

**Background, prospects the sustainable development of non-proportional reinsurance in the Ukraine, CIS and the World.**

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В статье рассматриваются причины текущего состояния, а также предпосылки и перспективы устойчивого развития непропорционального перестрахования в Украине, СНГ и мире.

Ключевые слова: страхование, непропорциональное перестрахование, предпосылки и перспективы, устойчивое развитие, факультативный и облигаторный договор эксцедента убытка.

Investigation of the reasons for the current state will predict the prospects for sustainable development non-proportional reinsurance in Ukraine, CIS and in the world. The article presents a comparison of domestic and international factors affecting the sustainable development of non-proportional reinsurance in Ukraine, CIS and the world. Showing the main trends and innovative improvement of reinsurance, in particular on the basis of non-proportion. Integration of competitive, commercial and cross-insurance approaches in reinsurance, including on the basis of proportion, can effectively provide insurance and reinsurance services, not conceding this, the public system of social insurance protection.

Key words: insurance, non-proportional reinsurance, sustainable development, background, prospects, facultative Excess of Loss contract, XL treaty.

**Statement of the problem.** Non-proportional reinsurance rates are determined by the greater probability for small, frequent losses and less probability to be rare for large losses. However, as the domestic and international practice is not always profitable non-proportional coverage than proportional reinsurance. Definition of the prerequisites for use efficiently a non-proportional reinsurance underwriters will predict its sustainable development in Ukraine, CIS and the world.

To problems of a sustainable development of reinsurance, in particular on a disproportionate basis the set of works of domestic and foreign scientists and practitioners such as A. Artamonov, V. Bazilevich, K. Turbina, D. Rasshivalov, V. Shakhov, D. Bland, K. Geratevol, R. Carter, K. Pfayfer, etc. is devoted. At the same time, to the analysis of the reasons of a current status and the forecast of prospects of development of non-proportional reinsurance in these works of attention it was given insufficiently.

**The purpose of this paper** is provide to description development the reinsurance market, particularly on the basis of non-proportion, determine the stage of its past, present and outlook future in Ukraine, CIS and the world.

**Statement of basic material.** In the second half of the twentieth century a set of the authoritative international organizations such as the UN, the Roman club developed the concept of sustainable economic, social, ecological development. Its implementation assumed the agreement that we live in society of risk which need everything more effectively and more responsibly to manage, in particular by means of instruments of insurance and reinsurance.

Beginning of the twenty-first century was marked by protracted financial crises, which stimulated research in many countries to change the socio-economic system, the development of new paradigms geopolitical interaction. One such analytical centers became one of the CIS countries - Ukraine. Rather than play the role of bridge binding in the geopolitical game, Ukraine has become the apple of discord between East and West.

Many domestic analysts have united to describe the vision of future, a new socio-economic system with the mechanisms of risk management in case of failures or the effectiveness of social responsibility. The insurance and reinsurance market of Ukraine in 2012 and 2013 showed on the average about 20% of growth [1, p.20],[2, p.20]. The history of non-proportional reinsurance of Ukraine begins with the end of the 19th eyelid, mainly as a part of the Russian Empire and in the western areas of the Austro-Hungarian Empire. During the Soviet period from 1917 to 1991 in Ukraine and other republics of the CIS was engaged in reinsurance the state-owned insurance

company Ingosstrakh which had the subsidiary insurance companies of Blekbalsi and Sofag.

If since 1991 Ukraine refused the state-owned insurance company and privatized it and generally business insurance companies developed, Russia kept two state insurer, Rosgosstrakh and Ingosstrakh, and also there are seven societies of mutual insurance, insurers and reinsurers. Characteristic of the Ukrainian, Russian market of reinsurance is its division into classical and circuit part. Abroad reinsurance, in particular on a non-proportionate basis, became active to develop from the middle of the 19th eyelid with creation of such reinsurance companies as Cologne Re, Munich Re, Swiss Re.

Especially actively in the international insurance market non-proportional reinsurance began to develop after powerful earthquakes in the USA at the beginning of the 20th century. Remarkable when comparing the CIS market and the global insurance market, the share of amounts of reinsurance premiums in the insurance averages 20% and 5% respectively. Such high percent can be explained with internal low reinsurance capacity and availability of circuit reinsurance [3, p.68].

Insurers work at the insurance market of the CIS as on internal, and foreign the reinsurance market, provide reinsurance services. If in Russia, Ukraine, Belarus the share of foreign reinsurance business averaged 20% in 2013, in Kazakhstan it constituted about 40%. In Russia successfully "write" foreign business, for example, Ingosstrakh, Sogaz, to Unity Re, the Russian reinsurance society, Moscow Re, in Kazakhstan — Eurasia, in Ukraine — the LEMMA, in Azerbaijan — Az Re, in Belarus — the Belarusian national reinsurance organization, in Uzbekistan — Uzbekinvest.

All listed companies both on internal and in the foreign market offer non-proportional reinsurance services, i.e. obligatory reservoirs in agreements of the excess of a loss and facultative coverage of risks on proprietary insurance technical risks, responsibility, casco, cargo etc. Distribution domestic and the foreign markets for reinsurers from the CIS has such structure: The CIS and Western Europe - 30%, the central and Eastern Europe, Asia, America, the Middle East with Africa on 10%.

Insurance companies from the CIS also participate reinsurance pools in handrails under non-proportional agreements of the excess of loss, covering risks in the set limits according to policy of own deduction. One of problems for insurance companies from the CIS this quoting of risks in case of facultative disproportionate placement successfully is solved thanks to automated electronic system of risks reinsurance exchange online "Fly Re" (<https://www.fly-re.com/>). This electronic reinsurance exchange allows to accept and transfer risks by auction both within the country and abroad for facultative reinsurance.

For domestic insurance company – cedent of one significant tasks ensuring financial reliability, solvency due to forming of the balanced insurance portfolio is, in particular by means of optimum reinsurance are sewn up. There is a choice from four alternatives: if the insurance portfolio is balanced not to be reinsured in general, or to be reinsured on a proportional or non-proportional basis or on the combined covering.

Insurance companies market leaders for optimization of reinsurance protection use risk management model the equity, the income and expenses [4, p.16]. In the simplified option there are three alternatives of this model. The first is the maximum reinsurance protection, the second - economy on reinsurance, the third - weighted average.

Further each large portfolio on main types of insurance is generally reinsured by treaty. That doesn't enter an treaty is reinsured only facultative contract. Analysts of the insurer build forecasts of development of loses of a portfolio on mass types of insurance and options of its reinsurance protection proportional, non-proportional or compression basis.

After determination of the technical price and conditions of reinsurance protection, the insurer directly or through the broker enters negotiation processes to determine already market price which usually represents a compromise in aspirations of the insurer and reinsurer. Domestic insurers and foreign overcautious persons practically don't apply non-proportional reinsurance based on a stop loss, as there is a narrow corridor meanwhile when it is yet necessary, and when it isn't necessary for

those and it is very difficult to reach to the parties in such conditions of a compromise and the agreement [5, p.18].

The foreign insurance, reinsurance companies besides that much financially more powerfully than the majority of domestic insurers they still unite in reinsurance pools or groups where there is a leader, usually it is the reinsurance company from TOP-10. These groups or pools provide big capacity and quite often suggest to participate in handrails under agreements of the excess of a loss and domestic reinsurers.

Usually leaders this such reinsurer as Munich Re, Swiss Re, Gen Re, Lloyds, Hanover Re, Partner Re, Everest Re have high professional reputation a wide experience and the acquired communications a high credit rating that allows them to dominate in the international market of reinsurance. Enhancement of non-proportional reinsurance is abroad directed as on more and more complete satisfaction of need of insurers on the basis of obligatory contracts of the excess of loss, and for the separate risks which haven't got under an obligatory covering and requiring facultative non-proportional placement.

Practical manifestation of this factor can be observed in such situation when the Ukrainian insurers reinsure on a non-proportional basis in 2013 about 41% of the risky at nonresidents with their partial subsequent placement in the foreign market. It is the result of complexity in a type of smaller amounts and high cost to work for the Ukrainian insurers with the foreign market directly and much more profitable through Russia which actively participates in the international reinsurance groups.

The tasks facing the treaty of the excess of a loss connected determination, a deposit premium, own deduction, acquired reservoir, quantity and the price of recoveries as a result of bigger experience are solved in foreign than domestic insurance companies with higher quality.

According to domestic and foreign economists insurance reasons limiting the scope of the development of non-proportional reinsurance in the CIS, if they try to generalize, are as follows:

- Non-proportionate reinsurance - a relatively new method of reinsurance;
- The limited information on the importance non-proportional reinsurance;
- Legal restrictions on foreign reinsurers business (Shares in reserves , ranked ) make it difficult to obtain the necessary experience;
- Insufficient domestic market capacity of reinsurance;
- Domestic reinsurers act as agents of foreign companies;
- Competition between domestic and foreign reinsurers lead to price dumping when the attention of the price agreement, but not the quality;
- Technical unpreparedness of domestic insurance companies, the absence of a special software for quotations non-proportional reinsurance contracts;
- Certain reinsurance contracts in case disaster does not fit;
- The problem of control of the accumulation of losses resulting from a catastrophic loss of one or more consecutive losses;
- All calculations to figure " sum insured " rather than " the maximum possible loss ";
- The difficult political and economic situation;
- Schematic reinsurance.

According to analysts Suisse Re on the development prospects of non-proportional reinsurance will affect the following factors:

- overcoming the world, local, economic, political crises and restore sustainable development;
- liberalization of existing and formation of new insurance legislation;
- moral development of the insurance and real insurance market;
- form a balanced insurance portfolio;
- price and product competition;
- traditional and alternative sales channels; control catastrophic losses;
- adequate structuring of reinsurance;
- import know-how of global insurers;
- further integration of the local markets of the CIS countries in other developing countries in the international reinsurance market [6].

Prior to the 2008 financial crisis on innovation leader reinsurance market, in particular, was based on the disproportionate Swiss Re. Active participation in the treatment of catastrophic bonds, combining insurance and investment provision of financial reinsurance. Theoretical development and innovation involved in Europe, USA, Asia, many international reinsurers. Among those who focuses non-proportional facultative covering reinsurance group Gen Re mentioned.

Departments Gen Re facultative non-proportional reinsurance focused on maximum culturally sensitive local insurance market, loss stories, such facilities to meet the demand of the insurance company. Value optional disproportionate reinsurance for the insurer is difficult to overestimate. Due to the adjusted actuarial methods tariff global reinsurers considering dependence of the probability and frequency of loss of its size can provide positive Underwriting result [7].

Special customer value for an insurance company for insurance of large property objects. when much of the responsibility is transferred to the reinsurer or pool and thus stable operation of the insurer [8]. Long-term mutually beneficial cooperation insurer and reinsurer in non-proportional facultative coverage is definitely its sustainable competitive advantage [9].

Global leaders reinsurers used their expertise with tangible add value for insurer. This expert analysis is done in the field of risk assessment, risk transfer, risk management of the insurer. One of the functions of reinsurance, including on the basis of a disproportionate income smoothing and shaping qualitatively managed profitable portfolio of insured risks.

**In conclusion, it should be noted stability in enhancement, in development of non-proportional reinsurance in the CIS and in the world and depend first of all from a political, social and economic sustainable development of mankind. Responsibility in the modern world insurance and reinsurance market, including non-proportional coverage lies for two tasks. The first - this to remain to insurers and reinsurers became leaders of innovations on technologies and**

**tools of preventive and investing activities in a risk assessment, decrease in risk and risk management and certainly to share this knowledge, abilities, skills. The second - this a save of peace, opportunities to agree, solve contradictions by search of compromises, teaches us to it available rich insurance and reinsurance culture.**

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