THE MECHANISM OF STATE REGULATION OF THE INSURANCE MARKET: A SYSTEMATIC APPROACH

Yekhalova Anna[1]

DOI: http://dx.doi.org/10.30525/978-9934-571-28-2_12

Abstract. This article considers the essence of the mechanism of state regulation of the insurance market as a system, its system properties are investigated. Also direct and indirect methods, their forms and special instruments of state regulation of the insurance market are analyzed. Due to the investigation of direct methods of state regulation of the insurance market their forms are studied; state economic management, administrative and legal regulation, strategic planning, regulation of finance are among them. Due to the analysis of the state economic management such its instruments as state enterpreneurship, government contracts, public funding and antitrust regulation in economic practice are analyzed. Administrative and legal regulation is studied due to its forms: insurance supervision, licensing of insurers, compulsory insurance. Also the issue and forms of strategic planning are discussed in this article; state planning, state programming and state forecasting are among them. Then the state regulation of financial activity of insurers is studied and its forms, such as solvency control, control of investment activity, control of pricing and taxation, are investigated as well. The author says that indirect methods of state regulation of the insurance market affect not so much on market participants, but on their economic and legal environment. Such indirect method of state regulation of the insurance market as the state monetary regulation, as the forms of implementation of which are regulating the rate of refinancing and regulation of foreign exchange, is studied. It is determined that the regulation of the insurance market operates in the horizontal plane at the level of interaction among market participants, and in the vertical plane at the level of interaction between insurers and the state. The possibility of using the foreign economic and legal experience of developed countries in improving the national system of state regulation, typical models of state regulation of insurance of the Continental and British-American law system, as well

[1] Assistant Lecturer of the Department of Economic Theory,
Taurida National V.I. Vernadsky University, Ukraine

as non-typical models: the PRC model, the offshore model and the model of Islamic insurance Takaful, regulated due to Sharia law, are researched in this article. In general, the increasingly development of mechanism of state regulation of the insurance market in different countries is associated with the processes of globalization and, as a consequence, with the processes of unification of insurance rules in the leading economies of the world in recent years.

1. Introduction

The globalization of the world economy and the spreading of international agreements make regulating of the financial market and, in particular, the insurance market as its subsystem, very important. The necessity of state regulation of the insurance market is not in doubt, because its great social and economic significance and financial potential are in the field of state interests. The purpose of the state is to increase the efficiency of the insurance market, for which, in the framework of the state insurance policy, it needs to improve the mechanism of state regulation in a purpose of coordinating the diversified interests of market participants in a single direction. An analysis of recent works on this and related topics showed that the specific definition of the term "mechanism of state regulation of the insurance market" was not provided by the system approach, but there were described the purpose and instruments of state regulation of the insurance market as practical forms of implementation of the mechanism of state regulation of the insurance market, in particular, in works of N. Nechiporuk, T. Yavorska [5, pp. 226-231] and others. It should be noted that there was not given enough attention to the definition of the essence of the mechanism of state regulation of the insurance market. In particular, in the works of Y. Spletuhov and V. Bazylevych, the greatest attention is paid to the shortcomings of the state insurance policy, but the system qualities of the state regulation mechanism of the insurance market are not highlighted. In the works of T. Yavorska [6, pp. 115-122], N. Tkachenko [4, pp. 157-162], R. Sobol, Z. Plisa, the greatest attention is paid to the peculiarities of the methods and forms of state regulation of the insurance market and the conditions for their application. In particular, the authors of the works analyzed the institutional, legal, economic and administrative methods of regulation and identified the instruments for their practical application. However, the definition of the mechanism of state regulation of the insurance market by the system approach and analysis of its elements is not provided there. O. Gamankova considers the mechanism of state regulation as a subsystem of the insurance market system. P. Gorislavets in his works pays special attention to the planning and organization of insurance in the state sector of the economy, while the author's definition of the mechanism of state regulation of the insurance market does not reflect its systemic nature and needs to be supplemented. The systematic study of foreign experience in improving the mechanism of state regulation of the insurance market is carried out in the works of V. Reicher, K. Turbina [1, pp. 298-320] and N. Adamchuk [8, pp. 111-122]. At the same time, in the above-mentioned works, more attention is paid to the peculiarities of the functioning of foreign insurance markets and less attention is paid to the analysis of the mechanisms of state regulation. Also, the analysis of foreign mechanisms of state regulation of the insurance market is made in the scientific works of V. Shakhov, R. Yuldashev, T. Fedorov, T. Plakhov, A. Pleshkov, M. Zhilkina and V. Furman [7, pp. 114-126]. The studies of these authors analyze a wide range of information about the financial and insurance markets of the countries of Europe and North America. In a work "International insurance" by I. Sudarikova features of the functioning of offshore insurance markets as specific economic systems and mechanisms of their state regulation are investigated, in particular, it concerns Bermuda, Switzerland, Luxembourg, Ireland, etc. [2, p. 61]. However, a comprehensive comparative analysis of the insurance market regulation systems and the systematic classification of models of mechanisms of state regulation of the insurance markets operating in particular economies of the world, as well as generalization of foreign experience in improving the mechanism of state regulation of the insurance market with a view to its use in the conditions of the national economy, in the works of these authors are not represented. The most problematic issues regarding to the state regulation of the insurance market is the search for directions and measures to improve the mechanism of state regulation of the insurance market as a system operating within the national economy. It is also important to determine the possibilities and limits of the use of foreign experience on this issue. In advanced economies of the world, well-formed systems of state regulation of the insurance market have developed and accumulated many years of experience in effective implementation of the mechanism of state regulation of the insurance market. The later historical formation of the national insurance market of Ukraine and a lack of the development of state regulation, in comparison with Western European countries and the USA, Canada and Japan, determine the actuality of this research. Also, the study of foreign experience in this area is necessary because of the impossibility of effective development of the national insurance market in isolation, without participation in the international distribution of cumulative risks through the mechanism of re-insurance and international insurance pools. In addition, there should be mentioned such non-typical systems of regulation of the insurance market as a system of regulation of the rapidly growing insurance market of the People's Republic of China, a leader in offshore insurance – Bermuda, whose experience can be partly used in the national economy, which are investigated in the works of T. Shatalova and L. Sadikova. Also recent world trends are challenging by the rapid development of Islamic insurance Takaful, the regulation of which is carried out in accordance with the Sharia. This is related to the EU migration policy and the globalization of the world financial system. At the same time, modern insurance activities involve the participation of numerous insurance and re-insurance organizations with a developed network of representative offices and branches both in Ukraine and abroad. At the same time, it is necessary to systematize and generalize the foreign experience in the development of the effective mechanism of state regulation of the insurance market in the national economic practice. The main objective of the article is to determine the essence of the mechanism of state regulation of the insurance market as a system and to make analysis of its structural elements by the system approach, investigation of methods, forms and instruments of state regulation, analysis of typical and non-typical models of state regulation, definition of the general regulatory role of the state in the insurance market by the example of developed economies of the world, searching for opportunities and justifying the limits of the use of foreign experience in improving the mechanism of state regulation of the insurance market, its systematization and synthesis.

2. The mechanism of state regulation of the insurance market as a system

In scientific sources and practice of state regulation there are different definitions of the category “mechanism”. The word “mechanism” in the Greek translation means “accessory”, “machine” [3, p. 908]. In the first definition, it is a sequence of states, processes that determine certain actions;

in the second – it is a system, an accessory that determines the order of execution of a certain action. This raises the question whether the mechanism of state regulation of the insurance market is an independent economic and legal system, to give an answer to which is possible through the definition of its characteristics by the principle of system analysis. System analysis involves essential qualities inherent in the system, in particular, they are: structuring, hierarchy, stability, emergence, etc. The structurability of the system means the union of elements of the system into a certain structure within which they interact. The elements of the system of the mechanism of state regulation of the insurance market are methods, forms and intruments of regulation. They functionally unite into the structure of the mechanism of state regulation of the insurance market, parts of the institutional whole of which they are and within which they interact. Also the mechanism of state regulation of the insurance market is inherent in the hierarchy as a quality of the system by the system approach. Each system is a subsystem for a higher-level system: the mechanism of state regulation of the insurance market is a subsystem of the insurance market, the insurance market is a subsystem of the financial market, the financial market is a subsystem of the national economy, the national economy is a subsystem of the global economy. In addition, the mechanism of state regulation of the insurance market is also a subsystem of state regulation of the national economy. That is, one system is embedded in another as a subsystem of a higher level system. Also, the mechanism of state regulation of the insurance market has inherent stability as an essential quality of a system, since it functions for a long time. Since the adoption of the Decree of the Cabinet of Ministers of Ukraine "On Insurance" dated May 10, 1993, the work of the mechanism of state regulation of the national insurance market of Ukraine, the basic principles of which stay working in modern conditions, has been initiated. Immergence, or the effect of a system, indicates that the system has properties that are not inherent to its elements and their simple sum. Participants of the mechanism of state regulation of the insurance market have diversified goals of their activities, in particular, insurers pursue the goal of maximizing profits and minimizing insurance payments, insured person has as a main goal timely receipt of insurance payments in the case of happening of the insurance event, insurance agents and brokers – timely receipt of commission payments in full, the state seeks to replenish the state budget and ensure the continuity of the production process. At the same time, in spite of the heterogeneity of the objectives of the system elements, the implementation of insurance carry on due to the mechanism of state regulation of the insurance market. Taking into account that the mechanism of state regulation of the insurance market has essential qualities of a system, we can say that it is an economic system. At the same time, the main problem in the study of the mechanism of state regulation of the economy and the mechanism of state regulation of the insurance market, as its subsystem, is to determine their content and components. In order to explore it, it is necessary to determine what industrial and economic relations are part of the mechanism of state regulation of the insurance market and to identify the limits and effectiveness of economic forms of state management and objective principles of the economic system [4, p. 36].

3. Direct and indirect methods of state regulation of the insurance market

The mechanism of state regulation of the insurance market can be characterized as an element of the mechanism of state regulation of the economy, which reflects its features, and represents a complex integrated system that directly and indirectly influences on the national insurance market by government with the help of specific instruments. Direct and indirect methods of state regulation of the insurance market have specific forms (Fig. 1).

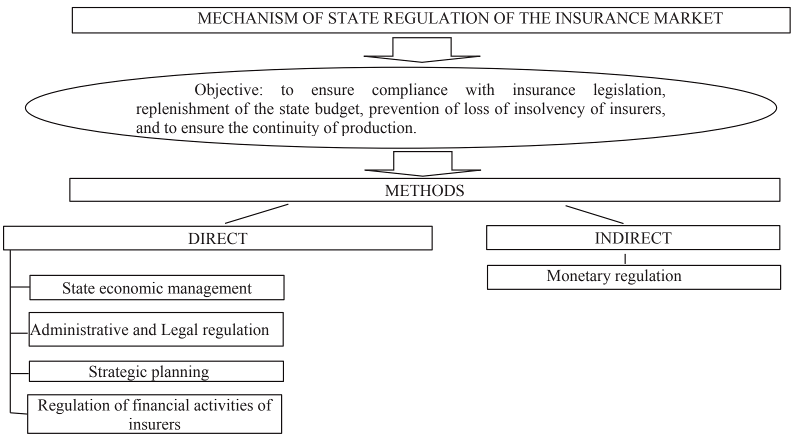

Fig. 1. The mechanism of state regulation of the insurance market

Source: developed by the author according to [4, p. 161; 5, p. 226]

Direct methods of state regulation of the insurance market, for the most part, are of a strict nature.

In implementing the state regulation of the insurance market, the important place is occupied by state economic management, in which state through its authorized bodies act as a participant of economic processes. They adopt forms of state enterpreneurship, government contracts, public funding and antitrust regulation in economic practice (Fig. 2). A state-owned enterprise operating on the basis of state property, in accordance with national insurance law, provides for the creation of state-owned or partially state-owned insurance companies [5, p. 226].The state can enter into agreements on state property insurance, while among insurers, tenders are conducted in order to select the most reliable insurer with favorable state conditions of insurance.

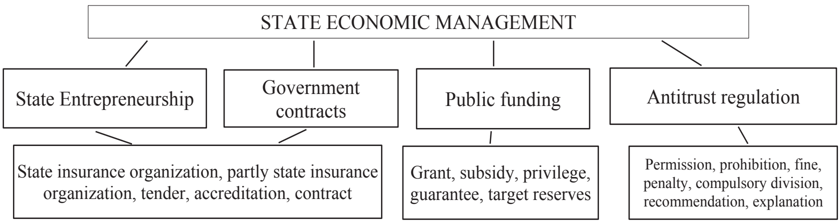

Fig. 2. Forms and instruments of state economic management
Source: developed by the author according to [4, p. 161; 5, p. 226]

In some cases, the state provides subsidies and benefits to insurers when they insure cumulative and commercially disadvantageous, but of high social and industrial significance, risks; it provides additional guarantees to insurers that invest in special government guaranteed securities, creates target reserves for security of obligations of insurers due to the long-term life insurance contracts and pension insurance, especially in the event of their bankruptcy [7, p. 115]. Antitrust regulation defines the features of competition and competitive relations in the insurance market and represents a system of measures of state authorities on the influence on the competitive behavior of insurance companies by means of specific methods, for example, verification of documentation, examination, research, investigation, inspection, and forms, for example, permission of actions, prohibition of actions, fines, compulsory division, penalties, recommendations, explanations, etc. [6, p. 116]. Administrative and legal regulation of the insurance market determines the conditions of functioning of the insurance market subjects. It defines the legal framework for market participants and takes forms of insurance supervision, licensing of insurers, compulsory insurance (Fig. 3). The main source of law in the Ukrainian insurance is the Law of Ukraine "On Insurance", which regulates the legal relationship among the insurers and insurable subjects, business entities, state institutions, organizations, third parties, insurers' relationships with each other, and regulates the forms, methods and instruments of state regulation of the insurance market.

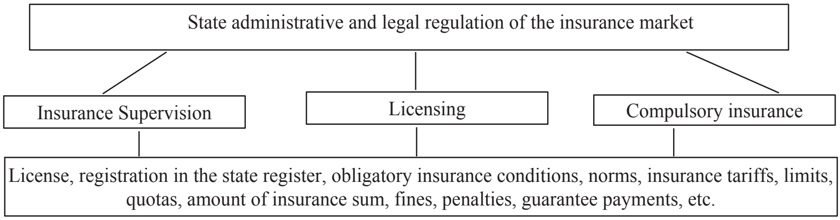

Fig. 3. Forms and instruments of administrative-legal regulation

Source: developed by the author according to [4, p. 161; 6, p. 117]

At the same time, the regulation of the insurance market operates in two planes – in the horizontal plane at the level of interaction among market participants – insurers, re-insurers, insured persons, beneficiaries, insurance agents and brokers, and in the vertical plane – at the level of interaction between insurers and the state. Insurance supervision defines the requirements for fulfilling its obligations by the subjects of the insurance market, compliance with insurance legislation, the development of insurance services, controls the solvency of insurers and protects the interests of policyholders. The authorized body of insurance supervision in Ukraine is the State Commission for Regulation of Financial Services Markets of Ukraine and its regional bodies. The system of insurance supervision, as a subsystem of the system of the mechanism of state regulation of the insurance market, performs primarily functions in the organization of insurance business and technically ensures the possibility of the insurance process, without taking into account the requirements of market participants and the state in accordance with their global economic needs. An important element of the administrative and legal regulation of the insurance market is licensing, since each insurance product must undergo this procedure in order to confirm compliance of the terms of the policy with certain requirements. In legal terms, a license is an authorization to conduct a particular insurance transaction. Compulsory insurance is carried out at the expense of budget funds for the purpose of providing social protection to defined groups of the population in the legislation and the security of losses of third parties received through actions or inaction of other persons [7, p. 116]. Strategic planning determines the future trend of the development of the national economy as a system and its subsystems, in particular, the insurance market (Fig. 4).

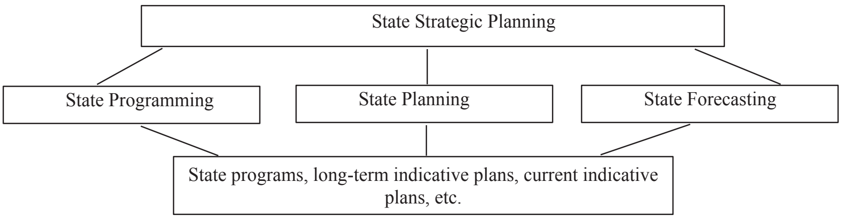

Fig. 4. Forms and instruments of state strategic planning

Source: developed by the author according to [4, p. 161; 7, p. 116]

As a kind of practical economic activity of the state, strategic planning consists in the development of strategic decisions that prescribe compliance with certain goals and strategies for the development of public administration objects, the realization of which ensures their effective functioning in the long term. Strategic planning is indicative by its economical nature (Fig. 4). State regulation of financial activity, on the one hand, can be attributed to direct regulatory methods, and on the other – to indirect ones. Regulation of financial activity in the insurance market consists in introducing measures of influence on the processes of formation, distribution and redistribution of finances of market participants and implemented in the form of controlling the solvency of insurers, control of investment activity, pricing for insurance services (Fig. 5.1).

For example, taxation conditions and fluctuations in bank interest rates indirectly influence the activity of insurance market participants in state regulation of financial activity (Fig. 5.1). Besides, indirect methods of state regulation of the insurance market affect not so much on market

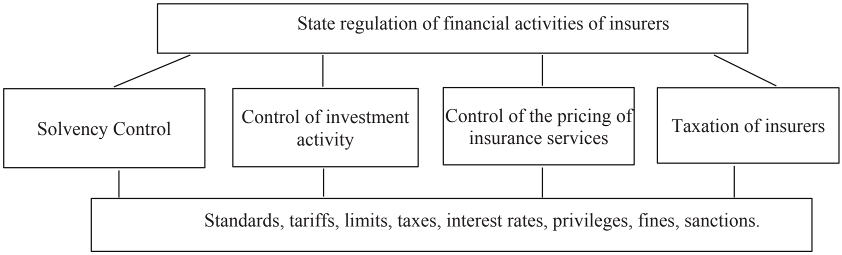

Fig. 5.1. Forms of state regulation of financial activities of insurers

Source: developed by the author according to [4, p. 161; 6, p. 117]

participants, but on their economic and legal environment. Among them, an important place has the state monetary regulation, as the forms of implementation of which are regulating the rate of refinancing and regulation of foreign exchange (Fig. 5.2). The impact of state monetary regulation on the insurance market is to stimulate or inhibit emerging market trends, depending on the peculiarities of the economic situation and the priorities of social and economic development of the state. Such a diversification of forms and instruments of state regulation of the insurance market by bodies is, in general, consistent with the prevailing tendencies of world economical practice, however, modern market requirements and changes in the structure of risks and frequency of occurrence of insurance events, as well as current trends in the field of production, require their improvement.

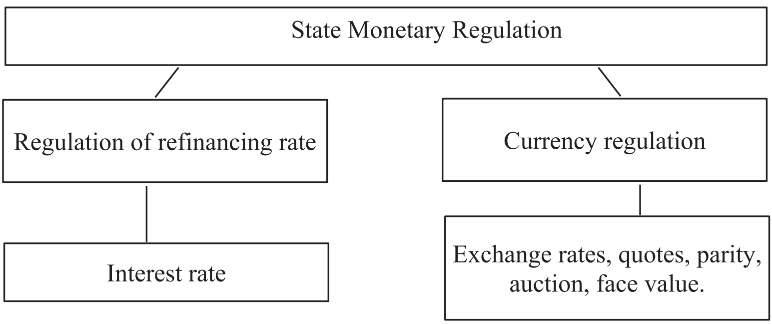

Fig. 5.2. Forms of state monetary regulation

Source: developed by the author according to [4, p. 161; 6, p. 118]

Therefore, it is important to analyze the effectiveness of the existing system of state regulation of the national insurance market and the mechanism for the practical implementation of its functions, taking into account the experience of industrialized countries and assess their compliance with national social and economic requirements.

4. Continental and British-American state regulation system

A diverse approach to the model of state regulation of insurance markets in countries around the world can be systematized according to their belonging to a certain system of law. World economic practice highlights several principle approaches to state regulation of the insurance market. Each of these approaches is implemented within a certain system of law – Continental and British-American state regulation systems (Fig. 6). The system of Continental law (Romano-Germanic law, Codified law) is based on strict legal regulation of the activities of market participants, with the main role played by laws and codes. This system is distributed in Germany, France, Italy, Spain, Japan, etc. Within the continental system of law there is a rigid continental model of state regulation of the insurance market, which is characterized by a detailed regulation of the activities of insurers and systematic legislative control of the implementation of insurance operations (Fig. 6). Especially at the initial stages of its development, the continental model, in particular, was provided for the establishment of insurance tariffs, norms for insurance contracts, verification of the investment activity of insurers, strict control of solvency of insurers and re-insurers, supervision of operational activities, but at the present time it becomes more liberal. In the EU member states, the mechanism of state regulation of the insurance market is subjected to the requirements of the EU Insurance Directives, which are based on the principles of the British system of state regulation.

Among the requirements for insurers in the framework of the continental model of state regulation, the greatest attention is paid to the following: compulsory licensing, the list and limit of technical reserves, the amount of technical reserves and equity, the assessment of strategy, risks, business processes of insurers, market transparency and openness of information, and requirements of the antitrust legislation. At the same time, in countries with a continental system of law, in particular, Germany, Italy, Spain, insurance agents and brokers are given the right to operate freely in the market, insurance agents are not subjected to state regulation, but are liable

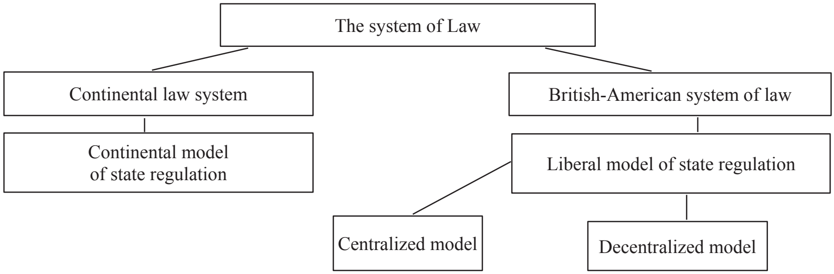

Fig. 6. Systematization of models of state regulation

Source: developed by the author according to [2, p. 104; 8, p. 112]

under insurance contracts; insurance brokers are subjected to registration, but their regulation activity is minimal. In the system of state regulation of Japan, in comparison with other states with the continental system of law, the most rigorous control of insurance tariffs is implemented, and there is also a very complicated procedure for obtaining a license. Equally, for obligatory and voluntary insurance, insurers in Japan must apply for the regulatory authority's general insurance conditions. The Japanese insurance market is one of the most developed in the world, but the protection policy in the country is rigid, so foreign insurers in the market are not represented. It should be noted that within the limits of the continental system of law in one states there is a rigid continental model of state regulation of the insurance market, for example, in Germany, while in others it is more liberal, for example, in France (Table 1).

In France, whose state regulation model occupies an intermediate position between the Continental and the British models, state control of insurance agents is minimal. The British-American system of law (System of the General law or the Case law) differs from the Continental system by the fact that the main source of law is not only laws and codes, but also a judicial precedent. This system operates in the USA, the UK, Canada, Australia, and other countries. The peculiarities of the British-American system of law are: the lack of a detailed codification of the operational, financial and investment business activities of enterprises, and that legislation determines the legal framework for the activities of market participants. Within the British-American system of law, there is a liberal model of state regulation of the insurance market, for

Table 1

Continental model of state regulation of the insurance market on the example of Germany and France

Country	Features of state regulation	Supervisors	Insurance legislation
Germany	The system of regulation is centralized at the federal level. Regulatory authorities are maintained at the expense of insurers from insurance premiums, insurers finance the implementation of government programs, government subsidies, bank loans, etc. The state's special attention is paid to the regulation and promotion of voluntary life insurance, pension and health insurance. The system is gradually liberalized.	Federal Financial Supervisory Authority (Bundesanstalt fur Finanzdiensleitungaufsicht, BaFin).	Law on insurance contract (1908); Law on Insurance Supervision (1901); Law on the Federal Insurance Supervisory Authority (1951), Directives of the EU.
France	The regulatory system combines state regulation and self regulation. Legislation is consistent with the continental model, and the content is constituted by the British centralized liberal model.	Financial Market Authority (AMF), Insurance Supervisory Commission, National Insurance Board.	Insurance Code (1976); Directives of the EU.

Source: developed by the author according to [8, p. 124]

which the most priority is the control of the financial resources of insurers, based on the analysis of financial statements, and there is no rigorous regulation of insurance contracts, tariffs, and other operating activities. The liberal model of state regulation of the insurance market has two varieties – centralized and decentralized. They differ in the degree of centralization of state regulation, depending on the principles of the state system in one or another country – whether it has a unitary system or federation. A decentralized model of state regulation of the insurance market within the British-American system of law, such as in the United States and Canada, is consistent with the principles of economic federalism. So in the US, each state has its own insurance system, which is subjected to state law, and there is no direct state regulation of the insurance market at the national level. In Canada, insurance supervision at the federal level is carried out by the Financial Institutions as the Control Department of the Canadian Finance Ministry, which provides licenses to insurers and regulates the activities of foreign insurers in Canada, and controls the volume of insurers' stock-holdings, their solvency and investment activities. Social insurance in Canada is exercised by the state, acting as an insurer, and citizens – as insured persons. The maintenance of an insurance business is under the jurisdiction of the control authorities of the provinces (Table 2). Insurance agents and brokers in Canada are subjected to federal and provincial regulations, with significant regulatory powers delegated to associations of insurance agents and brokers that are subjected to the National Association of Brokers. It should be noted that insurance brokers are required to have licensing, certification, examination, as well as their financial status and terms and conditions of performance of insurance contracts, which prevents occurrence of fraud, dumping, errors and promotes high level of efficiency of provision of insurance protection. A characteristic feature of the American system of state regulation of the insurance market is the lack of antitrust supervision due to the structure of the insurance market. US insurance brokers are also subjected to the regulations of insurance supervisors in each state, but many of their regulatory functions are delegated to a professional association of insurance brokers that have the status of self-regulatory organizations. This approach has its own contradictions in the aspect of vertical confrontation of federal and regional regulatory norms, as well as the horizontal confrontation of local supervisors (Table 2), but it allows US state and provincial insurers in Canada to focus on the peculiarities of their region to maximize the needs of policyholders and adapt existing legislation to them. At the same time, within a decentralized model of state regulation of the insurance market, most insurers do not cross the borders of their region, effectively perform the functions of providing insurance protection and do not face competition with industry insurers, who, due to the wide geographical spread and differentiated layout of losses among a large number of policyholders, can neutralize negative results in one region, provided positive results in others.

Table 2

Decentralized liberal model of state regulation of the insurance market on the example of the USA, Canada and the United Kingdom

Country	Features of state regulation	Supervisors	Insurance legislation
USA	A decentralized regulatory system: each state has its own standards of control, duplication of regulatory functions in each state and national laws, there are no common standards of insurance activity, conflicts of jurisdiction among states, effective insurers' concentration on the needs of each state, local insurers do not compete with the national insurers-leaders.	The federal supervision is absent, there are state departments of supervision. National Association of Insurance Commissioners (NAIC), Federal Insurance Office, Financial Stability Oversight Council	Each state has its own insurance legislation, on the federal level there are general rules of law.
Canada	Decentralized system: provincial legislation and federal regulation, the last one regulates: licensing, control of reserve funds, investment activity, foreign insurers. There is a strict regulation of insurance agents and brokers.	Department of Control of Financial Institutions of the Ministry of Finance. National Association of Insurance Brokers.	Federal law and provincial legislation. Federal Insurance Companies Act (1991).
UK	Optimal model: liberal supervision, stimulating taxation, absence of restrictions on participation in international investments, etc.; most developed system of self-regulation, linked with state regulation. High requirements for the professionalism, competence and business reputation of insurers and insurance agents and brokers. Regulatory requirements for advertising. Information transparency. Audit of market participants.	Financial Security Authority (FSA); Financial Conduct Authority (FCA); Insurance Department, Department of Commerce and Industry, Prudential Regulation Authority (PRA).	Insurance Companies Act (1982); Financial Services Act (1986); Insurance Brokers Act (1977); Protection of Insured Act (1975); Rules of insurance activity (1981).

Source: developed by the author according to [8, p. 142]

It should be mentioned that in the East Europe, for instance in Ukraine, Georgia, the Russian Federation, Romania, Hungary, etc., such a problem significantly reduces the level of efficiency of regulation of the insurance market. The centralized liberal model of state regulation of the insurance market within the British-American system of law is characterized by the unity of the regulatory system. The most striking example of the implementation of such a model is the system of state regulation of the insurance market of the United Kingdom, where there is a single body of insurance supervision, all insurers are subjected to the actions of uniform laws, rules and regulations, which makes regulation clear and transparent, opens the national insurance market for effective cooperation with other economies, what becomes extremely important in the conditions of globalization (Table 2). At the same time, the British model of regulation system seems, at first glance, the most liberal to insurers. But it should be emphasized that an important place in the regulatory system takes the self-regulation mechanism of associations of insurers, and there is the delegation of certain regulatory functions of the state to such autonomous bodies, which creates the appearance of lack of regulation. The activities of insurers are licensed, while the insurance supervisory authorities pay the greatest attention to the state of the financial statements of insurers, the volumes of their reserve funds and assess their solvency. A well-developed system of state regulation of insurance agents and brokers was formed in the UK, where each insurer, in addition to a license application, indicates the insurance agents and brokers with which he plans to cooperate, provides samples of agreements with them, and so on. The relationship between the insurer and the insurance agents is reflected in the financial statements. Insurance brokers are subjected to registration and licensing in the Insurance Board of Insurance Brokers, which is a self-regulating entity, and also they bear financial responsibility for signed insurance contracts. The British model of the mechanism of state regulation of the insurance market has become the basis not only for the creation of a unified system of state regulation of insurance markets in the EU, as well as for Australia, New Zealand, Singapore, Jordan and Eastern European countries, in particular, Ukraine and Hungary. So Ukraine became the first CIS country to reform the mechanism of state regulation of the insurance market in the direction of creating a single body of insurance supervision and control, the so-called "mega-regulator of the financial market", the issue of which has not yet been resolved.

5. Non-typical models of state regulation of the insurance market

In addition to the Continental and British-American systems of law, within which the consolidated and liberal models of the state regulation of the insurance market are mostly operating, there are also non-typical models of state regulations of the insurance market in the world. For example, the insurance market of the People's Republic of China is less than thirty years old, but during this time it made a huge leap in development. One of the reasons for the rapid development of the insurance market has been the greater economic openness of China, since 1985, when the policy of "open doors" has been introduced in some provinces. In 1998, the People's Bank of China was reorganized and then the Central Financial Workgroup for the control of banking structures and the Commission of Insurance Regulation of China (CIRC) have been introduced. Since 1999, the liberalization of the financial sector and the rapid growth of insurers and types of insurance have begun. The main functions of CIRC are: 1) development of insurance policy, regulating insurance rules; 2) insurance supervision; 3) sanctions, fines, quotas; 4) protection of policyholders; 5) prevention of dumping and monopolization of the insurance market; 6) monitoring of risks and prevention of occurrence of insurance events. The trend in recent years is an increase in the number of Chinese insurance companies in major provincial cities and the admission of foreign, mostly European and American, insurers to the market. At the same time, in each province there are strict directives concerning the activities of insurers. The main law in the insurance sector is the "Law on Insurance of the People's Republic of China". Responsibility for regulating and controlling the insurance market belongs to the Department of Financial Control and Regulation under the People's Bank of the People's Republic of China under the leadership of the State Council of the People's Republic of China [1, p. 45]. The difference in the insurance market of China is a small number of insurers, which makes their regulation simple and transparent and allows the government to monitor the results of insurers' activities and timely take the necessary measures to influence the insurance market. Another example of a non-typical model of the mechanism of state regulation of the insurance market is offshore zones, which are special territories where non-resident insurers benefit from a preferential registration, licensing and taxation regime. At the present time there are about 40 offshore zones in the world, in particular: Bermuda, Antigua, Barbados, Gibraltar, Hong Kong, Jersey, Dominican, Dubai, Cyprus, Liechtenstein, Malta, Panama, Switzerland, Turks and Caicos Islands, Aruba, Bahamas, Mauritius, Nevis, Saint Vincent, Luxembourg, Ireland, Western Samoa, British Virgin Islands, Grenada, Cayman Islands, Seychelles, etc. The Bermuda Islands are a constant leader in the number of insurance operations, the diversity of insured risks and volume of capital. Most offshore companies are servicing American insurers and, to a lesser extent, European ones, but because of closed information, it's difficult to estimate the amount of capital in offshore zones [2, pp. 59-68]. The reasons why the insurance business goes to offshore zones are: low tax rates, or their absence; weak insurance supervision; simplified registration regime and getting licensing; low requirements to the amount of authorized capital and the possibility of its incomplete payment; confidentiality of information on participants of the offshore insurance market; simplified financial statements; easy introduction of new insurance products to the market; simplified opening of branches; lack of currency control, etc. In recent years, insurance supervision in offshore companies is gradually increasing, for instance, mandatory licensing fees, requirements for the amount of authorized capital, especially for life insurance operations, become more stringent. Most of the insurance operations involve the captive insurance of transnational corporations, business agglomerations and mutual insurance of financial associations. So offshore zones are an important part of the global financial system, the effectiveness of which regulation mechanism has been tirelessly growing since 40 years of the twentieth century. Another example of a non-typical model of a mechanism for regulating the insurance market is the Islamic insurance Takaful, which is governed by the rules of the Sharia. In the world there are about 200 insurance companies Takaful, the main vector for the development of this insurance market is the active economic growth of Asian countries with the majority of the Islamic population and the growth of the quantity of Muslims in Europe due to the external migration policy of the EU countries [9, p. 23]. According to Sharia, Muslims can not engage in classical insurance through elements of uncertainty, usury and excitement in it, which are prohibited. The uncertainty of classical insurance lies in the uncertainty of the directions of investment by insurers, when, according to Sharia standards, for example, it is prohibited to invest in the production of alcohol, casinos or pigs. The gamble consists in the fact that if an insured event happens, the insured person receives monetary compensation, and in the case if it doesn't happen – the insurer takes the insurance contribution to his own and wins. The usury is that some types of insurance provided with the receipt of interest income for insurance premiums. State regulation in Takaful is necessary for a number of reasons: protection of the interests of insurers, since the activities of insurers in Takaful are hidden; risks are insured on the principle of mutual insurance, which guarantees losses in the case of a large-scale insurance event happening, a possible conflict of civil law and norms of Sharia; financial statements, solvency assessment and financial stability in Takaful have certain features too. The principle of insurance Takaful consists in non-profit mutual insurance of the members of the insurance union. The Islamic Financial Market Authority is the main regulator of the Islamic financial market, which has been operating since 2006, and develops the basic standards for the insurance of Takaful. The minimum amount of required insurance policies, rules and requirements for insurance participants of Takaful has already been developed and operates in the international Islamic financial market. In general, the Islamic financial market is in its initial stage of development, but the insurance market Takaful is growing rapidly and is gaining momentum.

6. Conclusions

The state carries out the systemic influence of the insurance market through the effective mechanism of state regulation, which inherent in the essential qualities of the system: structuring, hierarchy, stability, emergence, etc. The mechanism of state regulation of the insurance market is a subsystem of the insurance market, the insurance market is a subsystem of the financial market, the financial market is a subsystem of the national economy, the national economy is a subsystem of the global economy. In addition, the mechanism of state regulation of the insurance market is also a subsystem of state regulation of the national economy. Elements of the system of the mechanism of state regulation of the insurance market are: specific methods, forms and instruments of influence on the insurance market. Methods of state regulation of the insurance market by the nature of the impact on the participants in the insurance market are divided into direct and indirect. Among the direct methods the most important are: the state economic management, the administrative and legal regulation, the strategic planning, the regulation of financial activities of insurers. Among the indirect methods, the most significant place has a monetary regulation. World economic practice highlights several principle approaches to the state regulation of the insurance market, which are implemented within the Continental (Germany, France, Italy, Spain, Japan) and British-American (US, Canada, UK) systems of law. In the Ukrainian national system of state regulation of the insurance market, which is formed according to the principles of the British model of regulation, it is appropriate to use the experience of Germany with the type of financing of the state regulator: the insurance companies pay for the costs associated with supervision. In Ukraine, insurance supervision is carried out by the State Commission for the Regulation of Financial Services Markets, similar structures exist in most countries of the world. In the United States, the regulation of insurance is diversified by territory, each state has its own laws and regulatory bodies, which allows maximum concentration on the needs of market participants in each state. Ukraine is large in size, so the regional factor matters. The current stage of development of the Ukrainian insurance market is characterized by low demand, low capitalization and unfair competition, so the centralized model of state regulation is suitable for it. However, taking into account the positive experience of the UK, some functions of the state, for example, preventing the bankruptcy of the insurer, could be transferred to the self-governing bodies. In order to attract investment and rapid capitalization of the insurance market, some states establish offshore zones on their territories. The possibility of establishing offshore insurance zones in Ukraine is questionable. The PRC has a strict system of state regulation of the insurance market, but due to a small number of insurers in the country, the state regulation is simple and transparent. Recent migration trends in Europe determine a possibility of introducing Islamic insurance Takaful, which is regulated by the Sharia Law, on the European insurance markets soon. Thus, despite the different systems of state regulation of insurance activities in developed countries, they are united by the fact that much attention is paid to this issue from the side of the state.

References:

1. Turbina K. E. (2000) *Tendentsii razvitiya mirovogo rynka strakhovaniya* [Tendencies of development of the world insurance market]. Moscow: Ankil. (in Russian)

2. Sudarikova I. A. (2014) *Mezhdunarodnoe strakhovanie* [International Insurance]. Saratov: RG Plekhanov University. (in Russian)

3. Ozhegov S.I. (2018) *Tolkovyy slovar' russkogo yazyka. 100000 slov, terminov i vyrazheniy* [Explanatory dictionary of the Russian language. 100000 words, terms and expressions]. Moscow: Oniks-LIT. (in Russian)

4. Tkachenko N. V. (2010) Derzhavne reghuljuvannja strakhovoji dijaljnosti [State regulation of insurance activity]. *Bulletin of Sevastopol National University*, vol. 109, no. 2010, pp. 157-162.

5. Javorsjka T. V. (2007) Orghanizacijno-pravovi formy strakhovogho pidpryjemnyctva [Organizational and legal forms of insurance business]. *Scientific Bulletin of the National Forestry University of Ukraine*, vol. 17, no. 6, pp. 226-231.

6. Javorsjka T. V. (2013) Konkurentne reghuljuvannja strakhovogho pidpryjemnyctva Ukrajiny [Competitive regulation of insurance business of Ukraine]. *Money, finance and credit. Actual problems of economy*, vol. 146, no. 8, pp. 115-122.

7. Furman V. M. (2005) Derzhavne reghuljuvannja strakhovogho rynku jak chynnyk jogho strateghichnogho rozvytku [State regulation of the insurance market as a factor in its strategic development]. *Economy and Forecasting*, vol. no. 2, pp. 115-122.

8. Adamchuk N. G. (2004) Mirovoy strakhovoy rynok na puti k globalizatsii [The world insurance market on the way to globalization]. *The Russian Political Encyclopedia*. Moscow: MSIIR-University. (in Russian)

9. El-Hawary D., Grais W., Iqbal Z. (2007) Diversity in the regulation of Islamic Financial Institutions. *The Quarterly Review of Economics and Finance*, vol. no. 46, pp. 778-800.