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LIFE INSURANCE AS A RESERVE OF DOMESTIC INVESTMENT

Everyone in condition of limited financial resources is trying in some way to protect his or her property from the effects of unpredictable and adverse risks. One of the methods of preventing and repaying losses caused by one or another risk is insurance. Today insurance has become a necessary attribute of market economy. The market of insurance services remains the most capitalized among the other non-bank financial markets and is divided into two segments – «Non-Life» and «Life». Within the global insurance market the ratio of these segments in recent years is 43 and 57%, respectively. In Ukraine the situation is somewhat different – this ratio has been 88 and 12% [1, p. 483], which is indicative of weak economic development, low incomes, low level of insurance culture among citizens and lack of confidence in the long-term investment instruments, including policies of life insurance.

The income levels in the state determine the variability of the areas of their effective application: an increase in consumption of public goods due to high limit of effective demand or the rational redistribution of income in certain volumes and proportions with the goal of building up savings, an implementation of various financial and capital investments [2, p. 406]. As a result, the intensification of investment activity in the country is necessary as one of the important directions of management of the national economy, where the effective tools of regulatory impact are taxes. Incomes of the population after being taxed meet the needs of personal consumption and afterwards are transformed into savings.

One of the way of savings and components of the investment portfolio of households is life insurance. On the one hand, insured individuals have the opportunity to earn income on insurance contracts, on the other hand, – an insurance companies in this type of activities have a unique opportunity to mobilize long-term resources. This is due to the fact that life insurance contracts are mostly for 5, 10, 20, 30 years, and responsibilities for payments to policy-holders generally are much more remote in time and give a fairly accurate prediction. As a result, in developed countries, life insurance is first of all a powerful reserve of domestic investment.

All over the world savings nourish the economy of the country, significantly affecting the pace of economic development of the countries as the main internal source of investment only if they are not less than 12-14% of gross domestic product [1, p. 483]. In Ukraine this index remains at a minimum. The main reasons for this are unfavourable trends in the Ukrainian economy, deterioration of the living standards of the population. In the composition of personal insurance in the national insurance market life insurance

is only 11.5%. On the world market in the sector of «Life» our country takes 72-78 places, and the proportion of total insurance premium is 0.01% [1, p. 479].

In Ukraine starting from 2009 the number of registered companies in life insurance continued to decrease and at the end of 2016 there were 43 ones, from which TOP3 accumulated about 50% of the insurance reserves. This regressive development of the insurance market can be linked primarily with the economic and banking crisis, military situation in the country, with a reduction of the territory controlled by Ukraine and decrease in solvency of consumers of insurance services, that ultimately appears in the desire of ukrainians to maximize earnings and the ability to quickly «take out» money [3].

When it comes to stable, develop economies, typical long-term investment with a low annual income is of high popularity there. That's why life insurance exists in developed countries in a variety of types – from pension savings or risk of premature death to stranger for Ukrainians babies insurance on «survival to adulthood», which europeans consider a way to save money for child's education [4].

Another essential feature of the insurance market in Ukraine is a significant concentration of foreign insurance companies, in particular, in the sector of «Life». This affects the insurance market in two ways. On the one hand, it gives impetus to the development of national insurers (a growth of their capitalization, increase of professional level of employees, etc.). On the other hand, this situation has negative side, since almost all leading companies of life insurance in our country are controlled by large global companies (table 1), that are primarily interested in implementing of their own investment projects.

Table 1

The rating companies for life insurance in the size of investment income

№	Insurance companies	Invest income*, thousand. UAH.	Insurance reserves*, thousand. UAH.
1	TAS (Ukraine)	125702	1399142
2	MET LIFE (USA)	89700	1398902
3	PZU UKRAINE INSURANCE LIFE (Poland)	40457	504862
4	AEGON LIFE (Netherlands)	28796	358198
5	UNIQA LIFE (Austria)	18718	435629
6	ASKA-Life (Ukraine)	14946	145323
7	CLASSIC LIFE INSURANCE (Czech Republic)	3033	38112
8	TEKOM LIFE (Ukraine)	1447	16789
9	INGO UKRAINE LIFE (Russia)	479	14456
10	AXA LIFE INSURANCE (France)	296	5877
	TOTAL	323574	4317290

Note: * As of 30.09.2016

Source: The rating life insurance companies for 9 months of 2016 in the size of the investment income. – Magazine «Insurance Top». – [Electronic resource]. – Access: <http://forinsurer.com/ratings/life/16/9/37/>

Therefore, in our opinion, in order to increase economic effect of insurance and as a result to increase the investment opportunities of domestic insurers, a number of measures should be taken. Firstly, to forbid national insurers to conduct reinsurance with foreign insurance companies (the exception is, if the foreign reinsurer will invest in the economy of the reinsurant). Secondly, with a help of using the latest information technology, we should increase the level of insurance culture of the population, in this case focusing the attention of potential consumers primarily on the transparency of the insurance market. One of the growth factors for the credibility of the insurance industry may be the «cleansing of the market». As far as we know, judging by the first three quarters of 2016, fewer than twenty of the 43 registered companies work in the market.

So, it turns out that, in objectively poor Ukraine, today the owners of more than half of the companies that have invested in them millions of euros are not interested in the result or are interested in other tasks, in particular related to the shadow schemes of tax evasion. According to this, we consider, that National commission, conducting the state regulation in the sphere of financial services markets, must more control over the insurance market and eliminate uncompetitive companies, acting according to principles and standards of the International Association of supervision of insurance activity. Thirdly, as for today the insurance market is experiencing an acute shortage of demand, an important role in its stimulating should be given to the state. In this case, the state can provide tax breaks for businesses, if the lives of all employees in company is insured. This will become a powerful source of financial resources for insurers, provide social protection of workers and reduce the tax burden for enterprises. It would be also reasonable to create innovative financial instruments: securities with relevant liabilities before policy-holders under long-term contracts of life insurance.

Therefore, in perspective, Ukrainian market of insurance leaves a lot to be desired. By implementing the above measures, solving a number of objective problems, that year after year pursue the Ukrainian economy, and also focusing on providing services not only to customers with a high level of income, but also for people with level of income lower than middle (by setting an appropriate tariffs), the ukrainian life insurance market will reach a new stage of development and will become really powerful reserve for domestic investment.

References:

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