



KAPITEL 3 / CHAPTER 3³ DEVELOPMENT OF CAR INSURANCE IN UKRAINE

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Introduction

An important sphere of the national economy of Ukraine is the financial sector, one of which is the insurance market. Effective functioning of the insurance market is of great importance for the development of the national economy, raising the level of well-being and safety of citizens.

Before the start of the global financial crisis, the insurance industry in Ukraine was quite active: the number of participants in the insurance market, the value of assets of insurance companies, the volume of premiums and insurance payments, and the interest of policyholders grew rapidly. Changes in the external environment in which the market operates, especially the impact of the global financial crisis, had a negative impact on the insurance market of Ukraine.

In accordance with Order No. 3631 of 08/31/2017, from 02/07/2018, owners of ground vehicles received consent to enter into contracts of MCLI (mandatory civil liability insurance) online [5]. The Motor and Transport Insurance Bureau of Ukraine has approved the main stages for obtaining an electronic policy:

- 1) choosing an insurance company from the list of recommended ones;
- 2) determining the method of forming an insurance contract online (on your own, using the insurer's website, consulting with an insurance agent, contacting the company's office;
- 3) determination of the data required for concluding a contract with the use of special resources on the insurance company's website;
- 4) argumentation from the insurance company of the desire to form an electronic insurance contract;
- 5) control of stages of contract registration in the professional centralized database of the MTSUBU;
- 6) signing the policy and receiving a demonstration version of the contract from the insurance company[4].

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3.1. Assessment of the main indicators of car insurance development.

With the aim of a comprehensive analysis of the development of car insurance in Ukraine, the following indicators were taken into account: insurance premiums and payments (and their structure), the dynamics of indicators.

The field of motor vehicle insurance occupies a leading position taking into account other types of insurance, summarizing the data of the IV quarter of 2021, the volume of gross insurance premiums was 37% of the entire insurance market, the absolute value is UAH 11,532.8 million [7]. A significant share of car insurance on the market of Ukraine is caused by the high cost of the insured property, its repair and the need for mandatory civil liability insurance of vehicles.

Car insurance is more profitable for the policyholder for independent protection of motor vehicles from damage. And therefore, in the structure of gross insurance payments, auto insurance also occupies the main position - 49% of all payments, amounting to UAH 1,000. is UAH 6,583.6 million. [3, c. 160].

The dynamics of the main indicators of car insurance in Ukraine are presented in tables 1-3.

Table 1– Main indicators of the activity of ground transport insurance companies (car CASCO) in Ukraine for the first semester 2020-2022

Type of insurance	Insurance premiums, UAH million			Insurance payments, UAH million			Insurance level payouts, %		
	<i>1st. half of 2020</i>	<i>1st. half of 2021</i>	<i>1st. half of 2022</i>	<i>1st. half of 2020</i>	<i>1st. half of 2021</i>	<i>1st. half of 2022</i>	<i>1st. half of 2020</i>	<i>1st. half of 2021</i>	<i>1st. half of 2022</i>
CASCO	3377,1	4492,6	2973,0	1622,3	2188,7	1642,3	48,0	48,7	55,2

Source: compiled by the author based on data [7]

Regarding insurance premiums and insurance payments for the analyzed period, an unstable trend is observed, because in the first half of 2021 these values were UAH 4,492.6 million and UAH 2,188.7 million, respectively. As for the first paragraph of 2022, there is a reduction in insurance premiums to UAH 2,973.0 million and insurance payments to UAH 1,642.3 million. The level of insurance payments for the corresponding period ranges from 48% to 55.2%.



Table 2 - Main indicators of the activity of insurance companies with compulsory civil liability insurance of owners of ground vehicles in Ukraine for the first half of 2020-2022.

TYPE OF INSURANCE	Insurance premiums, UAH million			Insurance payments, UAH million			Insurance level payouts, %		
	<i>1st. half of 2020</i>	<i>1st. half of 2021</i>	<i>1st. half of 2022</i>	<i>1st. half of 2020</i>	<i>1st. half of 2021</i>	<i>1st. half of 2022</i>	<i>1st. half of 2020</i>	<i>1st. half of 2021</i>	<i>1st. half of 2022</i>
MCLI	2367,7	2694,6	2356,4	1067,1	1422,5	112,8	45,1	52,8	60,3

Source: compiled by the author based on data [7]

Regarding the mandatory civil liability insurance of owners of ground vehicles, it should be noted that a negative trend is observed in the first half of 2022. regarding insurance premiums – UAH 2,356.4 million and insurance payments – UAH 112.8 million. The level of insurance payments increased significantly - from 45.1% to 60.3%.

According to the given data in the table. 3, it should be noted that for the first half of 2022, the amount of Green Card insurance premiums increased to UAH 1,431.2 million, and insurance payments decreased from UAH 394.4 million. for the first half of 2020, up to UAH 247.3 million for the first half of the year. 2022 the level of insurance payments also decreased from 61.9% to 17.3%.

Table 3 – The main indicators of the activity of insurance companies for international mandatory civil liability insurance "Green Card" for the first half of 2020-2022.

TYPE OF INSURANCE	Insurance premiums, UAH million			Insurance payments, UAH million			Insurance level payouts, %		
	<i>1st. half of 2020</i>	<i>1st. half of 2021</i>	<i>1st. half of 2022</i>	<i>1st. half of 2020</i>	<i>1st. half of 2021</i>	<i>1st. half of 2022</i>	<i>1st. half of 2020</i>	<i>1st. half of 2021</i>	<i>1st. half of 2022</i>
"Green Card"	636,3	885,2	1431,2	394,4	278,0	247,3	61,9	31,4	17,3

Source: compiled by the author based on data [7]

The decrease in the volume of insurance premiums for the 1st half of 2022 for CASCO and MCLI is due to military actions, the volume of premiums in general on

the insurance market also decreased by a third, respectively, and these two types of payments are not so strong, therefore the level of payments increased. According to the "Green Card" contracts, the situation is the opposite, this situation is due to the fact that drivers left abroad, family evacuations, bought policies at the border, correspondingly, an increase in the amount of premiums and a significant decrease in the level of payments.

Also, a significant factor in the increase in the volume of gross insurance premiums is the increase in the confidence of policyholders as a result of adaptation of insurance companies to a significant level of competition on the market, requests of the population, quarantine restrictions and the development of information technologies.

In order to determine the rate of development of car insurance in our country, we analyzed the dynamics of gross insurance premiums and loss compensations (Fig. 1, Fig. 2).

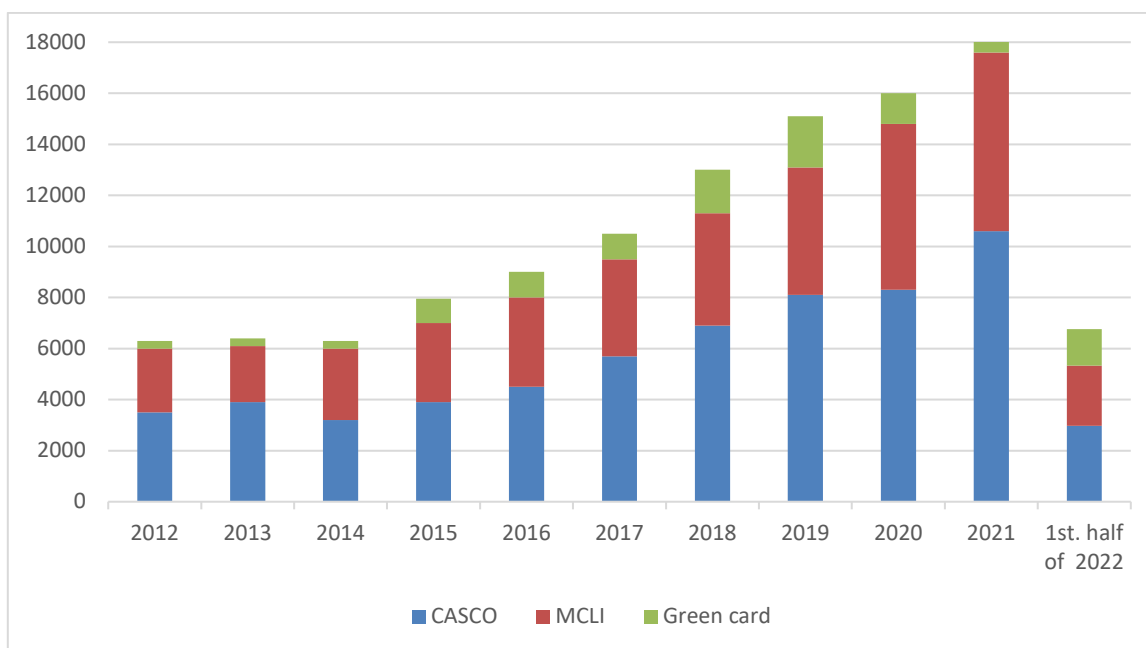


Figure 1 - Dynamics of gross insurance premiums by type of car insurance in Ukraine for 2012 - the first half of 2022.

Source: compiled by the author based on data [7]

During 2012-2021, there was a significant increase in gross insurance payments, for example, CASCO car insurance by 154.71% (UAH 2,284.7 million) and MCLI insurance by 200.66% or UAH 1,913.9 million. "Green Card" insurance presented the maximum result with a change of 725.64% (622.6 million hryvnias) [1, p. 184].

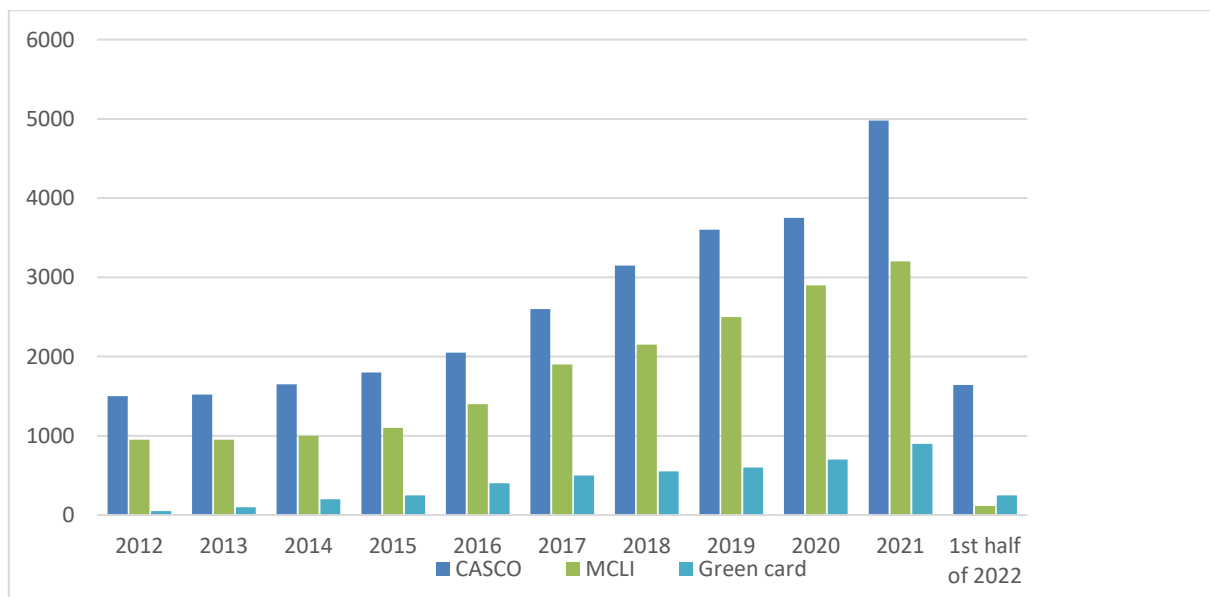


Figure 2 - Dynamics of gross insurance payouts by types of motor vehicle insurance in Ukraine for 2012 - the first half of 2022.

Source: compiled by the author based on data [7]

In the structure of insurance premiums and insurance payments of car insurance, the first step is occupied by ground transport insurance (auto CASCO) - 54.5% and 55.33% at the end of September 2021, respectively, the share of car CASCO increased by 2.76 percentage points, in terms of payments to the policyholder increased by 4.1%, a significant sector, in addition, is MCLI with shares of 35.67% and 37.90%, civil liability insurance shows negative dynamics in the increase of the share (a reduction of 3.79 and 0.61 percentage points, respectively). "Green Card" insurance showed a small increase in the share of insurance payments - 1.03%, but a decrease in the share in the system of gross insurance payments by 3.48 percentage points.

Considering the state of war in Ukraine, gross insurance premiums in the first half of 2022 compared to the first half of 2021 decreased by almost a third (-28%). Gross insurance payments also decreased commensurately in the first half of this year (32%). Also, the decrease in the amount of insurance compensations was affected by the decrease in the frequency of reported cases with MCLI, CASCO. The dynamics of indicators over the last 4 quarters indicate that the maximum decline in the volume of activity occurred at the end of the 1st quarter of 2022. In the II quarter, the decline continued, but it was less rapid - insurers were able to organize and adjust their work in the conditions of martial law.

The main indicators of MCLI during the 1st quarter of 2021-2022 are shown in Table 4.



Table 4 - Main indicators of mandatory civil liability insurance of ground transport owners under internal contracts during the 1st quarter of 2021-2022.

Indexes	1st quarter of 2021	1st quarter of 2022	Growth, %
The number of contracts that have entered into force, pcs.	1913142	1390370	-27,33
including of electronic insurance contracts, pcs.	877743	731487	-16,66
Amount of accrued insurance payments, UAH million	1469,67	1262,65	-14,09
including under electronic insurance contracts, UAH million	744,35	743,49	-0,11
The number of claims settled by paying insurance compensation, pcs.	42763	31560	-26,20
including regulated using the "euro protocol", pcs.	15450	12343	-20,11
The accrued amount of insurance compensation, according to settled requirements, UAH million.	861,89	701,10	18,66
including according to regulated using the "Europrotocol", UAH million.	162,34	162,34	-11,34

Source: developed by the author based on [7]

As indicated above, MCLI is the liability insurance of the driver of the vehicle to other road users, insurance compensation is received by the injured person, not the insured. The presence of a compulsory civil liability insurance policy must be observed, in accordance with the current legislation of Ukraine in accordance with part 1 of article 126 of the Code of Administrative Offenses, the absence of a concluded contract is an administrative offense and entails a fine in the amount of UAH 425 [3, p. 160].

Guided by the mandatory nature of this type of insurance and its social significance, it is important to analyze the trends of MCLI.

During the analyzed period, we can trace a negative change in approximately all indicators of mandatory civil liability insurance of land transport owners. The average negative growth for all indicators of this type of insurance is -16%. The increase was found only in the calculated amount of insurance compensation, a positive change of 18.66%.

Marginal negative growth was recorded in the number of new contracts, as of the end of the 1st quarter of 2022, their volume is 1,390,370 units. with an increase of -27.33%, the number of claims settled by the method of payment of insurance compensation also decreased significantly (-26.22%).

A sharp decrease in the absolute values of the MCLI was caused by the full-scale



invasion of Russia into the territory of Ukraine on February 24, 2022. As of the end of the 1st quarter of 2022, only 89% of insurance companies continue to function and timely fulfill their obligations regarding the payment of insurance compensation. In general, all insurers are suffering damage from the war in Ukraine, a reduction in sales volume has been recorded, requests for postponement of insurance premiums and cases of contract termination have increased.

Therefore, the Ukrainian car insurance industry is still developing rapidly, positive changes are outlined by the introduction of a new system of insurance activity and improvement of quality indicators (the amount of insurance premiums, payments).

In accordance with the growth in the number of cars, concluded contracts for civil liability insurance of land transport owners, increasing the amount of premiums and payments every year at a fast pace, the domestic industry of motor vehicle insurance is gaining significant prospects for further prosperity.

However, the increase in the number of motor vehicles is a negative basis for the appearance of an even greater number of road accidents - in 2021, the record value of the indicator for the previous 7 years was recorded. Almost all indicators of growth rates by types of motor insurance during the 3rd quarter of 2020-2021 have a positive role, negative dynamics were recorded only for "Green Card" contracts.

The insurance companies "Arsenal insurance", "Unika" and "USG" have retained their leading positions in the market, almost every one of the above-mentioned companies has witnessed a rapid increase in gross insurance premiums as of 09/30/2021. The war in Ukraine had a negative impact on the main indicators of MCLI, approximately all factors of the sector show a decrease of almost 16%.

The sustainable development of the car insurance market in Ukraine is promising only if the tariff policy of insurance companies is reviewed, information systems are put into effect to inform consumers about the state of the market, and the importance of insurance brokers in this area increases.

3.2. Analysis of the activities of insurers in the motor vehicle insurance segment.

CASCO insurance is a voluntary insurance of the client's property interests due to the ownership, use and disposal of a vehicle and additional equipment. The tariff and cost of CASCO depend on the specific terms of the contract and key information of the insured and the insured object (the make, model, cost and year of manufacture of the

car, driving experience, etc. are important).

CASCO contracts cover the following risks: road accident, kidnapping, theft, fire, natural disasters, damage from animal attacks, falling objects, additional equipment (full CASCO). Of course, during the war, the service calculates restrictions, its geography changes - now 20% of CASCO losses, for example, are insurance events abroad, rather this number was extremely lower.

Since the beginning of the war, the company has introduced quite a few tools to make life easier for customers. For example, according to CASCO, in the first weeks of the full-scale invasion of Russia, the police practically did not go to the scene of an accident, so it was decided to allow customers to use the Europrotocol even in the case where the presence of the police is necessary.

The company did not introduce any changes that would complicate the conditions for customers. On the contrary, it increased the list of some insurance conditions that are not typical for standard contracts in peacetime. This is, for example, settling the damage without the presence of the police, correcting the situation based on copies of documents, etc.

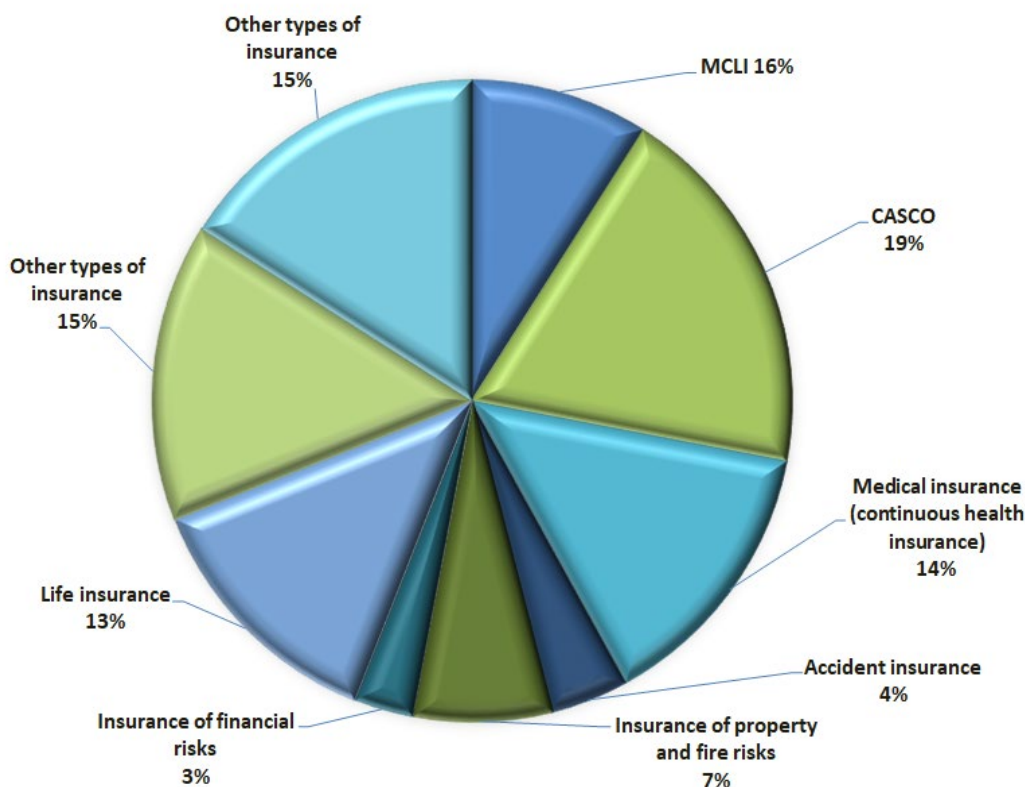


Figure 3 – The structure of the insurance portfolio by the volume of premiums in the first half of 2022 by type of insurance in Ukraine

Source: compiled by the author based on data [7].



Clients appreciated the company's service under such difficult circumstances. So, the level of satisfaction with the Casco service. All inclusive for three months of the war (24.02-13.06.22) reached a maximum and is 96%.

In the first half of 2022, 44% of insurance premiums, as usual, fell on auto insurance (MCLI, Green Card, CASCO) - during the period of military aggression, the share of these types of insurance in the portfolio became more significant (for the same period last year - 36%), because the need to use motor vehicles did not disappear, but even increased during military operations.

The structure of the insurance portfolio by types of motor vehicle insurance in Ukraine will be considered in detail in Figure 4.

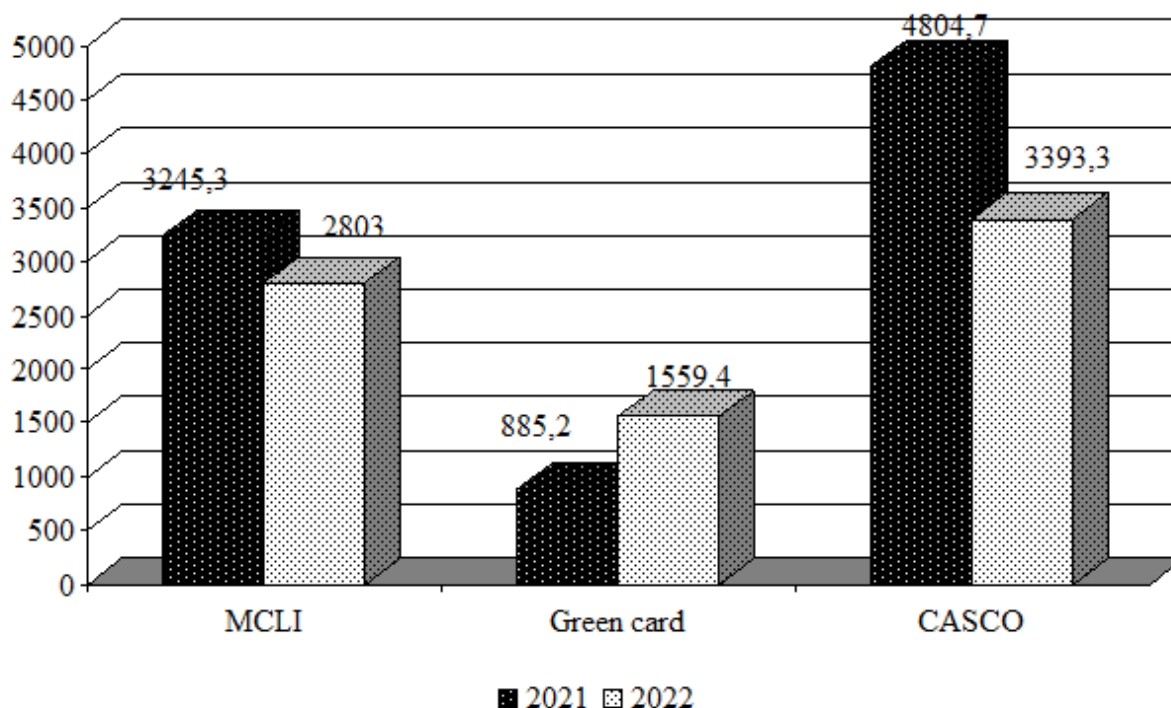


Figure 4 - The structure of the insurance portfolio by types of motor vehicle insurance in Ukraine in the first half of 2021-2022.

Source: compiled by the author based on data [7].

In the structure of the insurance portfolio of all insurers on the domestic market, the volume of insurance of property and fire risks (-60%), financial risks (-64%) and CASCO (-30%) decreased as much as possible. Drivers of non-life insurance business support are "Green Card" (+76%), Social Security Insurance (-13%), accident insurance (-16%).

In general, in the first half of 2022 in Ukraine, 44% (7.6 billion UAH) of insurance



premiums consisted of car insurance ("car insurance", "Green card", CASCO). It is no less interesting that the share of these types of insurance in the portfolio even increased due to the reduction in the volume of services provided. In the first half of 2021, it was 36% (8.9 billion UAH). Personal types of insurance (DMS, accident insurance, life insurance) equal 31%.

Support of insurance activity volumes is provided mostly with the assistance of car insurance: "Green Card", MCLI, CASCO and medical insurance (corporate segment). "Green card" (+76%), MCLI (-13%), accident insurance (-16%) are the drivers of support for the non-life insurance business. Income from life insurance premiums decreased by 16%. Taking into account the fact that as of July 1, 2021, the structure of the Green Card insurance portfolio amounted to UAH 900 million, as of July 1, 2022, it will be UAH 1.5 billion.

Table 5 - Volumes of insurance premiums and payments of the first 10-TOP domestic insurers on the CASCO market for 6 months of 2022

№	Insurance company	Amount of insurance payments, thousand UAH.	Specific weight of the species in the insurer's portfolio, %	Increase in insurance payments, %	Amount of insurance payments, thousand UAH.	Payout rate, %	Reinsurance level, %
1	ARX	586 759,0	49,19	-35,22	333 801,1	56,89	0,46
2	INSURANCE ARSENAL	420 759,0	64,06	-35,21	250 025,0	59,42	10,48
3	UNICA	312 844,2	25,01	-28,80	167 031,4	53,39	1,27
4	USG	250 481,4	18,94	-17,80	136 862,5	54,64	0,76
5	TAS SG	201 241,6	19,10	-20,90	123 650,2	61,44	5,81
6	UNIVERSAL	192 107,8	40,46	-21,52	81 637,5	42,50	2,76
7	VUSO	167 988,7	25,42	-14,39	98 362,1	58,55	50,24
8	EXPRESS INSURANCE	159 867,9	89,38	-39,47	89 109,6	55,74	0,00
9	PZU UKRAINE	101 702,2	18,22	-45,38	68 187,6	67,05	-7,60
10	ViDi - INSURANCE	88 840,5	99,86	-39,08	50 508,0	56,85	1,24

Source: compiled by the author based on data [7].

More precisely, for the first half of 2022, the following insurance companies were the leaders in terms of the amount of collected premiums and paid CASCO payments: ARX (586,759.0 thousand UAH and 333,801.1 thousand UAH), ARSENAL INSURANCE (420,759.0 thousand UAH and 250,025.0 thousand UAH) and UNIKA (312,844.2 thousand UAH and 167,031.4 thousand UAH).



Table 6 - Rating of insurance companies of Ukraine by CASCO insurance premiums for the first half of 2019- 2022, thousand UAH.

№	Insurance company	2019	2020	2021	I п.2022
1	ARX	1 364 846	1 611 620	2 038 951	586 759,0
2	INSURANCE ARSENAL	833 693	1 032 341	1 448 889	420 759,0
3	UNICA	763 330	807 164	929 280	312 844,2
4	USG	-	579 987	680 246	250 481,4
5	TAS SG	354 352	453 064	568 358	201 241,6
6	UNIVERSAL	371 479	446 934	540 602	192 107,8
7	VUSO	275 134	309 321	540 602	167 988,7
8	EXPRESS INSURANCE	311 816	386 434	540 602	159 867,9
9	PZU UKRAINE	381 779	382 931	540 602	101 702,2
10	ViDi - INSURANCE	163 881	229 805	540 602	88 840,5

Source: compiled by the author based on data [7].

Table 7–Rating of insurance companies of Ukraine by CASCO insurance payouts for 2019 - 1st half of 2022, thousand UAH.

№	Insurance company	2019	2020	2021	I п.2022.
1	ARX	616 770	669 305	923 023	333 801,1
2	INSURANCE ARSENAL	372 132	429 404	631 287	250 025,0
3	UNICA	336 195	300 611	432 149	167 031,4
4	USG	-	342 828	367 320	136 862,5
5	TAS SG	192 732	269 489	353 601	123 650,2
6	UNIVERSAL	142 445	158 712	216 270	81 637,5
7	VUSO	97 947	129 533	188 646	98 362,1
8	EXPRESS INSURANCE	111 396	130 587	217 955	89 109,6
9	PZU UKRAINE	206 829	187 477	190 534	68 187,6
10	ViDi - INSURANCE	81 750	83 913	129 516	50 508,0

Source: compiled by the author based on data [7].

Prospects for the further development of this aspect of insurance in Ukraine and the world, undoubtedly, depend on the revision of the business concepts of insurance companies in the conditions of operation during the global pandemic [6] and a decrease in the mobility of customers, which determine the need for the formation of new methods and technologies of cooperation with customers in accordance to their needs and desires, which have changed significantly as a result of the crisis caused by Covid-19.



The key factors of the development of the car insurance market in Ukraine formulated by scientists and practitioners do not diminish their relevance[2]:

- growing importance of insurance brokers;
- introduction of certain programs to inform citizens about the state and opportunities for the development of the insurance market;
- return of trust of Ukrainian citizens to insurance companies, which determines the return of invested money;
- activation of state bodies to strengthen and flourish the auto insurance market;
- increasing the range of international cooperation for the exchange of information on the activities of insurance companies that provide auto insurance services.

Conclusions

The growth of accidents and the highest levels of payments among all other types of insurance are too difficult for the development of auto insurance. Analyzing the dynamics of the main indicators of the car insurance market, we identified the following problems and threats:

- violation of capital adequacy and solvency standards by insurance companies, which led to a reduction in the number of insurers on the car insurance market, which led to a decrease in total assets;
- the car insurance market is highly concentrated, which leads to industry monopoly, lower quality and higher tariff rates;
- an increase in the total number of road accidents and the specific weight of road accidents to victims, which will increase the level of payment for such insurance;
- joining the indicator of the total premium to the number of loans for the purchase and sale of a car in car dealerships (involuntary nature of car insurance);
- deterioration of the situation of insurance companies, as a result of Russia's invasion of the territory of Ukraine. The war in Ukraine has a great impact on the development of car insurance.

Insurance telematics is one of the directions for improvement of motor vehicle insurance. In the current conditions, it is increasingly gaining momentum, as it is significantly beneficial for both insurance companies and vehicle owners. Telematics in insurance is an opportunity to reduce the cost of the policy for an individual driver. That is, it is a special monitoring system, the main function of which is to track the driving characteristics of a certain person. And if the owner of the vehicle obeys the right-hand traffic rules, then he may well hope for a reduction in the cost of CASCO.