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PECULIARITIES OF MANAGEMENT OF INSURANCE COMPANY SERVICES UNDER THE INFLUENCE OF THE COVID-19 PANDEMIC

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Background and objectives. In One of the elements of Ukraine's financial market infrastructure is the insurance market. Insurance services occupy the second place by the level of capitalization among nonbank financial markets. The current stage of development of insurance market in Ukraine, as well as any other state, is indirectly influenced by the consequences of COVID-19 pandemic. At this time, insurance companies are playing an important role in the life of the country. For their part, they fall under the influence of the negative external environment of company development. Adaptation of the insurance market to the changes is necessary. It is connected with the modernization of financial instruments of the insurance industry and implementation of innovative technologies in the organization of insurance activity. This necessitates the search for innovative ideas in the management of insurance company services.

Methods. The following general analysis methods were used: the

leveling and grouping methods, the average values and indices methods, the graphical methods, the integrated assessment methods.

Findings. Obtained results of the insurance market situation, impact of the COVID-19 pandemic on the activity of insurance companies was assessed, the trend of insurtech solutions for improvement of relations with clients was recommended.

Conclusion. The conducted research enabled to investigate indirect influence of pandemic COVID-19 on the market of insurance companies services and interconnection of the market with Ukrainian economics and the world. The conducted research helped to determine necessity of implementation of new approaches to management of insurance company services, in particular the necessity of using insurtech solutions for improvement of relations with clients.

Keywords: financial market; insurance services; post-pandemic development; digital technologies; insurtech solutions.

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ОСОБЛИВОСТІ УПРАВЛІННЯ ПОСЛУГАМИ СТРАХОВИХ КОМПАНІЙ ПІД ВПЛИВОМ ПАНДЕМІЇ COVID-19

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Постановка проблеми та завдання. Одним з елементів інфраструктури фінансового ринку України є страховий ринок. Страхові послуги займають друге місце за рівнем капіталізації серед небанківських фінансових ринків. На сучасний етап розвитку страхового ринку України, як і будь-якої держави, безпосередньо впливають наслідки пандемії COVID-19. В цей час страхові компанії відіграють важливу роль в житті країни. У свою чергу, вони підпадають під вплив негативного зовнішнього середовища розвитку компанії. Необхідна адаптація страхового ринку до змін. Вона пов'язана із модернізацією фінансових інструментів страхової індустрії та впровадженням інноваційних технологій в організацію страхової діяльності. Це зумовлює необхідність пошуку новітніх ідей в управлінні послугами страхових компаній.

Методи. Використані методи загального аналізу: методи порівняння і групування, методи

середніх величин та індексів, графічні методи, методи комплексної оцінки.

Результати. Отримані результати стану ринку страхових послуг, визначено вплив наслідків пандемії COVID-19 на діяльність страхових компаній, запропоновано використовувати напрямок insurtech-рішень для покращення взаємозв'язку з клієнтами.

Висновки. Проведене дослідження дозволило дослідити безпосередній вплив пандемії COVID-19 на ринок послуг страхових компаній та взаємозв'язок ринку з економікою України та світу. Проведене дослідження допомогло встановити необхідність впровадження новітніх підходів до управління послугами страхових компаній, а саме необхідність використання insurtech-рішень для покращення взаємозв'язку з клієнтами.

Ключові слова: фінансовий ринок; страхові послуги; постпандемічний розвиток; цифрові технології; insurtech-рішення.

Introduction. The basis for ensuring social and political stability in the country is the appropriate development of the civil society (On National Security of Ukraine: The Law of Ukraine, 2018).

The main factor of formation of economic development in Ukraine in 2020 was the factor of COVID-19 pandemic. Under the influence of the COVID-19 pandemic, significant changes in the life and activity of all countries of the world have occurred.

The main function of insurance is to protect individuals and entities from contingent losses in case of insurance events. At the same time insurance companies fall under the potential negative impact of risks that could jeopardize their ability to pay and have a negative impact on the consumers of insurance services (National Bank of Ukraine, 2020). Insurance services take the second place for the level of capitalization among non-bank financial markets (Results of insurance companies for the first quarter of 2020). The conducted research will be relevant to reflect the process of indirect influence of COVID-19 pandemic on the market of insurance companies services and will show the interconnection of the market with Ukrainian economy and the world. The conducted research will help to determine the necessity of implementation of new approaches to management of insurance company services, in particular the necessity to use approaches of insurtech solutions for improvement of relations with clients.

Materials and methods. This work is based on the analysis of Eurostat and IMF data (Growth from Knowledge, 2019) and data from the NBU, the Ministry of Economy (UKRAINE: the impact of COVID-19 on the economy and society). Besides it is used analysis of new approaches to management of the insurance company (Malovychko, 2014; Havrylenko, 2021).

Results and discussion. The civil society is a society of economically independent, socially and spiritually mature people.

According to the Law of Ukraine "On National Security of Ukraine" among the priorities of national interests are:

- The steady development of the national economy, the civil society and the state to ensure the increase in the level and quality of life of the population.

- Integration of Ukraine into the European political, economic, legal and social space, joining the European Union and the Organization of the Pacific Atlantic Treaty, development of equitable and mutually beneficial relations with other countries.

These postulates are politically and economically grounded because Ukraine is a full-fledged player on the economic map of Europe. Moreover, it is the largest country in Western Europe.

All European countries introduced sanitary and epidemiological measures (quarantine zones, temperature checks, discontinuation of mass events, closure

of educational and cultural and entertainment institutions). Restrictions on entry and exit to countries and resettlement in other countries were set to varying degrees. Labor activity was regulated by setting limits and introducing new distance forms of work and education. These regulatory measures have caused a significant decline in economic development in all countries of the world. For example, according to Eurostat data, in the second quarter of 2020, GDP volume decrease in comparison with the same period of 2019 in Germany was 11.7%, Spain – 22.1%, France – 19.3%, Austria – 12.8%, Lithuania – 3.8%. According to the latest data from the U.S. Department of Commerce, the U.S. economy in the second quarter of 2020 decreased by 32.9% on a year-over-year basis.

In Ukraine, the second quarter was the most important period in the economy, namely in March. This was the period of the most severe quarantine measures. Remembering the quarantine restrictions both in Ukraine and around the world contributed to a gradual renewal of business activity. According to the NBU Business Activity Index was 45.5 p.p. in June 2020 compared to 29.9 p.p. in Q1 2020.

The analysis of Ukrainian economy 2020 shows that in the period from June till June there was an increase in the turnover of retail trade by 3.0% only, and all other types of economic activity showed a decrease: agriculture – by 18.7%, the volume of freight traffic – by 19.6%, the volume of passenger traffic – by 55.9%, wholesale turnover – by 0.5%, industrial production – by 8.3%, construction – by 5.5%. As a result, the drop in GDP for the first half of the year according to the estimates of the Ministry of Economy was 6.5%, i.e. \$ 5 billion.

According to IMF forecasts, Ukraine's GDP in 2020 will fall from the previously forecast 7.7% to 8.2%. And the renewal of the Ukrainian economy will take place at a faster pace than predicted. In 2021, GDP is projected to grow by no more than 1.1%.

At the same time, prices on the consumer market rose by 2.4% in June 2020. That is why it is absolutely logical that Ukraine has been in the last place in the rating of European countries for purchasing power capacity of the population for three years in a row. In 2019, according to the list compiled by Growth from Knowledge, the purchasing power of the population per person in Ukraine was 1830 euros. As compared to Europeans, the average amount per person was 14,739 euros. The highest purchasing power was in Lichstein (67550 euros per capita), followed by Switzerland (42067 euros per capita). The countries with low purchasing power, apart from Ukraine, were Moldova and Kosovo.

In accordance with this situation, it is quite natural that the consumers' confidence in the reliability of the insurance company falls. And the confidence of the consumer – is one of the main conditions for the development of the

insurance market. At the same time the volume of insurance market during this situation decreased.

Total number of insurance companies as of 31.03.2020 was 225, including "life" IC – 22 companies, "non-life" IC – 203 companies (as of 31.03.2019 – 265 companies, including "life" IC – 27 companies, "non-life" IC – 238 companies). The number of insurance companies tends to decrease, so as of 31.03.2020 compared to the same date of 2019, the number of companies decreased by 40 companies (Results of insurance companies for the first quarter of 2020).

In comparison with Q1 of 2019 by 1 782,3 mln UAH (13.4%) the volume of gross insurance premiums has decreased, the volume of net insurance premiums 2 has decreased by 4,9 mln UAH (0,1%). The decrease in gross insurance premiums has occurred more or less for all types of insurance, namely: property insurance (decrease in gross insurance payments by 873,4 mln UAH (43,0%)); insurance against natural perils and risks of calamities (decrease in gross insurance payments by 791,0 mln UAH (49.2%)); third parties liability insurance (decrease in gross insurance payments by 270.0 mln UAH (41,1%)); insurance of luggage (decrease in gross insurance payments by 243,4 mln UAH (39.1%)); insurance of financial risks (decrease in gross insurance payments by 209.9 mln UAH (19,3%)). The share of net insurance premiums in gross insurance premiums for Q1 2020 was 83,7%, that is 11,1 p.p. more compared to Q1 2019. (Results of insurance companies for the first quarter of 2020).

According to the analysis of indicators of insurance market for the last four years (Fig. 1) (Results of activity of insurance companies in the first quarter of 1918–2020), the volume of insurance market has not changed significantly.

Compared to 2019, in 2020 the number of insurance contracts decreased by 5,520.8 thousand units (or by 12.0%), while by 1,710.0 thousand units (or by 10.7%) the number of voluntary insurance contracts decreased. Voluntary insurance contracts have decreased by 1,027.0 thousand units (or by 10.7%), including the decrease of the number of contracts for insurance against accidents by 1,027.0 thousand units (or by 12.0%). (or by 11.6%), the number of contracts for financial risk insurance contracts has decreased by 411.1 thousand units (or by 27.6%), the number of contracts for health insurance against accidents has decreased by 278.2 thousand units (or by 20.8%). The number of obligatory insurance contracts decreased by 4,220.0 thousand units (or by 14.6%) due to the reduction of contracts for insurance against accidents on transport by 4,205.4 thousand units (or by 15.6%) (Results of insurance companies' activity in the 1st quarter of 2020). He total gross insurance premiums/insurance payments increased by 438.7 mln UAH (13.2%) compared to Q2 of 2019. (13.2%), the volume of net insurance payments increased by 410.3 mln UAH (12.6%). (12,6%). The increase in gross insurance payments in the 1st quarter of 2020 has

had little effect on the majority of insurance types, thus gross payments have increased for such types of insurance as: auto insurance (an increase in gross insurance payments by 165,9 mln UAH (10.2%)), health insurance (nonpermanent health insurance (an increase in gross insurance payments of 119.6 mln UAH (18.4%)), insurance against natural risks and risks of acts of God (increase in gross insurance payments by 94.5 mln UAH (2 times)).

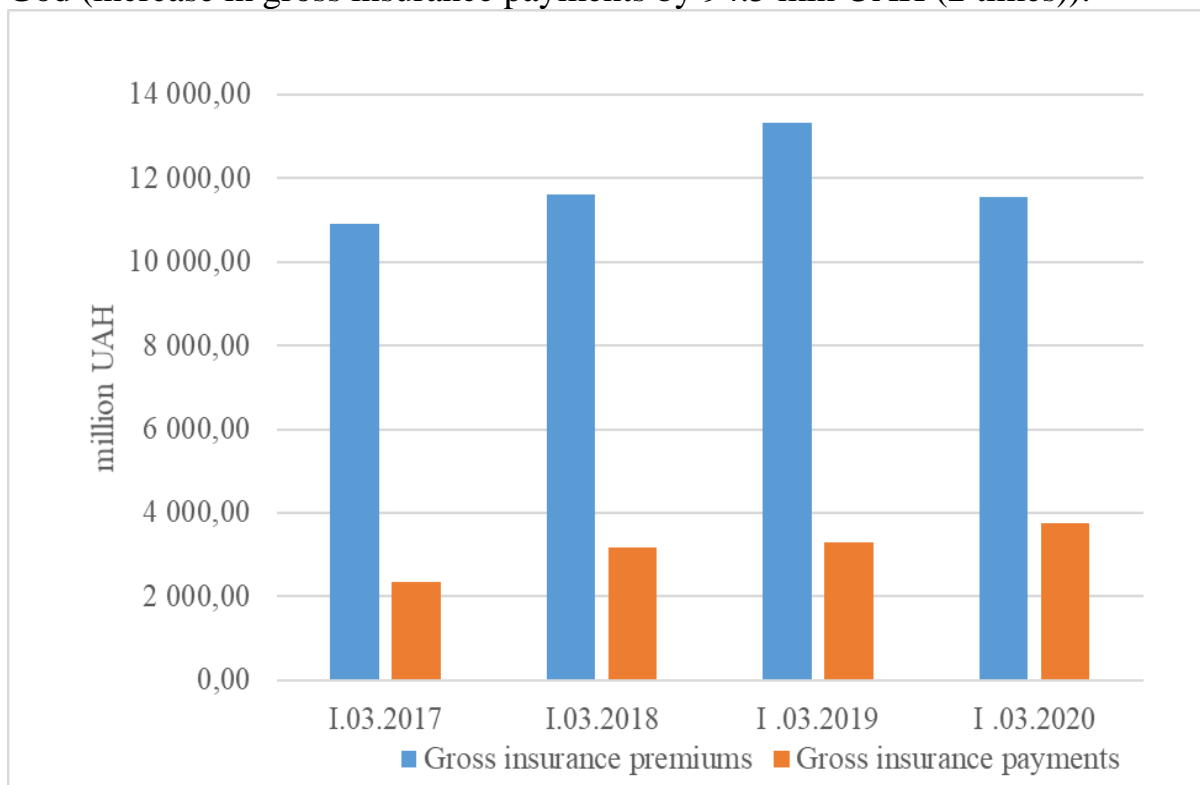


Fig. 1. The main indicators of activity of the insurance market during 2017–2020

At the same time, gross insurance payments against catastrophic events decreased by 33.0 mln UAH (45.6%), financial risks by 25.8 mln UAH (6.3%), insured property by 15.1 mln UAH (9.6%). The level of gross payments compared to the same period of 2019 increased by 7.7 p.p. and amounted to 32.5%. The level of net insurance payments as of 31.03.2020 was 37.8%, which is 4.2 percentage points more compared to the same period of the last year (Results of insurance companies for the first quarter of 2020).

Under the influence of post-pandemic development the following comorbid processes are predicted in the Ukrainian economy (UKRAINE: the impact of COVID-19 on the economy and society, 2020):

- Increase in the level of unemployment through the return of workers and mass dismissal of employees.
- Mass bankruptcy of medium and small businesses.
- Acceleration of inflationary processes.

- Inability of the medical system to cope with the consequences of the spread of COVID-19 in Ukraine.

- Increased insolvency of many sectors of the economy.
- A significant drop in the disposable income of the population.
- Preservation of a high level of corruption.

All these facts speak of the instability of the insurance market and the need for new approaches to insurance company management.

Large insurers are urged to focus on using insurtech solutions to create data-driven models to improve customer interactions.

Startups are expected to have a big impact on health insurance, with insurtechs growing more than 1,000% in premiums collected between 2020 and 2025 (Insurance premiums for the insurtech sector will exceed \$556 billion in 2025).

The ability to collect and use customer data through mobile devices, API calls to electronic medical records, and digital therapeutic tools will increase – all of which are considered critical to driving digital transformation.

We are now definitely living in the age of digitalization, and this implies a significant change in all business processes. The main insurance trends will be (Havrylenko, 2021):

- Transformation of all products into the format of electronic policies, rapid and frequent launch of new products (including traditional, a large set of personal insurance products and products from the category of microinsurance).
- Expanded use of electronic payment services, intensified use of "connecting things" data in many types of insurance.
- Start of real use of "big data", providing clients with incomparably greater opportunities for self-configuration and change of products.
- Widespread use of bots in sales and service (including claims handling), digitalization in claims handling.

Conclusions. The conducted research allowed to investigate the indirect influence of COVID-19 pandemic on the market of insurance companies services. It established the interrelation of the insurance market with the Ukrainian economy and the world economy. The conducted research helped to determine the necessity of implementation of new approaches to the insurance companies services management, in particular the necessity of using insurtech solutions for increasing the relations with the clients. In addition the use of electronic payment services, activation of the use of data "connecting things" in many types of insurance. It is necessary to transform all products in the format of electronic policies, rapid and frequent launch of new products.

Conflict of Interest. The authors declare that there is no conflict of interests regarding the publication of this article.

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