

РОЗДІЛ 1. ЕКОНОМІКА

ACTIVITIES OF INSURANCE COMPANIES IN WARTIME

ДІЯЛЬНІСТЬ СТРАХОВИХ КОМПАНІЙ У ВІЙСЬКОВИЙ ЧАС

The article examines the functioning of insurance markets, which is based on the role of insurance markets in ensuring the stable functioning of business entities through insurance protection. Insurance also plays an important role in protecting property and personal interests of citizens. In addition, the insurance market is the second largest segment of the national financial market and has a certain influence on the stability of the economic system. The functioning of the insurance market of Ukraine after the introduction of martial law was analyzed, the main trends and problems of its development were determined, and the priority issues that needed to be resolved were outlined. Based on the experience of transformation and adaptation of their activities during the corona crisis, insurance companies have once again demonstrated the ability to fully restore the functioning of the market under force majeure circumstances and already offer modern insurance products with additional coverage of the consequences of war.

Key words: insurance market, insurance, martial law, force majeure, war risk insurance.

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В статті проведено дослідження функціонування страхових ринків, що ґрунтується на ролі страхових ринків у забезпеченні стабільного функціонування суб'єктів господарювання через захист за допомогою страхування. Страхування також відіграє важливу роль у захисті майнових та особистих інтересів громадян. Крім того, страховий ринок є другим за величиною сегментом національного фінансового ринку і має певний вплив на стабільність економічної системи. В сучасних умовах, коли країна перебуває в стані війни, в умовах постійних змін, ризиків, технологічних зрушень, а також економічного дисбалансу, страховий сектор економіки, як і будь яка інша галузь, потребує кардинальних змін щодо ведення своєї діяльності. За відсутності своєчасного регулювання з боку держави щодо функціонування страхового ринку України, зниження існуючих ризиків та урівноваження ситуації, яка виникла через військову агресію зі сторони російської федерації, можливе падіння страхового ринку, як сектору економіки країни. Тому, вивчення даного питання є необхідним для забезпечення стабільності функціонування, конкурентоспроможності та платоспроможності страхових компаній на страховому ринку України. Проаналізовано функціонування страхового ринку України після запровадження воєнного стану, визначено основні тенденції та проблеми його розвитку, а також окреслено першочергові питання, які потребують вирішення. Спираючись на досвід трансформації та адаптації своєї діяльності під час коронакризи, страхові компанії вкотре продемонстрували здатність повністю відновити функціонування ринку в умовах форс-мажорних обставин і вже пропонують сучасні страхові продукти з додатковим покриттям наслідків війни. Доведено, що страховий ринок є важливим структурним елементом фінансової системи, який через реалізацію специфічних продуктів здатен забезпечувати безпеку всієї країни. Об'єктивним є зниження показників функціонування страхового ринку в умовах війни, проте навіть в такій кризовій ситуації страхові компанії забезпечили присутність діяльності та продовжують безперервно працювати. Актуальними продуктами страхових компаній стали часткові покриття воєнних ризиків.

Ключові слова: страховий ринок, страхування, воєнний стан, форс-мажор, страхування воєнних ризиків.

Statement of the problem. In modern conditions, when the country is in a state of war, in conditions of constant changes, risks, technological shifts, as well as economic imbalance, the insurance sector of the economy, like any other industry, needs radical changes in the conduct of its activities. In the absence of timely regulation by the state regarding the functioning of the insurance market of Ukraine, reduction of existing risks and balancing of the situation that arose due to military aggression by the Russian Federation, the insurance market as a sector of the country's economy may fall. Therefore, the study of this issue is necessary to ensure the stability of operation, competitiveness and solvency of insurance companies on the insurance market of Ukraine.

Analysis of recent research and publications. the domestic insurance market was paid attention to by many scientists and practicing economists in different

periods. Recently, research on the insurance market has been carried out through the prism of the impact of quarantine restrictions or armed aggression. In particular in works Vdovenko L. O., Martsenyuk O. V., Ruda O. L., Poleva O. L. insurance activity in conditions martial law. At the same time, the dynamic development of events and implementation individual elements military insurance risks in practical activity of insurance companies determine the relevance of additional research into the conditions of functioning of the insurance market of Ukraine at the current stage.

Formulation of the goals of the article. The main purpose The article consists in researching the activities of insurance companies in wartime.

Presentation the main material research. General principles of functioning of the insurance market of Ukraine and activities of its participants regulated by law of Ukraine “About insurance”, in addition, this law

defines the requirements for carrying out insurance activities. Activity that is carried out by insurance companies on the insurance market of Ukraine, and is determined by other laws and appropriate normative and legal acts, such as: Law of Ukraine “On financial services and financial companies”; Decree Rule National the bank of Ukraine “About approval Position about a secret insurance”; Decree Rule National the bank of Ukraine “About approval Position about characteristics and classification features of classes insurance, peculiarities of carrying out activities with insurance and conclusion of contracts by classes insurance”; Regulations on mandatory criteria and regulations sufficiency capital and liquidity, profitability, asset quality and riskiness of the insurer’s operations, approved order National commission, What carries out state regulation in sphere markets financial services.

Compliance with regulatory requirements and obligations necessary for software prose growth and reliability in the insurance market, in their case violation, National bank of Ukraine, as regulator market non-bank financial services, will apply appropriate influence measures, usually in in the form of fines. It is worth noting that similar levers impact, and also action others factors, What are related with proceedings insurance activity in the conditions of martial law, can lead to exit insurance companies with market.

To factors, which negatively affect on state insurance market and proceedings participants market own activities, include: natural and man-made disasters; aggravation of macroeconomic situations in particular the world economic crises; socio-political and economic imbalance; conducting hostilities on the territory countries and uncertainty; non-compliance with legislation real situations on insurance market of Ukraine; absence guarantees of receiving deposits policyholders in case bankruptcy insurer, which were b approval on legislation why levels, leading to such a factor as distrust of the population towards the insurance sector and the activities of its participants; using insurance activity in corruption schemes; decrease equal economic well-being population and business entities.

To factors, which contribute stable functioning, increasing stability and transparency on insurance market, include: relaxation of regulatory requirements and obligations to provide adaptation market insurance services to work in wow war; efficiency insurance legislation, in questions regulation activity insurance companies; implementation of international standards accounting and reporting by insurance companies; effectiveness of insurance legislation, y issues of regulating the activities of insurance companies lady improve process sales insurance services and increasing the rating of the insurance company; informative openness, transparency of conduct by insurers of their activities; sufficient level insurance reserves, What stands out the source

for implementation investment activities; sending requirements to quality assets insurer; high level capitalization insurance companies. Requirements to participants insurance market, from 1 July 2020 year, markedly intensified because of implementation of the project “Split”, which predicted trans course, such functions as regulation and supervision of by insurers to the NBU, which caused a sharp reduction quantity insurance companies on insurance market of Ukraine.

Almost 55 % left the market of insurance services risky insurers: close 30 % insurance companies left the market even before the full-scale invasion, mainly those institutions which not served population and not carried out significant payments; with the beginning active fighting action fraction insurance companies decreased on 25 %, insurers registered on temporarily occupied territories (5 %) and participants market, What carried out own activity with violation of legislation, regulatory requirements and obligations or had opaque structure property (20 %).

Insurance companies faced a number of problems, among which the most attention in the first months of martial law required the transfer of personnel and the organization of work remotely, the termination of contracts or the postponement of payments. Negatively influenced on state insurance market in general, a decrease in the number of premiums received, the destruction of real estate objects, the difficulty of traveling to the places of insurance cases, especially the settlement of insurance cases in the territories of active hostilities. Work experience under time corona crisis provided fast transition to online mode, NBU recommendations on simplification procedures settlement insurance cases – this provided an opportunity to establish activities and continue working in extremely difficult conditions.

Exploring state insurance market of Ukraine and the activities of its participants, in addition to the study of the active legislation and definition factors impact, also necessary to spend analysis basic indicators insurance market of Ukraine. The insurance market of Ukraine continues to carry out activity two groups insurance of companies: companies specializing in life insurance (SK life) and companies specializing in risk species insurance (SK non-life), the number of which is gradually decreasing (Table 1).

Indicated dynamics, in 2020–2021 year was due to the change in approaches to market regulation, introduced by the NBU, regarding compliance with standards of solvency, reliability, liquidity and transparency in the activities of insurance companies. Negatively marked on quantity insurers and quarantine limitation and related with hereby a drop in business activity: not all companies were ready for such a scale of the pandemic, so they could not adapt to the situation and meet the established normative requirements regulator. By the war period state number insurance companies decreased by

Table 1

Quantities insurance companies on insurance market of Ukraine

Date	Number insurance companies			Deviation (+/-)
	non- life	life	Together	
31.12.2020	190	20	210	–
31.12.2021	142	13	155	- 55
31.03.2022	132	13	145	- 10
31.06.2022	129	13	142	- 3
31.09.2022	127	12	139	- 3
31.12.2022	116	12	128	- 11
31.03.2023	110	12	122	- 6
31.12.2023	89	12	101	- 21
13.08.2024	67	11	78	- 23

Source: systematized by the authors according to the data <https://forinsurer.com/stat>

33 and as of 31.03.2023 amounted to 122 units: of them non-life 110 and life 12.

IN the first quarters 2022 r., on beginning introduction military state insurance market left 11 companies, 10 with whose were registered in zone carrying out Operations united forces (OOS). Majority insurance companies were deprived of licenses through violation regulatory requirements NBU In February 2023, the Export Credit Agency (EKA) was included in the register of insurance companies – resident insurer with special status, which has license on implementation on voluntary and commercial principles insurance, reinsurance and granting guarantees The main purpose of creating the agency is to stimulate exports Ukrainian origin. One from types of activities, agencies there are insurance and reinsurance direct investments with of Ukraine, but, it does not carry out insurance direct investments in Ukraine.

For elimination this one problems was developed draft law No 9015 from 14.02.2023, which involves expansion opportunities for insurance investment foreign and domestic investors in Ukraine, in particular, from military risks.

A significant decrease in the number of insurance companies is due to significant changes to the legislation, which were introduced from July 1, 2024. In particular, due to strict requirements for solvency and minimum authorized capital, relatively small insurance companies that have been faithfully working for more than 15 years were forced to leave the market.

Summarizing the data on the state of the insurance market of Ukraine during the war, it is worth noting that it was in a crisis situation, but it continues to work and provide protection for society and business entities. During the pandemic, insurers, adapting to new realities, began to create new insurance products. Protection against Covid-19 for individual clients was quickly developed and added to the range of insurance services by TAS, ARX, Universalna, INGO, ASKA-Zhyttya, VUSO, Kraina and others. Analyzing the prospects for the development of insurance activity

during the war, the researchers agree with the legality of classifying military actions as “force majeure” circumstances, however, the presence of such circumstances cannot exempt insurance companies from paying compensation. Dismissal is subject only to liability for breach of obligations, if it occurred as a result of force majeure. Insured cases that occurred as a result of military risks are not covered by the insurance company, but all others are reimbursed according to the contracts. Therefore, similar to the situation of the corona crisis, in the conditions of martial law, insurance companies began to offer protection against war risks (Table 2). The offered protection against military risks is not a separate product, it is presented as an additional function to an already existing one, or an improved product that covers partial risks of military operations. In each proposed program, there are special conditions that are related to the degree of risk involved; geographic restrictions; insurance coverage limit.

While there is no full-fledged war risk insurance, small objects and individuals are subject to insurance. This is precisely related to the size of the possible loss, which insurance companies will not be able to cover. The amount cap itself is the biggest deterrent, as the coverage offered is very small, so the premiums for these products are a small fraction. Despite the limitations, receiving little compensation is better than nothing. That is why the need for insurance products that cover war risks will grow. At the same time, there is a need to create an effective system of reinsurance of these risks, since military risks are expensive and require mandatory reinsurance.

The first step in solving the problem of insurance of military risks, according to the regulator, is the division of insurance of military and political risks into two stages, since the creation of a comprehensive insurance system is a rather long process. At the first stage, the NBU proposes to launch a transitional model for the quick start of insurance of military and political risks, which can be based on key proposals

Table 2

Insurance products Ukrainian insurance companies, which foresee protection from military risks

Name SK	Insurance product	Risks that covers	Sum coating	What not covers
"VUSO"	CASCO Patriot	damage transport tool fragment, risk arrival rockets, others objects, disruption on mini direct shelling	10 % from cost auto	direct shelling nuclear, biological, chemical attack full death auto
"ARCS"	Armor protection	hit shells, mines, bullets, collapse buildings, consequences fires, mining territory	up to 4500 hryvnias	participation in active fighting actions; territory on which are happening military actions, occupied, in surroundings
"INGO"	CASCO (option military CASCO risks)	by section contract: CASCO (destructive action percussion waves; damage by fire or pace at close location from places fire, as a result military actions; collision or run over military techniques; fall outsiders objects defensive and special military appointment); Insurance from unhappy cases (insurance case – death or loss working capacity driver, passenger in as a result road accident in consequence military actions)	CASCO: 10 % from insurance amounts by contract, but not < 300 thousand UAH Insurance from unhappy cases: to 300 thousand UAH	territory high risk (list presented on website)
TAS life	Insurance for business: insurance from military risks	proposed product creates protection from consequences military actions for your team	200 thousand UAH	–

Source: systematized by the authors according to the data <https://forinsurer.com/stat>

of the United States Agency for International Development (United States Agency for International Development, USAID) regarding the creation of a trust fund with the participation of international partners and donors. The second stage will involve the creation of a long-term and full-fledged domestic system of insurance of military and political risks or the Military Insurance Pool of Ukraine, the purpose of which will be the accumulation of funds for future payments and centralized reinsurance of risks on the international market.

The development of a war risk insurance system in various variations is a very urgent problem, the solution of which provides more confidence for investors, ordinary citizens and the country's economy. The main problem and the biggest obstacle in the creation of an effective war risk insurance system is the conduct of active hostilities on a large territory of the country. Undoubtedly, the issue of starting a military insurance system or expanding the category of political risks should have been paid attention to in 2014, anticipating the likelihood of an aggravation of the conflict that began in the east of the country. However, such steps were not taken, therefore, the search at the state level for opportunities to build a war risk insurance system indicates the importance of this market segment and the need for its development.

To ensure financial stability at the beginning of the full-scale invasion, the NBU simplified regulatory requirements for insurers so that they could focus on

the effective conduct of their professional activities. The requirements were renewed after six months of work under martial law in order to prevent the deterioration of the situation on the insurance market and taking into account the adaptation of insurance companies to the "shocks" of war. The regulator gradually renewed detailed supervision of insurance market participants, which was reflected in the cancellation of licenses for some companies. For insurance companies, additional requirements were introduced regarding the quality of assets, the need to audit assets to avoid overstating the value of existing real estate, and to reduce indicators of illiquid assets. Licensing requirements were also expanded, verification of the ownership structure in connection with armed aggression (regarding the absence of owners of significant participation who have the citizenship, registration, location of the Russian Federation and the Russian Federation), the obligation to disclose information on the property and financial situation of owners of significant participation in insurance companies. In addition, a list of signs was selected for the definition of risky activity, which will serve as a signal for license cancellation, and a list of conditions for the violation of which the insurance company will be deprived of its license was determined. Forced changes in the insurance market contribute to the approximation of the legislative provision of insurance activity to European standards, activate positive trends in the development of insurance, financial and investment

activities of insurance companies, and also contribute to the strengthening of the country's financial security.

The actions of the NBU are aimed at the development of a transparent, reliable and competitive insurance market, which will meet its obligations to service users in a timely manner. However, the introduction of new requirements for the activities of insurers would be appropriate in peacetime. During the war, insurance market participants feel the need for additional support from the regulator especially acutely. A compromise would be a decision regarding the formation of the structure of assets in wartime, the deadlines for submitting financial statements and publishing information. It is also important to avoid abuse by insurance companies of the concessions granted by the regulator.

In March 2023, business noted positive expectations regarding the prospects of economic activity, adapting to the conditions of martial law. Compared to February 2023, the index of expectations of business activity increased by 4.5 points and amounted to 49.5, reaching an almost neutral level. Thus, Ukrainian business does everything possible to support its activities and the country's economy. In this direction, in the absence of relaxations on the part of the regulator, an optimistic scenario of the development of the insurance market will gradually be implemented, according to which companies that adapt to developments in time, operate stably, meet the requirements of the regulator, and also develop new insurance products and effectively remain on the market innovate.

Conclusions. The insurance market is an important structural element of the financial system, which through the sale of specific products is able to ensure the security of the entire country. Objectively, the indicators of the functioning of the insurance market in the conditions of war are decreasing, but even in such a crisis situation, insurance companies have ensured the profitability of their activities and continue continuously work. Current products of insurance companies have become partial coverage of war risks. This issue remains not fully settled and requires mutual cooperation of the state, insurance market participants and international organizations to develop effective mechanisms for insurance of military risks. Not only the development of the domestic insurance market, but also the possibility of attracting investments into the country's economy depends on the activity of all interested parties in the process of solving the mentioned issue. Equally important is the creation of a set of measures to attract funds for the post-war reconstruction of the country with the active participation of insurance companies.

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