



Adaptation of the legislation of Ukraine on regulation of the insurance market and insurance services to the EU acts

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Introduction

The process of Ukraine's integration into the European Union necessitates the harmonization of Ukrainian legislation with EU legislation. The Law of Ukraine “On the National Program for Adaptation of the Legislation of Ukraine to the European Union” established that adaptation is a priority component of the process of Ukraine's integration into the European Union, which in turn is a priority of Ukrainian foreign policy.



One of the priority areas for the implementation of the National Program of Legal Approximation is the area of financial services, and in particular, insurance as part of it.

The task of adapting Ukrainian legislation to EU legislation



Unification of European and Ukrainian legal terminology

Making changes and / or additions to the relevant regulations



In the absence in Ukraine of regulations necessary for the legal regulation of certain relations in the field of insurance, and if such regulation is provided by EU directives - the development and implementation of new ones.

Provisions of the Association Agreement

Ukraine has committed itself to implementing EU rules on:

insurance intermediaries (Directive № 2002/92 / EC of the European Parliament and of the Council of 9 December 2002 on insurance mediation; 92/48 / EEC: Recommendation of the European Commission of 18 December 1991 on insurance intermediaries);

motor insurance (Directive № 2009/103 / EC of the European Parliament and of the Council of 16 September 2009 on insurance against civil liability in respect of the use of motor vehicles and enforcement of obligations under such liability insurance (codified version);

reporting (EU Council Directive № 91/674 / EEC of 19 December 1991 on the annual and consolidated accounts of insurance undertakings);

pension insurance (Directive № 2003/41 / EC of the European Parliament and of the Council of 3 June 2003 on the activities of pension institutions and their supervision).

The Solvency II (Directive № 2009/138 / EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

The adaptation of the legislation of Ukraine has already been adopted

Regulations on the state register of financial institutions

Licensing conditions for insurance activities

Procedure for Conducting Inspections on Prevention and Counteraction to Legalization (Laundering) of Proceeds from Crime

Regulations on the procedure for forming the statutory fund of the insurer with securities and others.

Priority areas for adaptation of Ukrainian legislation to EU legislation remain



Determining the solvency of insurers

Insurance of civil liability of vehicle owners

Bankruptcy of insurers

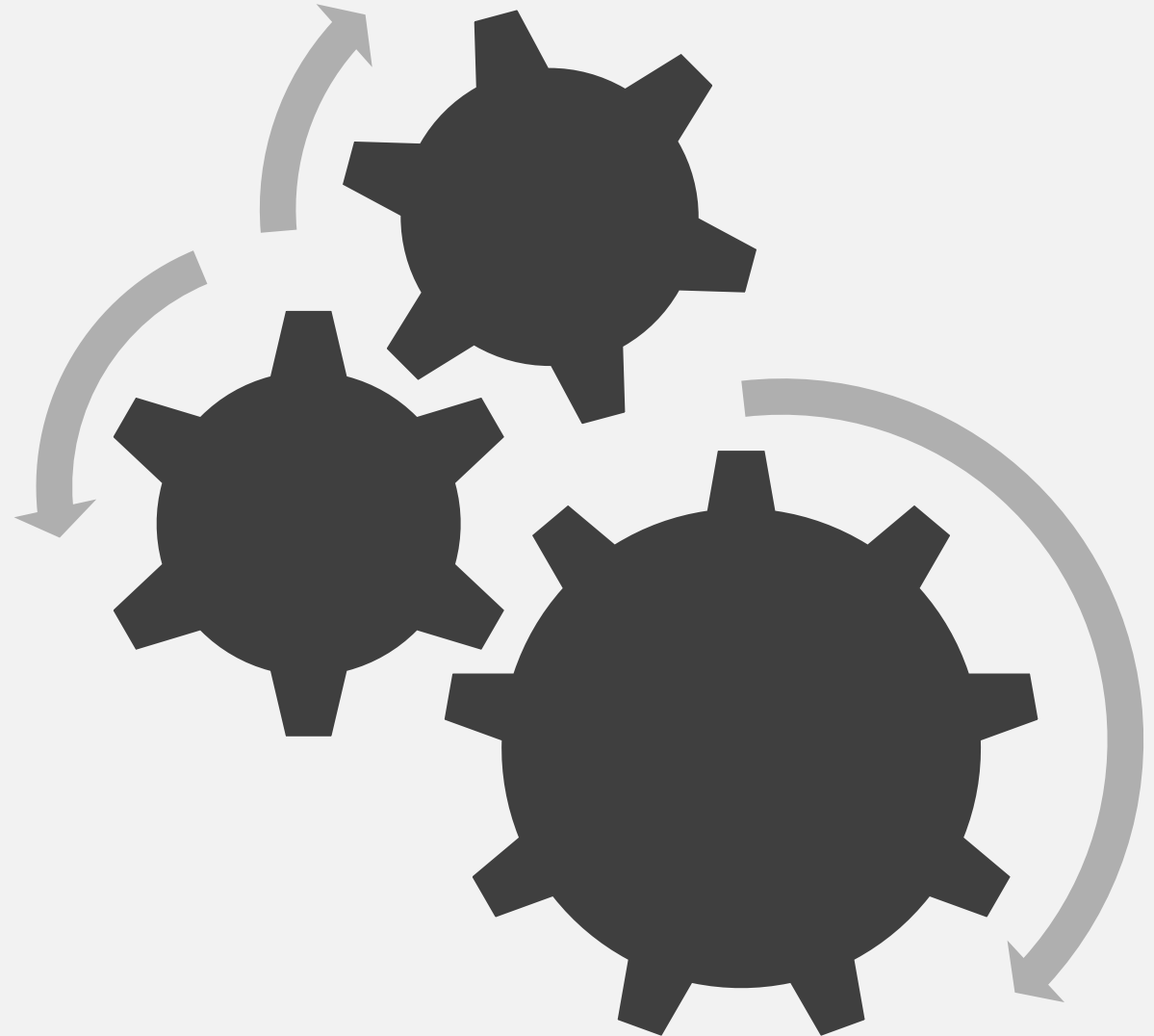
Reinsurance

Intermediary activities in insurance

And other

Law "About insurance"

On March 31, 2016, the government of Ukraine adopted in the first reading the draft law of February 6, 2015 № 1797-1 "About Insurance", which takes into account the basic recommendations of Directive 2009/138 / EC of the European Parliament and of the Council of November 25, 2009. About the beginning and conducting of activity in the field of insurance and reinsurance (Solvency II) ».



The new law "About insurance"

Provides:

Determination of the classification of branches and types of insurance in accordance with the recommendation of the first Council Directive 73/239 / EEC

Registration of insurers exclusively in the form of a joint stock company and introduction of a new procedure for their registration

Establishment of the institute of professional reinsurers and allocation of reinsurance in essence, in a separate type of insurance, for the implementation of which it is necessary to obtain a license

Establishing the procedure for disclosure of information by insurers to ensure reliable protection of policyholders and the introduction of prudential supervision of insurance activities

Establishing solvency requirements that take into account the quality of the insurer's assets, its management system and information disclosure

Determining the conditions of access to activities on the territory of Ukraine by non-resident insurers

Issuance of a permit for cross-border insurance in cases established by the legislation of Ukraine

Establishing requirements for the owners of significant participation and the procedure for acquiring significant participation from the insurer

Establishing requirements for the corporate governance system of the insurer

Determining the procedure for regulating mediation activities on the territory of Ukraine in accordance with EU legislation

Determining the legal status of actuaries, auditors in the field of insurance

The new law "About insurance"

Will promote:

Strengthening the market principles of insurance market participants

Improving the system of legal support of the insurance services market, including the system of insurance licensing

Ensuring economic competition, which will improve the quality of insurance services

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Ensuring reliable protection of policyholders by preventing insolvency of insurers

Consistent transition to the system of prudential supervision of insurance activities

Improving the system of monitoring the activities of insurers

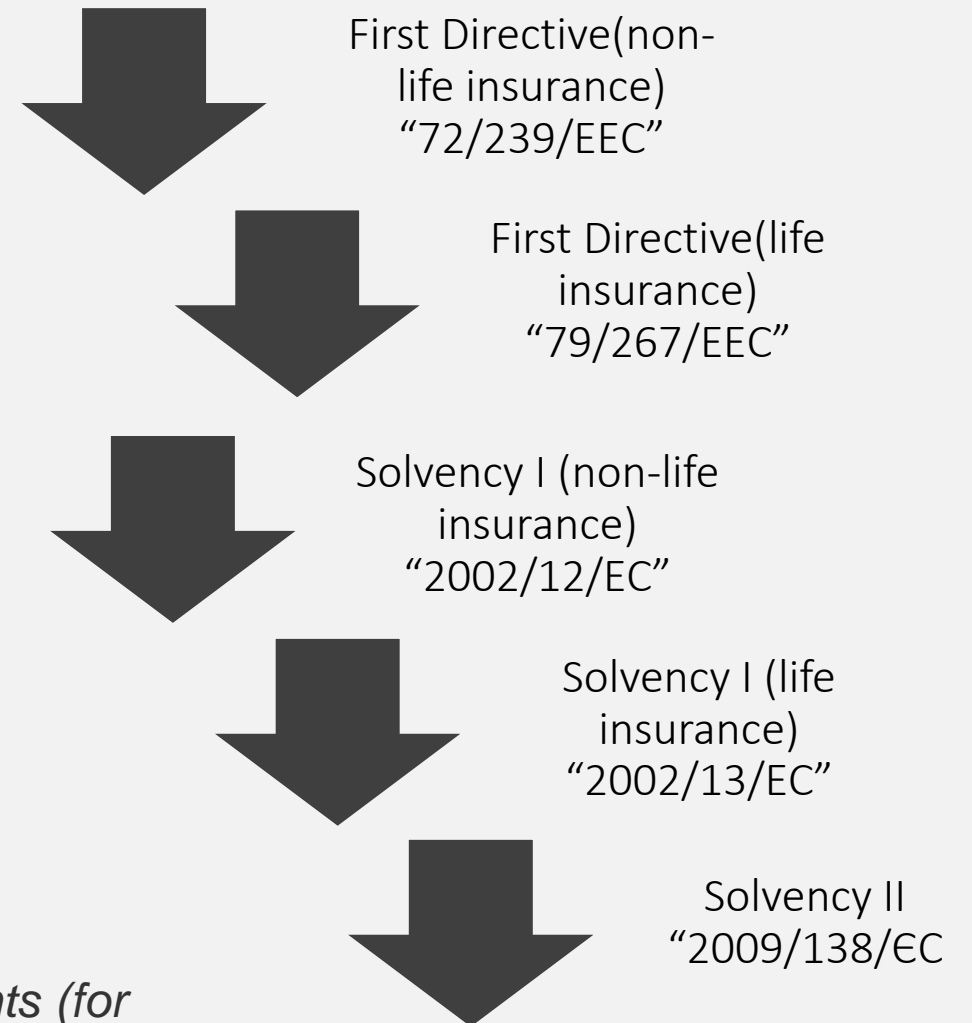
Solvency of insurers

According to EU law, the level of solvency of an insurance company must be sufficient to ensure that it fulfills its obligations to policyholders and third parties.

According to the EU Directives, the solvency margin consists of the insurance company's assets, which are free from any obligations.

Solvency II consists of three components (pillars):

- *Component 1 defines quantitative requirements (for example, the amount of capital that an insurer must have);*
- *Component 2 sets out requirements for the management, risks and supervision of insurers;*
- *Component 3 focuses on disclosure and transparency requirements.*



Comparison of the Solvency II Directive (2009/138 / EC) to be implemented with the current Insurance Law

Law of Ukraine “On Insurance” (Draft Law “On Insurance”)

Non-life: 1 million euros

Life: 10 million euros

Solvency II Directive (2009/138 / EC)

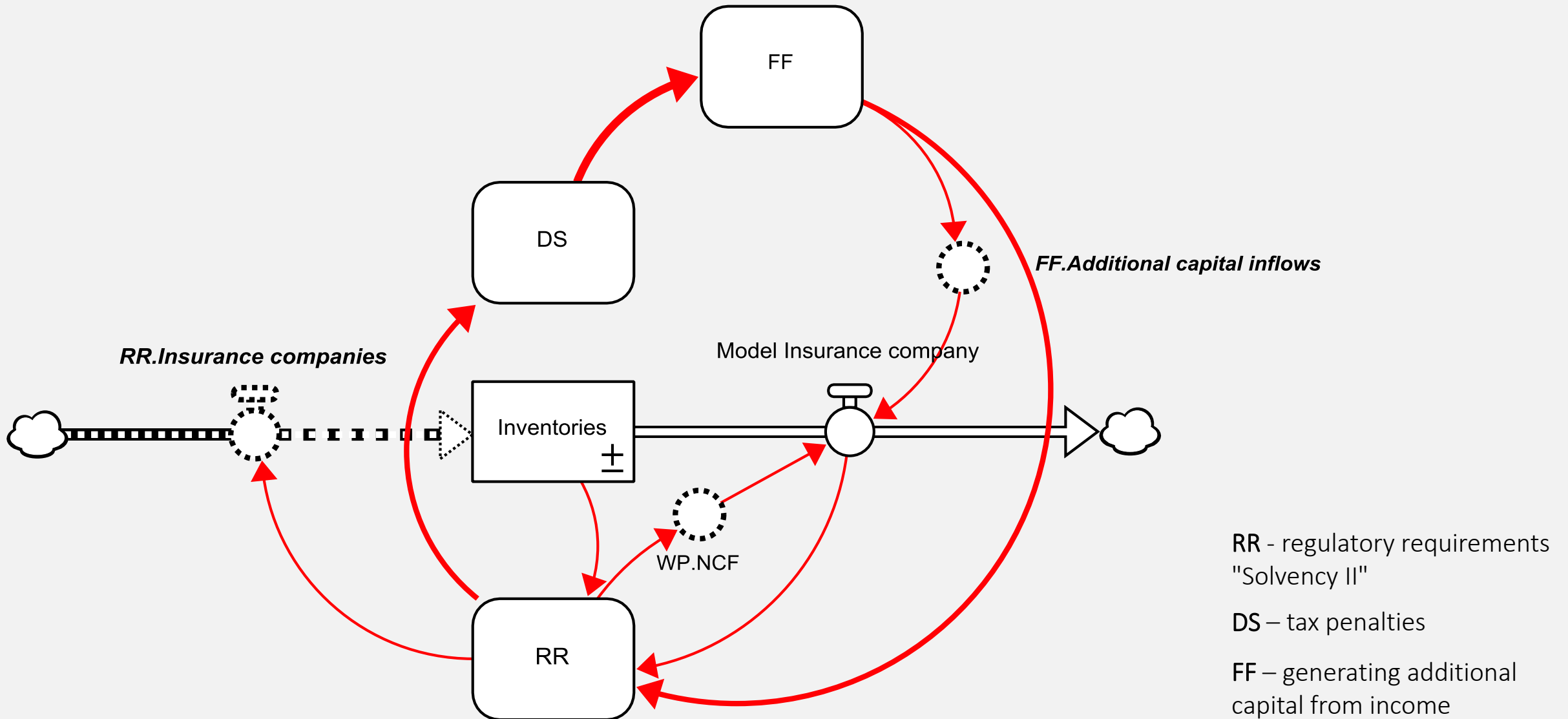
Non-life: 2,2 million euros

reinsurance organizations: 3.2 million euros

controlled reinsurance organizations: 1 million euros

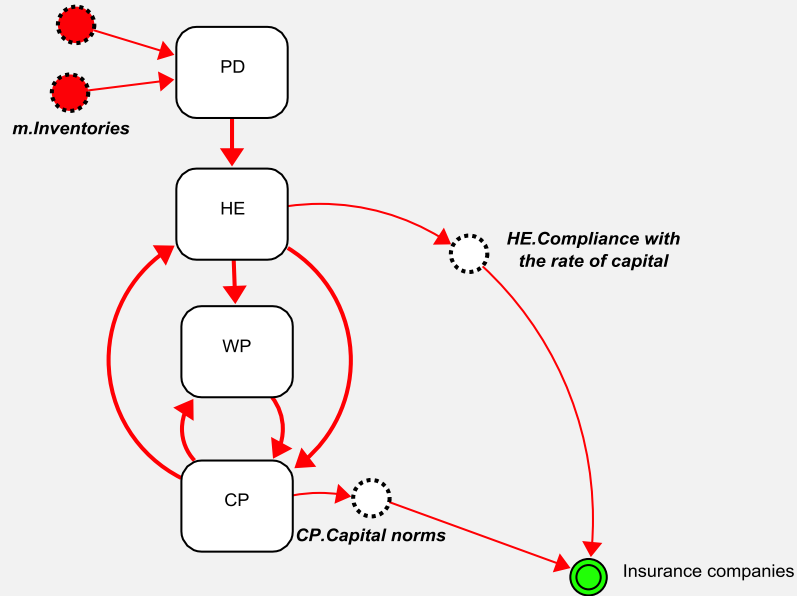


Model of influence of regulatory requirements on insurance companies of Ukraine

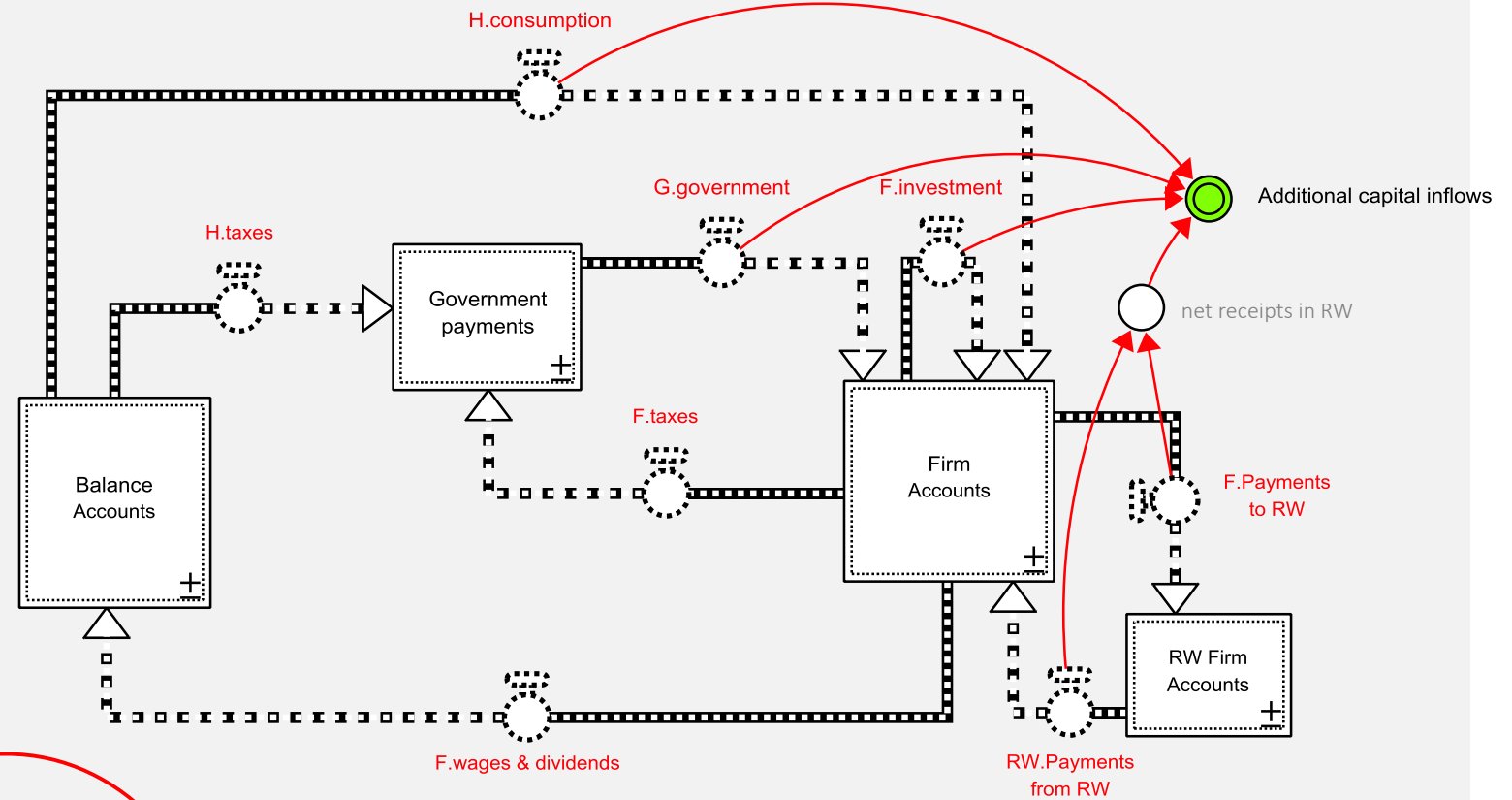


Model of influence of regulatory requirements on insurance companies of Ukraine

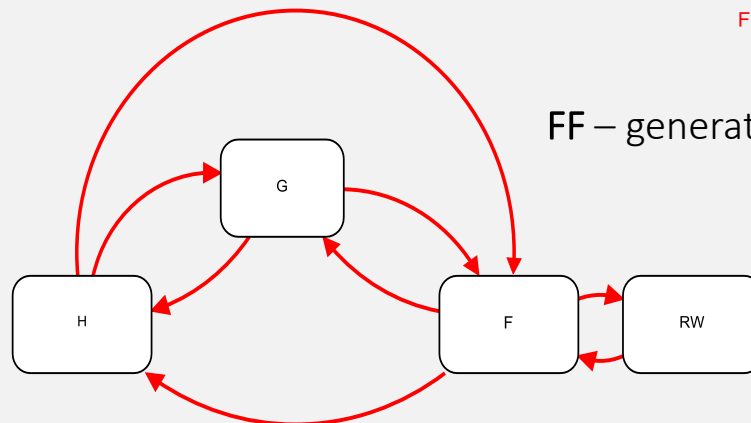
m.Model Insurance company



RR - regulatory requirements "Solvency II"

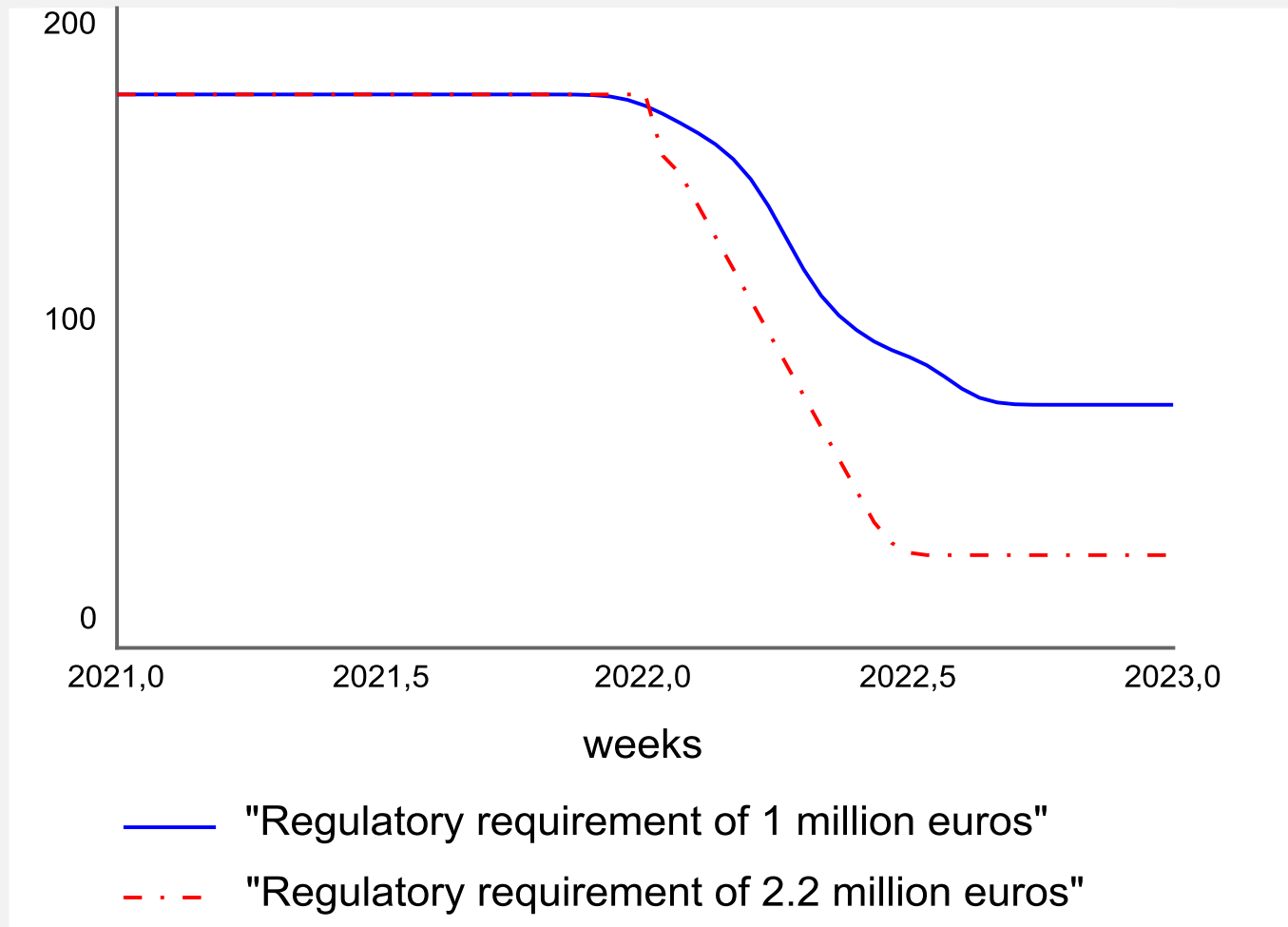


FF – generating additional capital from income



DS - tax penalties

Assessment of simulated implementation of regulatory requirements



- According to 1 scenario, the insurance market of Ukraine lost **97** insurance companies (at the beginning of 2021: 173, in the 6th month of 2022: 76 companies)
- According to scenario 2, the insurance market of Ukraine lost **144** insurance companies (at the beginning of 2021: 173, at the end of the 2nd month of 2022: 29 companies)
- The economic loss for 1 scenario is *: **16,108.62 million UAH** or **607,872.45 million \$ USA**
- The economic loss in the 2nd scenario is *: **70,745.39 million UAH** or **2,669.64 million \$ USA**

* Amount: Assets, Equity, Insurance reserves, Net earned premiums, Premiums transferred to reinsurance, Insurance payments and insurance indemnities, Labor costs, Income tax expenses.

Conclusions

1. Ukraine is implementing the process of integration into the European Union and aligns Ukrainian legislation with EU legislation.

2. One of the priority areas for the implementation of the National Program of Legal Approximation is currently the area of financial services, and in particular, insurance services as part of it.

3. Already today, in order to adapt the legislation of Ukraine adopted:

- Regulations on the state register of financial institutions;
- The procedure for conducting inspections on the issues of prevention and counteraction to legalization (laundering) of proceeds from crime;
- License conditions for insurance activities;
- Regulations on the procedure for forming the statutory fund of the insurer in securities;
- Association (transfer of powers) of the National Commission for State Regulation of Financial Services Markets with the National Bank of Ukraine. A single regulator of the financial, insurance and banking services market has been formed.
- and others.



4. According to our model of the impact of regulatory requirements of Solvency II on insurance companies in Ukraine. The Ukrainian insurance market, in particular the state regulator of the NBU, still has a problem with the adoption of a rule requiring the capital of the insurer in connection with the economic situation of the insurance market and its subjects. In accordance with this problem, the adoption of the solvency ratio is currently necessary to extend for subsequent periods.



**Thanks for your
attention!**