

Analysis of the Factors Influencing the Market of Insurance Services in Life Insurance

Yuliya Melnychuk, Lyudmila Chvertko, Tetiana Korniienko,
Oksana Vinnytska, Olena Garmatiuk

Pavlo Tychyna Uman State Pedagogical University, Sadova str, 2, Uman, Ukraine

Abstract – The article on the topic "Analysis of factors affecting the market of insurance services in the field of life insurance" aimed to analyze and identify the actual factors affecting the activities of insurance companies in the insurance market in the field of life insurance. It proves that such factors of influence arise on the basis of interaction of demand and supply of insurance products in the insurance market of Ukraine. The basic theoretical principles of formation of demand and offer of insurance services are considered. It has analyzed and calculated the indicators that reflect the state of business of a company. The factors that influence the development of life insurance on the insurance market are analyzed and characterized. Conclusions and proposals have been made regarding the influence of factors on the development of insurance services.

Keywords – Insurance company, demand, offer, insurer, insured, sales activity.

1. Introduction

The life insurance market in every country is an indicator of the economy and sustainable development of entrepreneurship. When stability and welfare of the country reach a certain level, both workers and employers begin to think about their future, provide their old age, finance the risks that

exist in all people. The rapid aging of the population of all countries exhausts the financial capacity of citizens, which leads to a low level of health care and pensions. Life insurance enables you to ensure the daily protection of a person - both today and in the future. This leads to the emergence of two effects - the state has additional long-term funds that provide financing for investment projects, which contributes to the further development of the country's economy; citizens receive insurance protection, accumulation for future periods, and hence - protection of the interests of a person. With changes in the legal framework, the role of insurers in life insurance has changed, since such companies are the main guarantors of pension provision and long-term accumulation of funds. On the part of the insurer there is an urgent need to ensure the insurance interests of all segments of the population. That is why the issue of development and analysis of sales activities is not only relevant but also necessary in the modern life insurance market.

2. Analysis of recent research and publications on the problem

Any activity of the company is aimed at receiving profits. Since insurance companies provide insurance services, their profits directly depend on the directions of insurance programs offered by the insurer on the insurance market. Obviously, when it comes to the market, product sales depend on demand and supply.

The philosophy of shaping the demand and supply of insurance products is the economic and social expediency of human insurance. For the insurer and the insured there is a common interest in the price of the insurance program, profit, and also for the insurer there is a preponderant interest in the number of clients, and for the insurer - the reliability of the insurance company [1].

The real manifestation and interaction of demand and supply take place on the market as a market mechanism. The leading role always belongs to demand. Offer task is to satisfy demand. Since the insurer is responsible for the offer, and the policyholder for demand, it is logical to note that the

DOI: 10.18421/TEM81-28

<https://dx.doi.org/10.18421/TEM81-28>

Corresponding author: Yuliya Melnychuk,
*Pavlo Tychyna Uman State Pedagogical University,
Sadova str, 2, Uman, Ukraine*

Email: melnychuk_yuliya@ukr.net

Received: 26 October 2018.

Accepted: 21 January 2019.

Published: 27 February 2019.

 © 2019 Yuliya Melnychuk et al; published by UIKTEN. This work is licensed under the Creative Commons Attribution-NonCommercial-NoDerivs 3.0 License.

The article is published with Open Access at www.temjournal.com

balance of interests of the insurer and the insured is the optimal level of social and financial effect of insurance. The most important characteristics of demand in relation to the insurance accumulation program are: the volume of insurance programs (volume of demand) and insurance premium (price of demand).

In his studies, V.E. Osipov shows that «between the volume of demand and price there is a relationship: the higher the price, the lower the volume of demand, and vice versa. This kind of dependence of the volume of demand and prices is usually regarded as a demand law» [2].

Among the reasons that cause a simultaneous increase in prices and volume of demand, for example, the effect of Veblen, the effect of expected dynamics of prices, the prices can serve as indicators of quality of goods, etc. In the above situation, there is no real violation of the demand law, since during some time there is indeed a unidirectional movement of demand and prices, however, after the end of this period of time, the situation changes, because all deviations from the law of demand disappear [3].

The most important characteristics of the proposal regarding the insurance accumulation program are: the volume of insurance programs (the number of insured) - the amount of offer and insurance premium - the price of the offer.

Excessive supply, increasing the competition of sellers, will act by lowering the pressure on the price and it will return to its original position. Such a mechanism for the restoration of market equilibrium was described in his time by L. Walras [4].

There is, however, another look at the mechanism for restoring market equilibrium, in which «the leading role is not given to excess supply or demand, but to exceed the price of demand over the price of the offer and vice versa». Such a mechanism was proposed by A. Marshall [5].

From the foregoing it follows that the basis of demand for insurance products are the natural human needs for insurance protection, financial security, etc. The range of these needs is very broad and has a tendency to increase. The offer of insurance products, in turn, serves as an appropriate response to these needs. It is the sales activity of the insurance company aimed at satisfying such needs [6].

It should be noted that in recent years the insurers have launched a serious discussion on the lawfulness of inclusion in insurance cases of obligations to reimburse the costs associated with harm to life [7].

Life insurance allows you to financially capture your condition and capital - this is the standard information that most citizens own. But in reality, this is only a small part of the benefits that life insurance can provide [8].

In order to ensure the spread of insurance traditions among the population, it is possible to take advantage of world experience, as long-term programs of life insurance together with investment of funds have become quite widespread in Europe: in Germany, they give one-third of all insurance premiums, and in England - about half [9].

The main objective of the study is to identify and analyze the main factors affecting the life insurance market of insurance. To achieve the goal, the task was: to consider the theoretical aspects of the formation of demand and supply for insurance services; to identify the main factors affecting the sales activities of insurers in life insurance; analysis of economic indicators that reflect the state of the company's sales activities; to generalize and characterize the factors of influence on the state of the sale of insurance products for life insurance.

3. Research results

The formation of Ukraine as an independent, democratic country with a market economy has created conditions for the development of the insurance services market. The formation of a new business system in Ukraine introduces fundamental changes in the organization of an insurance business. It should be noted that in today's economic conditions, insurance is almost the only branch of the Ukrainian economy, which has a stable significant annual growth in the volume of services provided in recent years. But, despite the nominal growth in the volume of the insurance market, this sector provides a redistribution of a small part of the gross domestic product.

The insurance market shows one of the largest growth drivers among the sectors of the country's economy. Quantitative indicators of the insurance market indicate a high growth rate of the insurance market. Its annual growth rate is 30-40% in the risk insurance segment and 60-70% - the life insurance segment. The main factors of the growth of the market - an increase in the welfare of the population and increase of its insurance culture.

Despite the global financial crisis, in the Ukrainian insurance market at the end of 2017 there was a positive dynamics of growth of financial indicators. In particular, insurance premiums by type of life insurance for the III quarter of 2017 increased by 72%, and the corresponding insurance payments - by 39%. The growth of insurance activity was one of the factors of increasing insurance reserves and assets. During the last two periods (2016 and 2017), the positive dynamics of the growth of insurers' assets, insurance reserves, as well as an increase in the share of formed insurance life insurance reserves are maintained (in 2016, life insurance reserves

amounted to 11,8% of the total insurance reserves, and in the 2017 – 12,8%). The dynamics of the main parameters in recent years indicates the strengthening of the trends in the growth of the insurance market. Among the positive factors is the steady growth of capital and volumes of assets, which is a prerequisite for the stable functioning and development of the insurance market. The insurance market requires a detailed study of the formation of demand and supply of insurance products to meet more human needs at the micro level and improve the financial effect of macro-level states.

The insurance market requires a detailed study of the formation of demand and supply of insurance products to meet more human needs at the micro level and improve the financial effect of macro level state [12].

Probable factors influencing the formation of supply and demand for insurance products of insurers for life insurance may be as follows:

- experience in the life insurance market, which affects the client's trust in the insurer;
- the volume of insurance payments, which causes the effect of «massive interest» from buyers;

- the volume of insurance payments under life insurance contracts, which affects the citizens aspirations to make life insurance;

- dynamics of the number of insured in the company, which causes a positive relationship between clients and the insurer.

Considering the first factor, experience in the life insurance market, which affects customers' confidence in the insurer, we are talking about the company's experience, as well as financial stability, because among the competition in the insurance market only financially stable companies can work more than 20-30 years. Particularly attractive are companies with a level of financial status AAA or AA [9], [10].

The next factor likely to affect sales activity is the volume of insurance payments, which causes the effect of «massive interest» on buyers. Let's consider one of the sources of income of the insurance company from the main activity, namely insurance premiums (payments).

Dynamics of insurance payments of selected life insurance companies is given in Table 1. [11]. Such companies have become the leaders of the insurance market: MET life, TAS, PZU Ukraine life insurance.

Table 1. Dynamics of insurance payments of insurance companies for life insurance [11].

№	Company name	Years							
		2014		2015		2016		2017	
		thous. UAH	%						
1	MET life	319320	47	416540	49	621024	54	748464	50
2	TAS	209464	31	257637	30	285857	25	442105	30
3	PZU Ukraine life insurance	154303	22	177819	21	239521	21	299836	20
	Total	683087	100	851996	100	1146402	100	1490405	100

For an insurer, the increase in insurance premiums shows an increase in money supply, these funds can be invested by the company in investment projects. For clients, the increase in the dynamics of insurance payments indicates that the company is profitable, attractive to long-term investment. Also, the effect of «massive interest» works, the more people invest in a company, the more secure it becomes for others to invest their money in such a company.

The calculations have shown that among the leaders in life insurance, MET life has a leading position, its credibility and the interest in the company is evident. Indicators of other insurers are also high among life insurance companies operating on the Ukrainian insurance market.

Consider the factor affecting the volume of insurance payments under life insurance contracts and in the event of an insured event that affects the financial interest of clients.

Since insurance payments to the insurer can be planned as well as sudden, therefore the amount of insurance payments are probabilistic. However, an insurer's increase in the payout indicator is an adverse factor, and for clients it is a financial indicator of risk reimbursement. The purpose of life insurance is precisely the indemnity of losses and the growth of such an indicator is attractive to clients. Consider the dynamics of insurance payments in Table 2. [11].

Table 2. Dynamics of insurance payouts by insurance companies for life insurance [11].

№	Company name	Years							
		2014		2015		2016		2017	
		thous. UAH	%						
1	MET life	43908	42	47249	16	66429	54	99425	33
2	TAS	49575	47	55145	18	71748	25	108705	37
3	PZU Ukraine life insurance	12288	11	201376	66	53581	21	89446	30
Total		105771	100	303770	100	191758	100	297576	100

Indicators of insurance payouts may increase and decrease, because of the insurance cases for which the insurance indemnity does not have certain regularities. An increase in the amount of insurance payouts may also reflect an increase in the number of insured, and the number of insured events and their probability of an offense also increases. Indicators may also decrease if the company does not have the means to settle these obligations.

The analysis of insurance payouts and the number of insured persons in the insurance company are not indicators of financial support, but to reflect confidence in the insurer and its attractiveness in the

insurance market, these indicators are analyzed. After all, the level of trust in the company, in our opinion, is determined by number of customers and the age of the company. Everyone seeks to make the only right choice of insurance company and provide not only insurance protection, but also accumulate funds for a certain case.

Consider such a factor as the dynamics of the number of insured in the company, which causes a positive relationship between clients and the insurer. The dynamics of the number of insured among the three leading insurers can be seen in Table 3. and Figure 1. [11].

Table 3. Dynamics of the number of insured in life insurance companies [11].

№	Company name	Years							
		2014		2015		2016		2017	
		persons	%	persons	%	persons	%	persons	%
1	MET life	162308	44	75948	40	456422	63	565777	61
2	TAS	137113	37	79273	42	182169	25	259702	28
3	PZU Ukraine life insurance	70698	19	34819	18	83439	12	99017	11
Total		370119	100	190040	100	722030	100	924496	100

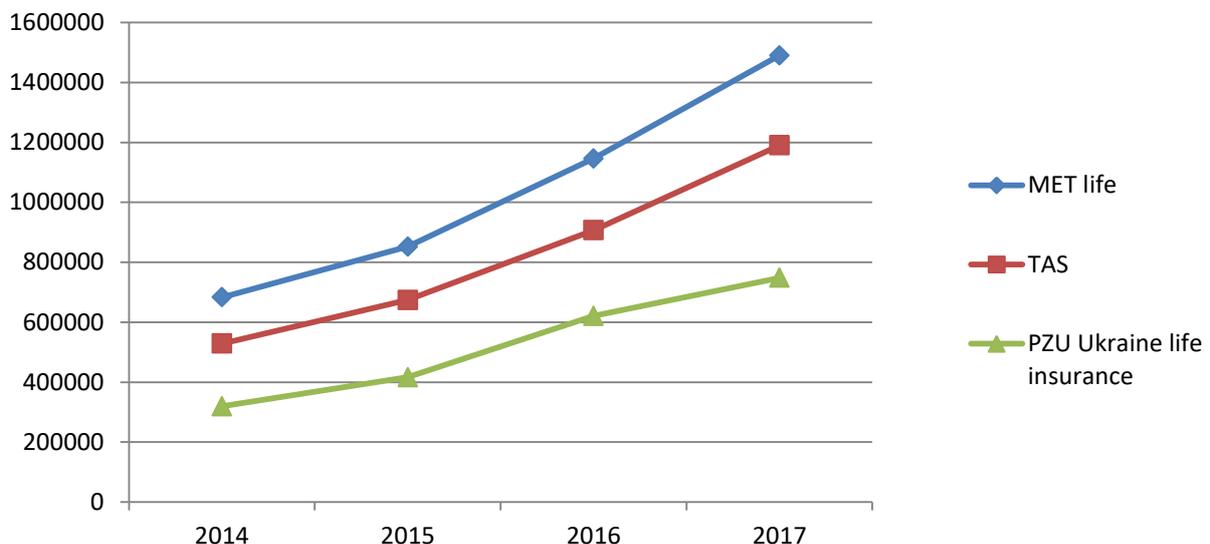


Figure 1. Dynamics of the number of insured in life insurance companies, persons [11].

Considering the dynamics of the number of insured persons in Table 3. and Figure 1., we came to the conclusion that the increase in demand for insurance products in life insurance companies is reflected by an increase in the insured in these companies. In 2017, MET life received 61% of clients, TAS - 28%, PZU Ukraine - 11% of clients. In the past years, the dynamics was different.

The strategy of development of the insurance market of Ukraine should be aimed primarily at achieving an independent level of personal insurance, in particular its long-term (accumulative) types. In this case, the most interested in the development of the personal insurance market in the country should be the state, which will improve the state of demand and offers for insurance services.

First, the problem of finding funds for solving public problems is of paramount importance, and it is personal insurance combined with life insurance that will allow attracting additional funds, which is the source of long-term investment resources.

Secondly, personal insurance compensates for the deficit of state social guarantees. Long-term personal insurance (including retirement annuities) provides additional income that does not depend on the size of government payments, from age and disability. The presence of a developed market of personal insurance reduces the burden on the expenditure part of the budget, reducing the state's spending on social security for citizens. Consequently, the state will be able to focus on the protection of the poorest sections of the population.

Thirdly, the development of personal insurance, as one of the most laborious and knowledge-intensive branches of insurance, leads to the creation of new jobs.

The domestic insurance market needs modernization, which involves replacing the existing model of its operation and development of a new, more efficient, which will meet the needs of development of real insurance and will be based on dynamically growing solvent demand.

The basis of the formation of demand and supply of the insurance market of Ukraine should be a fundamentally new approach for the modern insurance market, when the policyholders are considered as an imperative. This means that the interests of policyholders should be considered as priorities in the general system of interests that ensure the functioning of the domestic insurance market and insurers are the main source of existence and development of insurance business.

4. Conclusion

To achieve the research goal, the article identifies and analyzes the probable factors influencing the sales activity of insurance companies in life insurance. Research has shown that supply and demand are closely linked to the formation of sales activities in life insurance companies, which is confirmed by the theoretical foundations of the formation of demand and supply for insurance services. With this opinion agree many scientists.

Factors that can affect sales activities may be: experience in the life insurance market, which affects customer confidence in the insurer; the volume of insurance payments, which causes the effect of «massive interest» on buyers; the amount of insurance payouts under life insurance contracts and in the event of an insured event affecting the financial interest of clients; the dynamics of the number of insured in the company, causing a positive relationship between clients and the insurer.

The analysis of the factors of influence, on the sales activity of the company made it possible to comprehensively assess such an impact on the formation of demand and supply of insurance products in the life insurance market.

We considered only those factors of influence on sales activities that contain economic content. Along with them, there are still a number of tasks and elements that are taken into account in the formation of sales of products, namely: advertising, seminars, express surveys, questionnaires, analysis of human needs in the direction of insurance, calculation of discounts, shares, etc.

References

- [1]. Garmatiuk, O.V., & Melnychuk, Yu. M., (2018). Factors of influence on sales activities of insurers of life insurance. *Economies' Horizons*, 1(4), 60-66.
- [2]. Osipov, V. E. (1999). *Ceny i cenoobrazovanie. Piter*, 64.
- [3]. Sangowskiiego, T. (2001). *Ubezpieczenia gospodarcze. Poltext Warszawa*, 390.
- [4]. Vatamaniuk, Z., & Panchishina, S. (2001). *Ekonomichna teoriia: makro- i mikroekonomika. Vydavnychiy dim Alternatyvy*, 606.
- [5]. Marshal, A. (1993). *Principy ekonomicheskoy nauki. Moskva*, 2, 115.
- [6]. Korol, I. V. (2018). *Marketynhovi komunikatsii: navchalno-metodychnyi posibnyk. VPTs Vizavi, Uman*, 191.
- [7]. Chvertko, L.A., & Demchenko, T.A. (2018). Travel risks insurance: problems of theory and practice. *Economies' Horizons*, 1(4), 66-75.

- [8]. Zaboloka, I.A., Moroz, S.R., & Yakimowa, Y.I. (2017). University of customs and finance life-insurance for Ukrainian insurance market: benefits and risks. World experience. *Young Scientist*, 5(45), 577-581.
- [9]. Shelest, O. Y., Dudar, A. A., & Ponomareva, O. B. (2015). The current state of the insurance market and prospects of its development. *Economics, finance, law: monthly informational and analytical journal*. 12(1), 12-16.
- [10]. Cabinet of Ministers of Ukraine. (2007). Resolution of the Cabinet of Ministers of Ukraine "On Approval of the National Rating Scale". Retrieved from: www.zakon.rada.gov.ua/laws/show/665-2007
- [11]. Official site of insurance companies rating (2017). Retrieved from: www.forinsurer.com/ratings/life/17/12/1
- [12]. Koval, O.P. (2014). Introducing the fund of guaranteeing insurance claims for life insurance contracts. *Finansy Ukrainy*, 3, 61-68.