.8	2.3	3.4
	25	Trinidad and Tobago	5.3	2.5	2.8
	39	Brazil	4.1	2.3	1.8
	40	Chile	4.0	2.1	2.0
	43	Colombia	3.1	0.9	2.1
	46	Uruguay	2.8	1.3	1.5
	49	Mexico	2.6	1.2	1.4
	52	Panama	2.4	0.6	1.8
	58	Argentina	2.2	0.3	1.9
	59	Ecuador	2.2	0.5	1.7
	60	Costa Rica	2.1	0.2	1.9
	64	Peru	2.0	1.0	1.1
	70	Dominican Republic	1.5	0.3	1.3
	75	Guatemala	1.3	0.3	1.0
	84	Cuba	0.7	0.1	0.6
		Total	**3.1**	**1.4**	**1.7**
Advanced EMEA	7	United Kingdom	11.1	8.8	2.3
	8	Denmark	11.0	8.0	3.0
	9	Finland	10.7	8.9	1.8
	10	Netherlands	9.6	1.5	8.1
	13	Italy	8.6	6.3	2.3
	14	France	8.6	5.1	3.5
	15	Switzerland	8.4	4.3	4.1
	17	Sweden	7.6	5.8	1.8
	18	Germany	6.8	2.8	4.0
	19	Ireland	6.6	4.8	1.8
	20	Belgium	6.1	3.4	2.7
	26	Spain	5.2	1.9	3.2
	27	Norway	5.0	3.1	2.0
	30	Portugal	4.9	2.2	2.7
	31	Israel	4.9	2.6	2.2
	32	Austria	4.8	1.5	3.4
	36	Cyprus	4.3	1.9	2.4
	37	Malta	4.2	2.7	1.5

Continuation of the Addition D

Continuation of the Table D.1

Advanced EMEA	41	Luxembourg	3.9	2.1	1.8
	48	Greece	2.6	1.2	1.4
	87	Liechtenstein	0.4	0.3	0.0
		Total	**7.9**	**4.6**	**3.3**
Emerging EMEA	4	South Africa	13.7	11.2	2.5
	28	Slovenia	5.0	1.5	3.5
	34	Morocco	4.5	2.0	2.5
	42	United Arab Emirates	3.3	0.6	2.7
	44	Croatia	2.9	0.7	2.2
	45	Czech Republic	2.9	0.9	2.0
	47	Poland	2.6	0.6	2.0
	50	Hungary	2.5	1.1	1.4
	51	Bulgaria	2.4	0.3	2.1
	53	Bahrain	2.4	0.6	1.8
	54	Iran	2.3	0.4	1.9
	55	Tunisia	2.3	0.5	1.8
	57	Kenya	2.2	1.0	1.2
	61	Jordan	2.1	0.3	1.8
	62	Slovakia	2.0	0.7	1.3
	63	Serbia	2.0	0.4	1.6
	66	Lebanon	1.8	0.5	1.3
	68	Oman	1.6	0.2	1.4
	69	Ivory Coast	1.6	0.7	0.9
	71	Saudi Arabia	1.5	0.0	1.5
	72	Turkey	1.5	0.3	1.2
	73	**Ukraine**	**1.4**	**0.1**	**1.3**
	74	Russia	1.4	0.4	1.0
	77	Romania	1.2	0.2	0.9
	78	Ghana	1.1	0.5	0.6
	79	Kuwait	1.1	0.1	0.9
	80	Qatar	0.9	0.0	0.9
	81	Pakistan	0.8	0.5	0.3
	82	Algeria	0.8	0.1	0.7
	83	Kazakhstan	0.7	0.2	0.5
	85	Egypt	0.7	0.3	0.4
	88	Nigeria	0.3	0.2	0.1
		Total	**1.9**	**0.7**	**1.2**
Advanced Asia-Pacific	1	Hong Kong	20.8	19.2	1.6
	2	Taiwan	17.4	14.0	3.4
	6	South Korea	11.6	6.4	5.2
	11	Singapore	9.5	7.6	1.9
	16	Japan	8.1	5.8	2.4
	29	New Zealand	4.9	0.8	4.1
	33	Australia	4.7	1.1	3.6

End of the Addition D

End of the Table D.1

		Total	**9.3**	**6.2**	**3.1**
Emerging Asia-Pacific	21	Macao	5.9	5.3	0.6
	23	Malaysia	5.4	4.0	1.5
	24	Thailand	5.3	3.4	1.9
	35	PR China	4.5	2.4	2.1
	38	India	4.2	3.2	1.0
	56	Vietnam	2.3	1.6	0.7
	65	Indonesia	1.9	1.4	0.5
	67	Philippines	1.8	1.2	0.5
	76	Sri Lanka	1.2	0.5	0.6
	86	Bangladesh	0.4	0.3	0.1
		Total	**4.1**	**2.3**	**1.7**
World			**7.4**	**3.3**	**4.1**

*Built by the author according to [29]

Addition E

Table E.1

Key imperatives of global trends on world insurance market*

Trend	Redefine and refine purpose in setting the strategic direction	Transform the business to be more agile, digital and customer-centric	Create value by optimizing cost management and capital allocation
Key imperatives	• Stress-test your existing purpose in light of the pandemic, social issues and climate change • Develop targeted product offerings to address savings and/or protection gaps for specific customer segments • Define metrics to guide capital allocation and monitor the impact of purpose-driven policies and actions • Engage with industry groups to refine and drive adoption of insurance-specific performance indicators and reporting standards for ESG and long-term value • Navigate underwriting challenges to design policies for commercial customers transitioning to lower-carbon operation	• Simplify application and purchase processes while rapidly increasing the intake of third-party data to enhance underwriting, marketing and policy administration • Tier and tailor products and solutions for specific customer needs and different price points • Create digital services, platforms and ecosystems that lead to stronger customer engagement and generate new demand • Dramatically expand your company's intake of third-party data to enhance underwriting, marketing and other purposes • Identify steps in application and purchase processes that can be eliminated or simplified	• Expand cloud adoption exponentially in the next 24 months • Refine your alternative capital strategy and identify plans for targeted growth investments • Reassess productivity in light of hybrid working models, increased automation and shifts in workforce composition • Expand cloud adoption exponentially in the next 24 months • Quantify the economic impacts (e.g., cost savings, ROI) of alternate sourcing models • Expand cloud adoption exponentially in the next 24 months • Refine your alternative capital strategy and identify plans for targeted growth investments

Continuation of the Addition E

Continuation of the Table E.1

Key imperatives		• Create or participate in digital services, platforms and ecosystems that lead to stronger customer engagement and generate new demand • Develop new features that can help customers personalize standard products • Handle the majority of claims via no-touch or straight-through processing • Embed more insurance offerings within retail and e-commerce purchases of different product types (e.g., consumer goods, travel) through partnerships with non-insurers • Deploy robust APIs to create an environment for data passporting and access, digital payment and other open finance innovations	• Reassess productivity in light of hybrid working models, increased automation and shifts in workforce composition • Expand cloud adoption exponentially in the next 24 months • Quantify the economic impacts (e.g., cost savings, ROI) of alternate sourcing models • Refine your alternative capital strategy and identify plans for targeted growth investments • Develop and apply new productivity metrics for people and teams• Rationalize product and business portfolios and geographic operations to free up capital for innovation investment • Examine the mix and structure of capital resources to support both organic and inorganic change

*Built by the author according to [29]

Continuation of the Addition E

Table E.2

Strategic connections between key trends*

	Purpose	Transformation	Cost and capital optimization
Purpose		Digital transformation will help bring purpose to life by providing easier access to more affordable and understandable products that offer the protections consumers need.	Purpose can provide guidance on the tough decisions about divesting some lines of business and expanding others.
Transformation	Transformation programs are how insurers can operationalize their purpose-led strategies so that they are lived daily, in every customer interaction and for the long term.		Transformation isn’t about fixing broken processes but rather adopting entirely new ways of operating, with sourcing models, partnerships and collaborations that reduce both cost and risk, free up funds for innovation investments and futurize the entire enterprise, from core technology and product portfolios, to culture and teams
Cost and capital optimization	More effective capital allocation allows insurers to live their purpose and serve more stakeholders, with the ability to bring affordable new products to market sooner.	Cost efficiency may not be the top objective for digital transformation programs, but it should certainly be an outcome. Specifically, successful transformation can result in lean, flexible operations and capabilities that retain their cost efficiency even as they scale up.	

*Built by the author according to [29]

Addition F

Table F.1

General indicators of development of the insurance market of Ukraine in 2016-2020*

Indicator, million UAH	Period, as of 31.12					Growth rate				
	2016	2017	2018	2019	2020	2017/2016	2018/2017	2019/2018	2020/2019	2020/2016
Gross insurance premiums, of them:	35,170	43,432	49,368	53,001	45,176	23%	14%	7%	-15%	28%
from insured individuals	13,220	15,556	18,431	21,632	22,568	18%	18%	17%	4%	71%
Gross insurance payments, of them:	8,840	10,537	12,863	14,338	14,854	19%	22%	11%	4%	68%
The level of gross payments, %	32%	36%	36 %	36%	33%	3.7 p.p.	0.1 p.p.	-0.6 p.p.	-3 p.p.	1 p.p.
Net insurance premiums (gross insurance premiums minus the share of insurance premiums paid to resident reinsurers)	26,464	28,494	34,424	39,586	41,164	8%	21%	15%	4%	56%
Net insurance payments (gross insurance payments minus the share of insurance payments. Which are compensated by resident reinsurers)	8,561	10,257	12,433	14,041	14,412	20%	21%	13%	3%	68%
The level of net payments, %	32%	36%	36%	36%	35%	3.7 p.p.	0.1 p.p.	-0.6 p.p.	-0.5 p.p.	3 p.p.

*Built by the author according to [38-41]

Continuation of the Addition F

Table F.2

Number of insurance companies in 2016–2020 on the insurance market of Ukraine*

Indicator, pcs.	Period, as of					Growth rate
	2016	2017	2018	2019	2020	2020/2016
Number of registered insurers	310	294	281	233	210	-32%
of them: life insurance companies	39	33	30	23	20	-49%

*Built by the author according to [38-41]

Addition G

Table G.1

List of factors and their valuation for the algorithm

Rate	**Indicator**	**The name of the factor**	**Determining the value**	**Value**
R	X_1	Economic factors - is determined on the basis of analysis and forecast of the macroeconomic situation in the country	If the value of the factor is favorable - choose "0". With increasing risk - choose "10"	0-10
	X_2	Political factors - analysis and forecast of the political situation in the country		0-10
	X_3	The financial condition of the bank - the study of reporting and forecast.		0-10
	X_4	A separate study of the deposit portfolio for the last 5 years.		0-10
	X_5	Customer base - number and segments of customers (Mass, Mass-Afluent, Afluent, Premium)		0-10
	X_6	Reputation of the Bank		0-10
	X_7	The Bank's share in the banking system		0-10

*Built by the author