

## CHAPTER «ECONOMIC SCIENCES»

### INSURANCE SUPPORT IN TOURISM

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DOI: <https://doi.org/10.30525/978-9934-26-151-0-17>

**Abstract.** The purpose of the study is insurance in tourism in Ukraine on the example of a travel company that insures its customers when traveling. Ukraine's transition to the market relations has dramatically changed former ways of doing business. In this perspective, organization of insurance business is becoming one of the significant factors influencing all sectors of the economy, including tourism. In modern conditions, insurance is an important and necessary tool that ensures overall economic and social stability and security, business development, effective protection against numerous risks, implementation of the state social policy in the field of tourism. Methodology. To achieve this goal, we use general and special research methods: a combination of historical and logical – in studying the stages of formation of pension insurance; theoretical generalization – in the formulation of scientific provisions, clarification of the conceptual apparatus of insurance in tourism; economic and statistical methods, statistical analysis, determination of factors of its development, research of foreign experience of insurance functioning in tourism abroad; comparison – when comparing the actual indicators of insurance in tourism; systemic and complex approaches – developed and substantiated proposals for the feasibility of developing an insurance system in the tourism industry. Results. According to the results of the study, it is necessary to pay deep attention to the analysis of tourist insurance when traveling abroad in the

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current environment. Practical consequences. Currently, the insurance system in Ukraine is being reformed. Value / originality. Some insurance companies do not define an accident, but list the events that are considered as the accident. This significantly reduces possibilities of real insurance coverage. Passengers of regular flights are mostly insured against accidents during their journey – the insurance fee is included in the ticket price.

### **1. Introduction**

Ukraine's transition to the market relations has dramatically changed former ways of doing business. In this perspective, organization of insurance business is becoming one of the significant factors influencing all sectors of the economy, including tourism. In modern conditions, insurance is an important and necessary tool that ensures overall economic and social stability and security, business development, effective protection against numerous risks, implementation of the state social policy in the field of tourism.

However, the development and strengthening of the Ukrainian insurance market is impossible without an in-depth analysis of its current state. Insurance in Ukraine has a unique history, and it can be divided into three stages – from the developed commercial and non-commercial insurance (pre-revolutionary period) to the complete state monopolization of the market (Soviet period), and back to the revival of market relations. The uniqueness of Ukraine's experience is that our country has overcome the processes, which have been taking place in this sector of the economy over the centuries, in a very short time, or rather in the last 10 years, which naturally has both positive and negative aspects.

As a result, an important area of modern science is the development of the theory and methods that enable to carry out an in-depth analysis of the functioning of the insurance system of the tourism industry in modern conditions in order to identify trends and prospects for the tourism insurance market development.

One of the most important elements of tourism organization is to ensure the safety of life and health of tourists. Ensuring security involves a range of measures within the national law that guarantee the safety of movement of tourists throughout the country, their stay, health, life and property. Insurance is the most effective tool for providing guarantees in tourism for medical and other care, as well as repatriation. Tourist insurance is a special

type of insurance that provides insurance protection of property interests of citizens during their tourist trips, travels, shopping tours, etc. Tourism insurance is the most important element of providing guarantees, and, above all, financial ones, related to the placement of losses.

In the conditions of Ukraine's accession to the European Union, along with the solution of socio-economic, organizational and other problems the problems of functioning and legal regulation of tourism in tourism are becoming of great importance, because they have both national and international significance.

And it is clear since nowadays insurance in tourism business is the youngest sector of the insurance market, in which citizens within the country and when traveling abroad pre-insure themselves against adverse consequences by making monetary contributions to the fund of a specialized organization (insurer) that provides insurance services, and if these consequences occur, this organization pays the amount agreed to the insured or another person.

### **2. Economic crisis effects on consumer behavior**

Insurance is a way of compensating for losses incurred by an individual or legal entity, through their distribution among many persons (insurance group). Compensation of losses is carried out from the funds of the insurance fund, which is managed by the insurance organization (insurer). The objective need for insurance is explained by the fact that losses sometimes occur as a result of destructive factors that are not under human control, e.g. natural disasters. In such a situation, it is impossible to claim damages from anyone and a pre-established insurance fund can be a source of compensation.

As an economic category, insurance is a set of forms and methods of formation of trust funds and their use to compensate for losses in the case of various risks, as well as to assist citizens in certain events of their lives. On the one hand, it is a means of protecting business and human well-being, and on the other hand, it is a type of profit-making activity. The sources of income of the insurance organization are the income from insurance activities, from investments of temporarily free funds in the objects of production and non-production spheres of activity, shares of enterprises, bank deposits, etc.

Economic essence of insurance can be expressed through the most important concepts, i.e. economic categories that abstractly reflect the sets of homogeneous specific economic relations. There can be distinguished three categories that are of interest for the practice and cognition of insurance: economic category of insurance protection of social production; economic category of insurance protection of property and income of the population; economic category of insurance.

Economic essence of insurance is expressed in the functions that reflect in reality the social purpose of this category. Functions are external forms that allow us to identify the features of insurance as part (subsystem) of the financial system of the country. Insurance as part of the financial system also expresses its economic essence primarily through the distributive function. The distributive function of insurance, in its turn, is implemented through specific functions inherent only in insurance, namely risk, preventive and savings ones.

The main of these functions is certainly the risk function, because it is the presence of risk that stimulates the emergence of insurance. Redistribution of monetary value between insurance participants as a result of the consequences of an extraordinary insured event is performed within the implementation of the risk function. The preventive function of insurance is implemented through the reduction of the degree of risk and devastating consequences of the insured event. The preventive function is carried out through financing at the expense of insurance fund of various actions for the prevention, localization and restriction of negative consequences of catastrophes, damages, and accidents. The savings function is manifested in the need for insurance protection of monetary savings accumulated in commercial banks. In addition to these specific functions, insurance performs control, credit and investment functions. Considering the functions of the economic category of insurance, it can be assumed that they express the economic essence of insurance, indicate a social purpose of insurance as an independent economic category, which plays a special role in the system of economic relations, obvious changes in the state's economy.

As a global phenomenon, tourism is rapidly developing in both economically developed and developing countries. Formation of tourism occurs simultaneously with the development of society, i.e. it is caused by the desires and needs of people. Therefore, high quality development of

the tourism sector requires a comprehensive, systematic approach to the concept of tourism with the identification of a close relationship between the elements of its components and the factors that have a dominate significance for its development. Tourism is usually defined as temporary departures (travel) of citizens from a permanent place of residence for recreation, educational, professional, business, sports, religious and other purposes with non-profit activities in the place of temporary stay. Before we start considering the essence of tourism, its main conceptual positions, its content and features, it is necessary, in our opinion, to note that tourism is a quite “old” phenomenon in human existence. However, many authors, who have dedicated books and scientific research to tourism, define it as a fairly new phenomenon of human life, which arose and took shape in the late 19<sup>th</sup> century and received intensive development only in the second half of the 20<sup>th</sup> century, in the century of rapid development of machinery, technology and public relations, so that it has been called “phenomenon of the 20<sup>th</sup> century”.

### 3. Survey methodology

However, there is a reason to consider tourism as a phenomenon that was formed in ancient times and lasted until the 19<sup>th</sup> century, and only in 19<sup>th</sup> century its new development and formation started. Nowadays, there are many subjective conceptions of tourism. Thus, some people consider that tourism is a social phenomenon of the 20<sup>th</sup> century, a method of cognition of spiritual and material values created by nature and human civilization, which has become one of the most dynamically developing. Some experts in the field of tourism assume that tourism is one of the easiest ways to attract foreign currency into the country. Others define tourism as a temporary change of residence (country, city) by a person. And they are all right, because tourism is extremely diverse in terms of goals and interests. Despite the fact that in the process of tourism development there have arisen different interpretations of this concept, there are reasons to believe that the following criteria are of particular importance when defining this phenomenon:

1. Temporary change of place of residence and stay in another place. The main condition here is that the place of residence should not be a place of permanent or long-term residence.

2. Remuneration from the source in the visited place. The essence of the criterion is that the main purpose of the trip should not be performing the activities that are paid for from the source in the visited place.

It should be taken into consideration that tourism covers not only socio-cultural but also economic factors. Today, tourism has become a powerful global industry, which occupies up to 10% of the world gross domestic product, involves huge masses of employees, fixed assets, and has attracted large capital. This is a big business, big money and serious global policy. And basis on this it can be concluded that the concept of “tourism” is much broader than conventional, and it should be defined as an interconnected system of companies operating in the tourism market of a large city, directly or indirectly interact with each other, provide tourists with all tourism services, works and goods that are necessary for consumption in the process of tourism and sufficient for the actual implementation of the tourism process itself.

As for the tourism system, it can be defined as a set and unity of relations and phenomena occurring in the tourism sector. The tourism system is based on two subsystems: the subject and the object of tourism. The subject of tourism is a participant of a tourism event (tourist), who is looking for opportunities to meet his needs by obtaining specific tourism services. The object of tourism can be defined as everything that can become the purpose of travel for the subject of tourism, as well as everything that be referred to the service infrastructure.

The main factors influencing the development of tourism are divided into static and dynamic. The static ones include a set of natural and geographical factors. They have immutable, unchanging meanings. Man only adapts them to tourist needs, makes them more accessible for the use. Natural, climatic and geographical factors are expressed in beautiful, rich nature, climate, terrain, underground resources (mineral caves, etc.), cultural and historical factors (monuments of architecture, history, etc.), can also to a large extent be attributed to the static factors.

Demographic, socio-economic, logistical and political factors are dynamic. They may have different estimates of value, vary in time and space. In addition, the factors influencing tourism are divided into external (exogenous) and internal (endogenous).

External (exogenous) factors affect tourism through demographic and social change. This group includes: age of the population. Increase in the

number of working women and changing incomes per family, growth of the proportion of single people, trends towards later marriage and family formation, increase in the number of childless couples in the population, reduction of immigration restrictions, increased number of the paid business trips and more flexible schedules working hours, earlier retirement, increased awareness of tourism opportunities. Almost all of the above-mentioned indicators to some extent affect the structure of leisure time of the population, which creates objective socio-demographic conditions for tourism development. Therefore, when developing tourism development programs, it is important to identify the structure of the population's time fund and leisure budget.

Life insurance in tourism is a type of personal insurance, which involves the insurer's obligation to make an insurance payment under the insurance contract in case of death of the insured person, as well as, if provided by the insurance contract, in case if the insured person is still living at the time of expiration of the insurance contract and (or) the insured person reaches the age specified in the contract. In modern conditions of development of the domestic life insurance market, the procedure of professional training and registration of insurance intermediaries should be simple and inexpensive. We have proposed to insurance agents to apply the practice of their registration and training by insurers under the supervision of the Financial Services Commission of Ukraine on a free basis. At the same time, it is necessary to establish by law that special training should be provided not only to the supervisors of an insurance broker – a legal entity, but also to all its employees who carry out intermediary activities in insurance. Considering the European standards of insurance intermediaries, the requirements for professional liability insurance are proposed to be applied only to insurance brokers, while the responsibility for the actions of insurance agents should be transferred to the insurance company with which they cooperate.

To solve the problem of providing customers with incomplete and inaccurate information about insurance conditions, it is necessary to introduce legislation that will determine the information to be provided to customers of insurance companies in writing before concluding a life insurance contract, while non-compliance with such requirements is the basis for recognizing the concluded insurance contract as invalid and returning the paid insurance premium to the insured person. Another measure that

will protect consumers of life insurance services from providing them with inaccurate information is the introduction into the current legislation of a provision that would allow the client to withdraw from the concluded life insurance contract within 14-30 days after receiving all documents. This will allow consumers to get acquainted in detail with the terms of the insurance contract, to verify the accuracy of the information provided to them by the insurance intermediary, and to make a final decision on the need for insurance. The state policy in the field of improving the insurance culture of the population needs radical changes. First of all, it is necessary to include activities aimed at disseminating information to the public about the activities of the markets of financial services and measures for state regulation of these activities in the list of functions performed by the Financial Services Commission of Ukraine, since the current legislation does not provide for this. A successful experience of the Polish Financial Supervision Commission in this area shows that in addition to passive coverage of the domestic insurance market in the media, it is advisable to provide active work at schools, universities, enterprises, as well as organize forums and quizzes on insurance issues.

#### **4. Findings**

So, for a more detailed consideration of tourism insurance, now we should examine operation of the travel company. For this purpose we will analyze the activities of “TUI travel agency”.

TUI Group (German Touristik Union International) is a German travel company. The headquarters are located in Hannover, Lower Saxony, Germany. Until 2002, the company was engaged in industry and transportation and was named Preussag AG. In the mid-nineties, it was decided to change the direction of activity to tourism and shipping. The company sold many of its industrial concerns and acquired several major travel and transport companies.

After merging in 2014 with the British subsidiary TUI Travel, it became the world’s largest travel company. Owns travel agencies, hotels, airlines, cruise ships and tour operators. The main subsidiaries of the TUI AG group are considered to be the largest in terms of the number of fleets in Europe. In the UK, air travel is carried out on the basis of the tour operator Thomson.



TUI AG was also one of the largest shipping companies in the world with Hapag-Lloyd AG package logistics activities focused on the shipping industry. Hapag-Lloyd is no longer an operating unit in the business, as a majority stake was sold in March 2009 to a consortium of investors, one of whom was Albert Ballin. In February 2012, the German company TUI sold another part of its shares to exit the shipping business and optimize its tourism industry, with expansion in Russia, China and India. TUI AG now owns 22 percent of Hapag-Lloyd.

As of September 2020, TUI's largest shareholder is Unifirm Ltd. The share of the company's shares is 24.9%. With the capitalization of the entire TUI on the London Stock Exchange on December 2, more than € 2.8 billion, the market value of this package exceeded € 707 million

Having a great experience in tourism services, this agency is constantly improving its travel product quality.

Traveling gives tourists the opportunity to experience all the beauty of the world around them, learn more about the centuries-old history, culture, traditions and customs of different countries.

When analyzing "TUI travel agency" and the services it provides, it can be seen that the main principle of the company is maximum consideration of the interests and wishes of customers.

Analysis of the efficiency of services provided allows to choose the volume of demand for services of the tourist company and the price that are optimal for the given market, to ensure efficient operation of the tourism company.

On the basis of variable and fixed costs in the structure of the prime cost of realized tourism services, the nature of changes in these costs depending on the change in the volumes of the provided tourism services (average daily number of tourists) was investigated.

The maximum average load of "TUI travel agency" during the analyzed period (2016) was 138 people per day. In 2016, the tourism company did not work at full capacity and was loaded on average by 73.9%, which is explained by the decrease in demand for tourism services due to the effect of the global and domestic economic crisis.

Analysis of Figure 1 shows that variable costs increased proportionally to the increase in demand for travel services, and total cost increased as well. Therefore, the following statements can be made:

1. The growth of demand for tourism services results in the increase in sales revenue and total costs.

2. The amount of profits and losses varies ambiguously depending on the volume of demand for tourism services. If the demand for tourism services is less than 100 people per day, travel companies will suffer losses, since the growth of costs for tourism services exceeds the amount of revenue from their implementation.

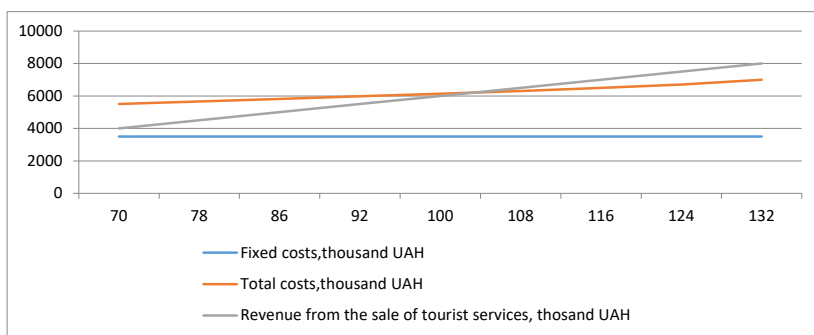


Figure 1. Ratio of the variable costs growth

From the volume of demand for tourism services in the amount of 100 people per day to the maximum volume of 138 people, tourism companies will operate profitably, as the revenue from the growing demand for tourism services will exceed the growth of costs for their implementation.

In the range of 98-100 people per day, there is a critical amount of demand that will ensure elimination of losses, but will not give the opportunity to make a profit.

The company's management intends to increase sales revenue by 10% (from UAH 6,151.83 thousand UAH to 6,767.02 thousand UAH), without going beyond the relevant range. The total variable costs for the initial variant are 2,652.90 thousand UAH. Fixed costs are equal to 3,428.60 thousand UAH.

As shown in Table 1, 10% revenue growth should result in almost 6 times increase in the profit. According to calculations, when the revenue moves away from its threshold, the degree of influence of the operating lever decreases (from 49.746 to 9.159), and the margin of financial strength increases (from 2.01% to 10.92%). This is caused by the relative reduction

**Calculation of the threshold of profitability,  
margin of financial strength and degree of influence  
of the operating lever for “TUI travel agency”**

Indicator	Initial variant	Variant of 10% revenue growth
Sales revenue, thousand UAH	6,151.83	6,767.02
Variable expenses, thousand UAH	2,652.90	2,918.19
Gross margin	3,498.94	3,848.83
Gross margin ratio	0.57	0.57
Fixed costs, thousand UAH	3,428.60	3,428.60
Profitability threshold, thousand UAH	6,028.17	6028.17
Margin of financial strength, thousand UAH	123.67	738.85
Profit (loss), thousand UAH	70.34	420.23
The degree of influence of the operating lever	49.746	9.159

Source: [26]

of fixed costs in the relevant range. Thus, on the basis of the break-even analysis of “TUI travel agency”, the margin of demand for tourism services, under which the company receives profits, is established and effectiveness of the service provision by the company is analyzed.

Insurance as a branch of economic activity is growing faster than banking and much faster than the Ukrainian economy as a whole. A promising area is tourism insurance. This is a relatively new type of activity in Ukraine, which has emerged with the spread of outbound tourism. Every year about 15-16 million Ukrainian tourists go abroad. However, the share of the travel insurance market is small – 5-6% of the amount of insurance payments. The main reasons are significant costs for the development of travel insurance, fraud with policies, a high level of payments (about 40% compared to 5-10% in other types of insurance), payment for the services of intermediaries (travel companies).

Popularity of travel insurance can be explained by several factors. Firstly, it is image-making. If the insurance company fulfills its obligations in full, this type of insurance will increase the degree of customer confidence. Secondly, profitability of travel insurance largely depends on the number of insured individuals. Therefore, the insurance company gets benefits from the travel companies that work with large flows of tourists. The essence of

tourism insurance is based on the transfer of risks from the tourist to the insurance company directly or through intermediaries (travel company).

Tourism insurance is a system of relations between the insurance company and the tourist aimed to protect his life and health, as well as property interests in the case of an insured event. In this case, reimbursement of the related costs to the insured damaged person is made within the sum insured, which is determined by the insurance contract (insurance policy) between the insurer and the insured person. Considering the need to protect the interests of Ukrainian citizens abroad, Article 9 of the Law of Ukraine “On the Procedure for Leaving Ukraine and Entering Ukraine by the Citizens of Ukraine” states that “Ukraine’s citizens must be insured to be guaranteed reimbursement of the costs related to the emergencies abroad”. In addition, Article 16 of the Law of Ukraine “On Tourism” provides that “insurance of tourists (medical and accident insurance) is mandatory and provided by tourism entities on the basis of agreements with insurers”.

A tourism entity that provides tourism services is obliged to provide tourist insurance. To do this, the insurance contract with the insurer can be concluded by the tourists themselves or the business entity as an intermediary of the insurance company. The following types of insurance are used in tourism: medical, accident, property, in case of traffic delays, costs associated with the inability to travel, etc. Medical insurance is one of the main types of tourism insurance.

Today TUI Group serves more than 30 million clients a year and covers about 180 tourist destinations around the world. TUI is one of the most profitable travel companies in the world, with turnover in the 2019/2020 fiscal year at a record 18.7 billion euros and operating income of 869 million euros. The company has more than 40 years of experience in tourism, combining a full cycle of travel services under one brand.

The TUI group includes tour operators, travel agency networks, more than 300 hotels, 6 airlines with a total fleet of 136 aircraft, 12 cruise liners and much more. The company actively invests in the development of new businesses, transfers expertise and technology to its divisions. TUI Group shares are listed on the London and Frankfurt stock exchanges. The company is included in the calculation base of the FTSE 100 index – the most influential stock exchange indicator in Europe.

TUI Ukraine is an integral part of the TUI Group. Since 2014, the Ukrainian tour operator in the structure of the group belongs to the sector of mature markets (Mainstream), which unites TUI companies in Europe and Canada. Prior to that, TUI Ukraine worked in the Emerging markets sector, along with India, Brazil, China and other countries new to TUI. The transition to Mainstream will allow the company to offer Ukrainians more high-quality European tourism products at the most favorable prices.

TUI has been working in the Ukrainian market since 2009. The company was founded on the basis of the Ukrainian company Voyage Kiev. In 2013, one of the strongest tour operators in Ukraine, Turtess Travel, joined the TUI Ukraine company.

TUI Ukraine is one of the leading tour operators in the country that specializes in mass tourism destinations. The company relies on a differentiated product – unique leisure concepts developed for a different target audience of customers. The key hotel of the tour operator – Fun & Sun Jacaranda 5 \* (Turkey), which is fully adapted to the preferences of Ukrainian tourists, enjoys great success among TUI's Ukrainian clients. The company is actively developing a network of TUI Tukan children's clubs operating in different countries.

Tour operator capabilities of TUI in Ukraine will be expanded in terms of product, directions, aviation. The company will offer Ukrainians the best service that meets the high TUI standards, and will also present for the first time a differentiated product – recreation concepts for different categories of tourists, created especially for clients from Ukraine. This format of recreation is popular in Europe, for example, more than 90% of all TUI UK products are differentiated. TUI and Turtess, as part of their strategic alliance, have already launched the Fun & Sun concept in Turkey in the summer 2019 season.

In key areas of the tour operator, its own host companies will start working, fully adapted to the requirements of the Ukrainian market. Professional Ukrainian-speaking and Russian-speaking staff will provide clients with a comfortable stay.

Distribution development is one of the key priorities of TUI in Ukraine. After the transaction, the company intends to significantly change its approach to retail: the emphasis will be placed both on expanding the network under the TUI / Turtess brand and on strengthening cooperation with independent agencies.

TUI also intends to actively develop modern technologies in Ukraine. Today the company is one of the world leaders in this field. Over the next 8 months, new modern b2b and b2c sites with high-speed and multifunctional tour search will be launched, an improved booking system and FIT platform will be introduced, and a mobile version of the site will be developed. Another challenge is an innovative approach to the development of online marketing. The experience of successful work with Google will be used to implement a new, ambitious marketing strategy in Ukraine.

TUI Ukraine also traditionally invests in HR and corporate culture. Thanks to the changes in connection with the purchase of Turtess assets, the best foreign practices will be available to the company's employees, an environment for the development of an international career at TUI will be created, and continuous training for professional growth will be introduced.

Today in Ukraine health insurance is not mandatory, although it is provided by the Law of Ukraine "On Insurance".

Medical insurance for tourists is mandatory, but there are no special rules. Tourism entities concluding agreements with insurance companies choose the rules of voluntary health insurance. Typical contracts for this type of insurance provide for a standard set of insured events, i.e. diseases covered by the insurance.

Thus, the main diseases, the treatment and care for which is not included in the insurance coverage, are also specified in the contract. This group includes, in particular, cancer, chronic pathologies of the cardiovascular system. Liability under such an agreement arises at the time of crossing the Ukrainian border and is valid only on the territory of other states. The cost of such contracts is from 68 kopecks up to a few dollars a day. It depends on the country of stay, the age of the insured person, the purpose of his trip, a chosen insurance program and the sum insured. Liability under the contract of the road accident insurance comes into force from the beginning of the trip and continues till the destination. This is the most common type of personal insurance due primarily to low cost and popularity. It is important for employees of a travel company to pay attention to the interpretation of the accident.

Some insurance companies do not define an accident, but list the events that are considered as the accident. This significantly reduces possibilities of real insurance coverage. Passengers of regular flights are mostly insured against accidents during their journey – the insurance fee is included in the ticket price.

### 5. Conclusions

Ukrainian tourists are also offered property insurance programs, e.g. insurance of luggage, loss of documents. Such programs may be included in the medical policy, but voluntarily (i.e. the client may not choose them). The risks of travel companies and the risks of domestic tourism are insured within the generally accepted types of insurance, while the international travel requires special international types of insurance including “Assistance” and “Green Card”. For those traveling abroad by their car, the third party liability insurance is mandatory. This policy is mandatory in the countries that are part of the “Green Card” system. This type of insurance is carried out without specification of the sum insured. Hence, the damaged party is paid any amount provided by the legislation of the country on the territory of which the insured event has occurred. Insurance limits for this type differ in different countries.

Thus, in Europe, the highest amount of the minimum coverage for an accident, injury or death of the third party in the European Union is 607,460 thousand USD, the lowest is in Ukraine – 500 tax-free minimum wages [5, p. 164].

Assistance is a specific type of insurance in which insurance indemnity is provided in the form of a specific service or payment for the service actually provided. This is done by special insurance companies that combine insurance and service functions or regular insurance companies that have contracts with assistants. As a rule, assistants pay 8-10% commissions to insurance companies from the total remuneration. It is becoming popular to insure the purchased tour against poor quality travel services, as well as the costs associated with the inability to travel. In addition to the above-mentioned types of insurance, which directly relate to the tourist, it is important to insure the liability of tourism entities, which includes non-fulfillment of obligations or their improper performance.

The new revision of the Law of Ukraine “On Tourism” deals with the concept of minimum liability of tourism entities. The amount of financial support for civil liability must be at least: 20 thousand EUR for tour operators engaged in all types of tourism; 10 thousand EUR for tour operators that provide services only for domestic and inbound tourism; 2 thousand EUR for travel agents.

These amounts must be taken into account when insuring the liability of tourism entities. However, liability can be insured for a larger amount. Insurance is also mandatory for persons entering the territory of Ukraine. Only one insurance company, “Ukrinmedstrakh CJSC”, is authorized to provide this type of insurance. In cases where an insurance policy is a mandatory for opening a visa, the limit of the insurance company’s obligations must not be lower than the amount requested by the consular services. Mostly all Schengen countries and South Africa accept policies of insurance companies with the sum insured not less than 30 thousand USD, while Canada, the USA, Japan, Australia – not less than 50 thousand USD. In general, the amount of insurance coverage for those who go abroad ranges from 5 thousand EUR to an unlimited amount depending on the type of insurance and the requirements of foreign consulates.

Travel companies prefer the minimum insurance amounts (up to 5 thousand USD), the insurance payment for which is the lowest and the cost of the ticket does not increase. Tourist insurance is provided by tourism entities on the basis of agreements with insurance companies. Mostly a travel agency signs a contract with an insurance company to insure tourists, sets the sum insured and the insurance payment, which will determine the percentage of the premium that will be issued to the insurance intermediary after the implementation of policies. This is formalized by a power of attorney agreement, where the insurance company (insurer) obliges the travel agency to sell insurance policies at a fixed price, paying a commission. The insurance intermediary retains from 10 to 25% of the value of the insurance premium. According to Article 16 of the Law of Ukraine “On Tourism”, “tourists have the right to enter into contracts for such insurance. In this case, they are obliged to confirm in advance the existence of a duly concluded insurance contract to the tour operator or travel agent”.

The travel agency is obliged to inform the tourist about all conditions of insurance, payment of compensation, rules of collection of documents for confirmation of an insured event. Travel insurance is attractive for insurance abuse. Insurance fraud is an illegal behavior of the subjects of insurance contracts. Fraudulent actions in insurance are quite diverse. Conditionally they can be divided into two groups. The first should include insurance activities of firms established in violation of applicable law



(pseudo-companies). Fraudulent actions of the second group are connected with the issuance of fake insurance policies to tourists. Only the fraud with “Green Card” policies makes insurance companies of Ukraine annually suffer losses amounting to UAH 2 million.

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