

TOURISM INSURANCE MARKET

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Abstract. The purpose of the research is to analyze the tourism insurance market, compare recent researches of scientists, etc. *Methodology.* To achieve this goal, general and special research methods have been used including a combination of historical and logical methods to study the formation of the tourism insurance market; theoretical generalization to generate scientific provisions and clarify conceptual apparatus of the tourism insurance market; economic and statistical methods, statistical analysis to determine the factors of its development, to examine foreign experience of the insurance market operation; comparison to compare actual indicators of the system of insurance services in tourism; systemic and complex approaches to develop and substantiate proposals on the feasibility of insurance in tourism. *Results.* According to the study, today, as in many other types of insurance, the main priority when choosing an insurer is the lowest price, then goes a set of services followed by financial reliability, experience and partners, insurance prices are very low now, and this type of insurance has high risks. Low price is likely to provide low quality service and minimum financial limits. *Practical consequences.* Analysis of the travel companies' needs for risk insurance has revealed the following trends. Large and medium-sized travel companies require appropriate insurance coverage and conclude insurance contracts. Small travel companies that do not have property and are faced with the need to choice further activities have to move to the category of travel agents or leave the travel market, they do not consider that it is necessary to insure their own risks, which also hinders the development of insurance industry and is an indisputable disadvantage and occurs due to the lack of coverage of Ukrainian travel companies in the field of insurance. *Value/originality.* Insurance, which is

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most fully realized in market conditions, is designed to meet a fundamental need, i.e. the need for security. A good rest is an integral part of a healthy lifestyle and is provided through the rational organization of free time, as well as special restorative measures that are included in the work regime. Working capacity can be restored due to the rest at resorts, in rest homes, etc. Tourism is one of the most common types of recreation. In general, the subjects of the insurance and tourism industries and the state should join efforts to improve the system of insurance and management of insurance payments in tourism, risk management programs with the involvement of professionals. This will let the tourism market and the insurance market reach a qualitatively new level that ensures combination of interests and mutually beneficial cooperation. In order to avoid the cases with unqualified insurance agents, it is necessary to improve and strengthen consumer protection, in particular, to establish state institutions for insurance and licensing of insurance agents, which would perform the task on the creation and maintenance of the reliable statistical database on the insurance market.

1. Introduction

Insurance market is one of the most important components of financial security. It is impossible to ensure a progressive socio-economic development of the state, safe functioning of economic entities, improve welfare of the population, support various areas of its life without a developed insurance market.

However, in Ukraine the insurance market is just in the phase of its formation, and its development is accompanied by numerous problems of economic, regulatory, organizational and methodological, information and analytical, personnel and technological nature.

Current legislation that regulates operation of the insurance market is not logically complete. There is a lack of necessary methodological developments for the improvement of the efficiency of insurance companies. Frequent changes in insurance market regulators have not contributed to the formation of an effective system of insurance supervision in Ukraine. There is a lack of qualified insurance specialists as well as thorough research and analytical materials on insurance issues. There is no clear vision of the strategic development of the domestic life insurance market and its individual components. Creating favorable conditions for the operation of

the life insurance market in the country is an extremely important issue that requires an in-depth scientific study and consistent practical activities taken by the state.

The purpose of the work is to study theoretical foundations of the tourism insurance market.

2. Economic crisis effects on consumer behavior

New approaches to the regulation of insurance activities and development of the tourism insurance market as a special economic system are becoming very important today. Therefore, a large number of both domestic and foreign scholars pay attention to the formation and development of the tourism insurance market in the market conditions, however, there are different approaches to the definition of “insurance market” and “market of insurance services” in the terminology of insurance.

Thus, according to V.V. Shakhov, insurance market is a “special socio-economic structure, a certain environment of monetary relations, where the objects of purchase and sale are insurance protection and supply and demand for it are formed”. When considering this definition taking into account the current state of insurance in Ukraine, it should be noted that the existing insurance market of Ukraine is a “buyer’s market”. The situation, when supply determines demand and the seller is looking for a buyer focusing on his needs in order to develop it, requires certain management actions. The same opinion is held by Bihdash V.D., Osadets S.S., Tarkutsiak A.O. This definition emphasizes that insurance is a part of economic relations and availability of insurance protection is a determining factor in the existence of the insurance market.

Thus, Bazylevych V.D. considers the insurance market as part of the financial market, where the object of purchase and sale is the insurance protection and demand and supply for it are formed.

Shykhov A.K. gives a broader definition of the insurance market defining it as “the area of specific economic relations between policyholders (insured persons, beneficiaries), which require insurance protection of property interests, in case of possible accidental occurrence of events that are adverse for their tangible, intangible values (benefits), and insurers that provide it due to their use of insurance funds, which are formed from the monetary contributions paid by policyholders (insurance premiums) for

such purposes”. This definition allows us to reveal more fully the essence of the insurance market due to the fact that its author seeks to summarize in it insurance, legal, and economic aspects.

Another group of authors makes emphasis on the definition of “insurance market” through the concept of “insurance service”.

Thus, according to Vovchak O.D. and Hvozdenko O.A., “the insurance market is a set of economic relations on the purchase and sale of insurance services, which is expressed in the protection of property interests of individuals and legal entities in the case of insured events due to contributions of policyholders”.

According to Reitman L.I., insurance market is a system of economic relations, which represents the scope of insurers and reinsurers in the country, group of countries and internationally on the provision of insurance services to policyholders. Depending on the financial capabilities of insurance companies on the admission to insurance and reinsurance of large and dangerous risks, there can be distinguished the insurance market capacity. The insurance market is a flexible system of insurance services that adapts to the interests of policyholders.

Therefore, based on the above-mentioned groups of definitions, in one case, the objects of purchase and sale in the insurance market is the insurance protection, and in another case – the insurance service.

Thus, Reitman L.I. defines insurance protection as a concept that has a double meaning (in the broad and narrow sense of the word): as an economic category that reflects a set of specific distributive and redistributive relations associated with overcoming or compensating for losses incurred to material production and living standards of population as a result of the natural disasters and other emergencies, and as a set of redistributive relations aimed to overcome and compensate for damage caused to specific objects of social production or harvest of crops, property, life, health and income of citizens”.

The definition of service by Shakhov V.V. is characterized as “useful results of activities that meet certain needs, but are not embodied in the tangible (material) form.

Services can be tangible and intangible, market and non-market, provided to society as a whole and its individual members. The cost of market services is determined by the amount of fee collected, and the value of non-market services, i.e. the amount of costs for their provision”.

In our opinion, the object of purchase and sale in the insurance market is a wide range of insurance services. According to the Law “On Insurance”, the objects of insurance are the property interests of legal entities and individuals, and not “distributive or redistributive” relations. Here the interests of the state, society, and regions should not be forgotten about.

Scientists divide the functions of life insurance into general and special ones.

The risk function is performed through the policyholder’s transfer to the insurance company, for a certain fee, of liability for the consequences of such insurance risks as the death of the insured person, complete or partial disability.

The function of creating and using insurance reserves involves formation of insurance funds by insurers for their further redistribution in favor of persons affected by insured events.

The preventive function provides a reduction in insurance risk by limiting the contract for benefits in the case of suicide, as well as in insurance accidents that occurred in a state of alcohol, drugs and toxic intoxication. At the same time, the preventive function of life insurance is manifested at the stage of concluding a life insurance contract by conducting medical underwriting by some domestic insurance companies.

The investment function is realized by investing the formed insurance reserves in the country’s economy, through the purchase of bank metals, real estate, mortgage certificates, bonds, shares, securities issued by the state, as well as through investments in the Ukrainian economy in the areas established by the Cabinet of Ministers.

The savings function manifests itself in the fact that life insurance companies store and refund their customers. Thanks to this function, a person can save a significant amount of money needed to implement plans at a clearly defined time in the future through annual insurance premiums, e.g. retirement, child education, home purchase, etc.

The function of income generation is reflected in the payment to policyholders of income received by the insurer as a result of its investment activities. The credit function is based on the fact that the insurance company provides loans to policyholders from the funds of the formed insurance reserves within the redemption amount under the life insurance contract.

The retention function protects the policyholder's funds required to pay insurance premiums by reducing irrational costs and facilitates long-term financial planning.

Insurance is a well-known and widespread form of relations aimed to protect the interests of individuals and legal entities. At the same time, insurance can be carried out in two forms: voluntary and obligatory.

Insurance classification is a scientific system of insurance division into different spheres of activity, branches, sub-branches, types, subspecies, and forms. In this regard, T.A. Rotova and A.S. Rudenko rightly remark that it is impossible to conduct theoretical research or practical activities without a classification order. Both the world and domestic financial science and legislation have long offered different classifications of insurance. "Encyclopedic Dictionary" by F.A. Brockhaus, I.A. Efron (1901) distinguish the following main types of insurance: fire insurance; hail insurance; animal insurance; transport insurance; life insurance; life insurance of landowners; insurance of employees.

3. Survey methodology

The state establishes a mandatory form of insurance, when insurance protection of certain objects is a socially important task. The law defines the range of insurance companies entrusted with compulsory insurance.

A mandatory form of insurance excludes selectivity from eligible objects, inherent in the voluntary form. This creates an opportunity due to the maximum coverage of insurance objects to apply minimum tariff rates and achieve high financial stability of insurance operations. In Ukraine compulsory insurance includes medical insurance, insurance of certain categories of civil servants (tax officials, the military, etc.), insurance of many types of professional liability, liability insurance for the damage during operation of hazardous production facility as well as some other types and their list is constantly increasing.

Voluntary insurance, in contrast to the compulsory insurance, arises only on the basis of a voluntary contract concluded between the insured person and the insurer. An intermediary in the form of an insurance broker (insurance agent) often participates in concluding such an agreement between the parties. Voluntary insurance is a much more flexible tool than compulsory insurance, which enables to consider the interests of the insurer and the insured person in each case.

Economic essence of insurance is genetically related to the concept of insurance protection. Insurance protection and insurance have much in common and some differences. From ancient times to the present, mankind has not been free from fear of natural and social dangers to life, health, ability to work, property and other interests. Mankind always needs protection from dangers. This constant need has made people create insurance protection. As an economic concept, insurance protection refers to the reaction of people to natural and social events that cause the need for unexpected, extraordinary and huge expenses. For such expenses, people are forced to create special in-kind or cash reserves (funds, reserves) in order to prevent, localize and eliminate such events, or to compensate for losses if full or partial prevention has failed. When considering the term “insurance”, it is interesting to analyze the approaches that characterize the concept of “insurance protection”. According to the definition of Professor L.I. Reitman, “Insurance protection is a concept that has a double meaning: firstly, it is an economic category that reflects a set of specific distributive, redistributive relations associated with overcoming or compensating for actual losses incurred to material production and living standards as a result of natural disasters and others emergencies, and secondly, it is a set of redistribution of relations aimed to overcome and compensate for the damage made to specific objects of social production.

The study of the category “insurance market” and insurance functions allows us to determine its place in the system of market relations (Figure 1.1).

Thus, the role of insurance at a particular stage of social production is primarily defined by the objectives set by the market. In addition, the insurance market is an element of the financial system of the state and it affects its economy by supporting the system of protection of property rights, interests of citizens and enterprises. Support of social stability of society and economic security of the state is also an important financial tool for regulating the national economy and a powerful source of accumulation of financial resources for their long-term investment in a real sector of the economy (Figure 1.2).

A complex structure of the state system of Ukraine and its economy, consisting of a number of regions as well as economic regions and associations of economic cooperation that are united by integration ties, which differ significantly from each other, allows us to conclude that formation of the

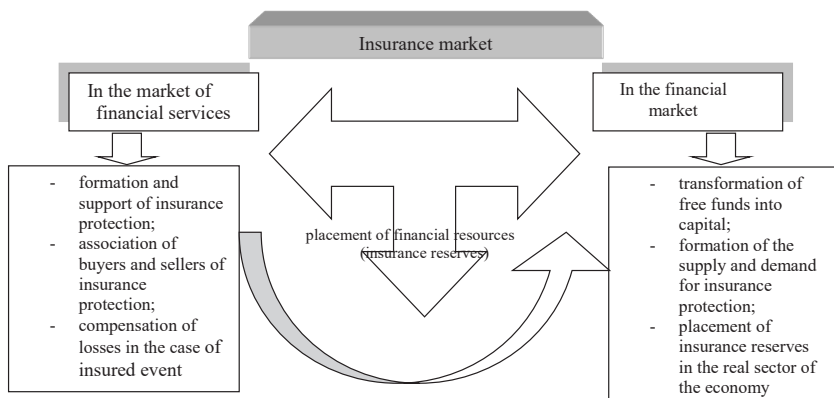


Figure 1.1. Position of the market of insurance services in the system of market relations

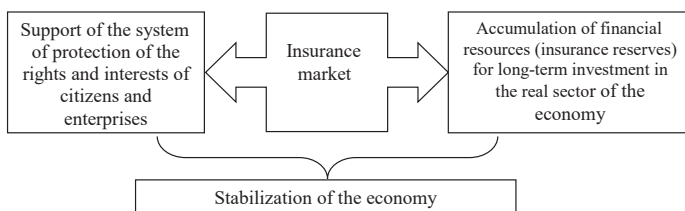


Figure 1.2. The impact of the insurance market on the country's economy

insurance market of our state is based on the formation, development and functioning of the system of regional insurance markets, which correspond to the territorial position, peculiarities of its individual regions and their relationships, economic dependence, especially in labor cooperation.

In our opinion, in accordance with the purpose of this study related to the regional aspects of insurance market development, it is necessary to introduce a clarifying concept of “a regional market of insurance services”.

4. Findings

Over the years of Ukraine's independence, the tourism business has faced many problems. One of the important problems is a low

competitiveness of tourism services, which is formed by the level of price and quality of services due to the change in the regulatory framework, high tax pressure, absence of powerful international hotel chains. The main problem for any travel company is the stability of customers, so that loss of consumers has a negative impact on the company's income and its position.

In the modern world, the main factor of success of tourist enterprises is the policy of improving the quality of tourism services. For domestic tourism enterprises, the formula "price – quality" is an important factor for achieving a positive level of profitability.

Tourism is a specific form of the international trade of services; type of business activity that provides various services to citizens of their own or other countries. According to the number of travelers, there are individual or family and group tourism. By its nature, tourism is divided into organized or planned in advance, when all aspects of the tourist's stay abroad are discussed in advance, and unorganized, when the traveler can choose himself his route around the country, diets and leisure activities. The greatest development of international tourism has been observed in Western European countries. This region accounts for more than 70% of the world tourism market and about 60% of foreign exchange earnings. About 20% is held by America, a little bit less – 10% – Asia, Africa and Australia all together. The sphere of tourism is characterized by high rates of development.

In 1950, 25 million international tourist trips were made in the world, in 2000 – 800 million, and while in 2021 there can be expected 1, 5 billion of them. According to experts, ten top countries – leaders of outbound tourism in 2020 are shown in Table 1.1. Along with indicators of the number of tourist arrivals, data on the receipt of funds from international tourism are widely used. In 2009 the United States was visited by 45.5 million tourists (the country's income from tourism was 684 billion dollars), in France – 76.5 million tourists (income – 29.3 billion dollars), in Spain – 49.5 million tourists (27.3 billion dollars), Russia – 20.1 million tourists (6.3 billion dollars). These indicators show that international tourism is one of the fastest growing industries. It is also one of the three largest industries, second only to the oil industry and the automobile industry having the share in the world exports of 11% and 8.6%, respectively.

Overview of outbound tourism in the leading countries in 2021

Country	Number of international trips, mln.	Market share, %
Germany	163.5	10.2
Japan	141.5	8.8
The USA	123.5	7.7
China	100.0	6.2
Great Britain	96.1	6.0
France	37.6	2.3
The Netherlands	35.4	2.2
Canada	31.4	2.0
Russia	30.5	1.9
Italy	29.7	1.9

For many of us, foreign travel insurance is limited to a medical policy, however when travelling a person can protect himself not only from health problems.

Today's tourist insurance market is highly competitive. Demand for insurance services in the field of tourism in Ukraine depends primarily on the compulsory nature of a particular type of insurance, as well as the level of risks of potential policyholders. Unfortunately, today, like in many other types of insurance, the lowest price is becoming the main priority when choosing an insurer, and only then goes a set of services, financial reliability, experience, and partners. Therefore, insurance prices are currently very low, and this type of insurance has high risks. As usually, the low price provides low quality service and minimum financial limits.

Analysis of risk insurance needs of travel companies has revealed the following trends. Large and medium-sized travel companies require appropriate insurance coverage and conclude insurance contracts. Small travel companies that do not have property and are faced with the choice of further activities on whether to move to the category of travel agents or leave the travel market, they do not see the need to insure their own risks, which also hinders the development of insurance being an indisputable disadvantage and occurring due to the ignorance of Ukrainian travel companies in the field of insurance.

The risk of negative phenomena is a part of human activity, and in tourism this risk is complicated by the fact that in case of damage to tourist's health

and property, he finds himself in an unfamiliar country where no one will provide free assistance or compensation for the damage without insurance.

The most typical cases that may happen to tourists are as follows: receiving a paid medical care as a result of an accident, sudden illness or exacerbation of a chronic illness, which has led to a real threat of deterioration of the health of the insured person or a person's death; unforeseen unintentional loss of ability to work (an accident) by the insured person; unforeseen unintentional loss of luggage, documents and means of subsistence; unforeseen expenses related to the occurrence of general civil and auto civil liability; inability to make a tourist trip due to an accident, sudden illness, death of relatives of the insured person, damage to property in especially large amounts; early completion of a tourist trip as a result of an accident or illness; non-fulfillment or improper fulfillment of contractual obligations of tourist organizations to tourists.

Insurance policy is the second document after the passport that is required during the trip. And this is not due just to the fact that it is not possible to obtain a visa without it in most European countries. First of all, this applies to the Schengen countries, where insurance policy is mandatory.

One of the features of travel insurance has become the inclusion of emergency insurance. While a classical insurance ensures compensation, in case of emergency insurance a person is rendered a service in the form of emergency aid.

In a situation related to the illness of the insured person, reimbursement of medical expenses will be subject to medical insurance, and services such as calling a doctor at night or emergency hospitalization will be subject to emergency insurance. In view of this, it should be remembered that medicine abroad is mainly insurance-based, and treatment of foreign citizens is a paid service and it is quite expensive. In addition, in most countries, health insurance is a necessary legal basis for providing you with assistance, so you will not be able just to come to the clinic and make an appointment with a doctor.

Each assistance company has a network consisting of regular centers and offices located in the regions covered by the policy. In the case of an insured event, the client must call one of the duty centers, which telephone numbers are indicated on the identification card or insurance policy. The duty center sends the call to the nearest office, which deals directly with organizing the

service, and confirms that all costs have been paid. The more duty centers and offices the company has, the faster it can organize the provision of the client's assistance. All assistance companies of the developed countries, cooperating with Ukrainian insurers are considered to be reliable. But if you have to travel beyond Western Europe, the United States, Japan or Canada, you need to ask the insurance company about the number of offices that a foreign partner has in the region you are going to visit.

Those who prefer active holidays on the Alpine slopes should also remember that foreign tourists, who have been knocked down on the slopes by unlucky vacationers from Eastern Europe, may sue them. Therefore, when obtaining a visa to these countries, in addition to health, you should insure civil liability. Due to the above-mentioned, recently insurance of those traveling abroad has become an integral part of tourism. Today, almost everyone who crosses the border has an insurance policy. Just a few years ago, this market occupied about 10-20% of the total number of tourists, now this figure has risen to 80-90%.

Travel agencies as legal entities use a number of services of insurance companies. This type of insurance has its own characteristics: 1. Objects of insurance may be property interests related to the use and disposal of property, as well as compensation by the insurer (travel agent, tour operator, travel agency), through the fault of whom health, property of an individual (tourist) or property interests of a legal entity (another travel agency, tour operator, etc.) have been damaged. 2. Participants of the international tourism relations are exposed to various risks associated with changes in prices for services after the conclusion of the contract, abuse or theft of foreign currency (payments on fake notices, banknotes, checks, plastic cards, etc.), insolvency of the tour operator, its contractors, exchange rate volatility, inflation, etc. All these risks must be the object of insurance of tourist organizations. 3. Insurance of business risks is aimed at protecting entrepreneurs from possible unforeseen negative circumstances and factors that hinder the achievement of the intended goal (profit).

In tourism business, the risk of undesirable events and their negative consequences is especially high, since the very nature of tourism services provision is often associated with the location of tourists in various places that are extreme and unusual for them, where it is difficult to foresee availability of factors or events unfavorable for the well-being

of tourists. In addition, in case of in interaction of a large number of independent business partners (foreign tour operators, consular services, hotel administrations, transport companies, etc.), the likelihood of insured events increases.

That is why most countries granting a visa require an insurance policy, which must include health insurance and accident insurance. This is due to the fact that no country, even if medicine is free in it, does not want to bear the costs of helping citizens of other countries at the expense of its taxpayers, and wants to guarantee payment for the services of private medical institutions. So, travel insurance is an important item in the package of documents for obtaining a visa.

5. Legal requirements for travel insurance

Legislative regulation of tourism activities is carried out in accordance with Article 16 of the Law on Tourism. According to it, when providing tourism services, tourist insurance (medical and accident insurance) is mandatory and rendered by the subjects of tourism activities on the basis of agreements with insurers entitled to carry out such activities, i.e. those having an appropriate license. The term “tourism” established by this Law means a temporary departure of a person from the place of permanent residence for recreational, educational, professional-and-business or other purposes for non-profit-making activities at the place of location. Consequently, in the case of purchasing an insurance policy, both ordinary citizens and employees of enterprises on a business trip while abroad, who are equated to tourists, become insured persons. The policyholders can be both individuals and legal entities. In addition, Article 9 of Law No 3857 has established that in order to create conditions that guarantee reimbursement to a citizen of Ukraine of expenses related to emergency circumstances during his stay abroad, he must be insured.

At the same time, the Law on Insurance does not provide for personal insurance of tourists (medical and accident) in the list of mandatory types of insurance in Ukraine (Article 7). In the specified list, there is only liability insurance of the subjects of tourism activities for the harm caused to the life or health of a tourist or his property. However, for this type of insurance, the insured person is the subject of tourism activity (travel agent, tour operator), defined by the Law on Tourism.

6. Insurance for employees traveling abroad

Travel insurance offers a wide range of services necessary for successful functioning of the tourism industry, especially in business travel.

Mandatory components of every insurance program for persons traveling abroad are medical insurance and insurance against an accident (event that is sudden, unforeseen, independent of the will of the insured person), which provides for insurance payment in case of bodily harm or injury, temporary disability, permanent disability (invalidity) or death while abroad.

Depending on the selected insurance programs, the insurance company provides tourists with the following services: organization of the provision of emergency medical care (ambulance, outpatient, inpatient, dental, birth); transportation of the insured person to a medical institution or place of permanent residence; organizing the travel of the insured person to Ukraine in case of the death of his close relatives; visit of persons to the insured person and organization of the return of close relatives of the insured person to Ukraine in case of death or prolonged illness of the insured person abroad; repatriation of the insured person; reimbursement of the cost of legal services, lawyer's services, bail; reimbursement of the cost of services related to the loss or theft of documents or baggage; technical assistance in case of a traffic accident, accident, theft of the vehicle belonging to the insured person, provision of emergency assistance; reimbursement of the cost of purchasing basic necessities in case of missing luggage; round-the-clock information support, etc.

It should be noted that travel agencies often offer “trimmed” insurance programs that include a minimum set of services that may be needed in the event of illness or injury. So, travel agencies have less flexible attitude to pricing and a set of insurance services than direct insurers. According to the legislation, the tourist has the right to refuse the policy offered by the travel agency and buy it on his own from the insurance company. This is governed by Article 16 of the Law on Tourism, which provides that the tourist has the right to independently conclude an agreement with any insurance company that has the appropriate license. The cost of the insurance policy depends on: country of location; purpose of travel (active recreation, professional sports, work); age of the insured person; a chosen insurance program; period of stay. An insurance policy can be short-term (which clearly indicates the number of days spent abroad), and long-term, e.g. multipolicy (that allow

you to insure all trips at one time for a long period of time (six months, a year). This is very convenient for those who have sudden foreign business trips, and there is not much time to issue a policy.

In addition, when drawing up an insurance policy, a tourist should pay special attention to such an item as a deductible. This is a set price threshold, after which the insurance indemnity begins to operate. If the treatment costs less than this amount, then you will have to be treated at your own expense.

There are two types of the deductible, namely conditional and unconditional. A conditional deductible means that the client will be fully paid for the treatment if its cost exceeds the amount of the deductible. An unconditional deductible means that a tourist will have to pay a doctor for each visit within the amount of the deductible, while the insurance company will pay only the amount what exceeds the sum of deductible.

Expenses for planned treatment or pre-agreed operations abroad are not eligible for insurance compensation. The insurer will not make payments in case of chronic infectious and recurrent diseases (cardiovascular, oncological, tuberculosis and other diseases) and reimbursement of expenses for prosthetics (dental and ophthalmological), cosmetic or plastic surgery as well. In addition, two forms of insurance services for tourists are widespread abroad: service (assistance) and compensation. Assistance is a special type of international service for tourists on the territory of insurance in order to provide them with assistance within the framework of an insurance contract (medical, medical and technical, legal, etc.). Since insurance companies themselves are not able to provide emergency assistance to victims, due to the unpredictability of the onset of insured events and the variety of routes for foreign trips of tourists, then during a trip of tourists abroad they provide them with the whole range of insurance services through intermediaries, in particular, foreign service medical assistance companies with which they have entered into contracts. Servicing does not require additional cash costs from the tourist. All expenses for this type of travel insurance are paid by the insurer.

Compensation insurance is the insurance that provides for the payment of insured events in the country of temporary residence by tourists themselves. As a rule, these are simple cases of the disease, the treatment of which requires little money. If upon the occurrence of an insured event, the tourist bought necessary medicine and other medications, then in order

to receive compensation under the insurance policy, he needs to submit all originals of invoices, certificates, receipts confirming expenses to the insurance company within 30 days after returning from the trip. It should be remembered that any reimbursement of expenses is possible only if the tourist has an insurance policy. It should be emphasized that when an employee of the enterprise leaves on a business trip driving a vehicle outside Ukraine, the insured company is obliged to conclude an international compulsory civil liability insurance contract “Green Card”, if the use of a vehicle outside Ukraine requires compulsory civil liability insurance on the terms of the countries of the trip. In almost all European countries, third party liability insurance for the vehicle owner is compulsory. The scope of liability related to the damage caused is regulated, as a rule, by the current legislation of those countries.

7. Tax accounting of insurance premiums

Section III of the Tax Code dated January 1, 2015 is set out in a new edition. Since then, to determine the object of taxation, the financial result is taken into account for taxation (accounting profit or accounting loss without income tax expenses). Moreover, if an enterprise has an income exceeding UAH 20 million, this indicator is adjusted for the difference in some business transactions. Thus, the procedure for calculating a profit taxable is focused on accounting rules established by Accounting Standards or International Financial Reporting Standards.

Taxpayers with an annual income that does not exceed UAH 20 million, who decide not to apply adjustments to the financial result of the object taxable, will in fact tax the accounting profit. As for the costs of insurance, if a company, in order to obtain a visa for its employee traveling abroad on a business trip, is obliged to purchase an insurance policy for medical insurance and against an accident, then the costs of purchasing such a policy are included in the tax costs of the company if there are originals of properly drawn up insurance policies. In addition, when an employee of an enterprise leaves on a business trip driving a vehicle outside Ukraine, the insuring company concludes an international car insurance contract “Green Card”, and expenses in the form of insurance premiums under these contracts are also included in tax expenses if official vehicles are directly used by employees (drivers) on a business trip abroad to perform their

official duties. Article 7 of the Law on Insurance establishes that the Cabinet of Ministers of Ukraine determines a maximum amount of insurance payments under international car insurance contracts. Within these limits, the Motor (Transport) Insurance Bureau of Ukraine (MTIBU) establishes uniform insurance payments for its full members under such contracts. Attention should be paid to the fact that it is currently prohibited to leave Ukraine without the international insurance agreement concluded with an insurer – a full member of MTIBU and a Green Card certificate (Article 16 of Law No 1961).

8. Tour operator's liability insurance

Insurance as a component of the security system in the tourism industry contributes to the safety of tourist travels both in Ukraine and abroad, as well as the activities of tourist companies.

Article 15 of the Law on Tourism establishes that in order to ensure legitimate interests of consumers of tourism services, a tour operator and a travel agent are obliged to provide financial security for their civil liability (guarantee of a bank or other credit institution) to tourists.

Thus, a minimum amount of financial support for a tour operator must equal a sum that is equivalent to at least 20,000 euros, for a tour agent – at least 2,000 euros. If the tour operator provides services exclusively for domestic or inbound tourism, then the amount of financial security must equal a sum that is equivalent to at least 10,000 euros. This is one of the key conditions for obtaining a tourism license. Consequently, the subject of tourism activity is obliged to reimburse tourist's losses incurred by him through the fault of this subject of tourism activity or its partners rendering services when providing tourism services not in full, of inadequate quality or failure to provide them at all. At the same time, insurance is the simplest, most affordable and quick way to protect the property interests of tourists and travel companies.

It should be noted that the list of compulsory types of insurance provided for in Article 7 of the Law on Insurance contains a type of insurance that involves liability of the entity of tourist activity for the harm caused to the life or health of a tourist or his property, although this insurance product has not been sold, so that it is unlikely to become mandatory. Currently, the League of Insurance Organizations of Ukraine has developed the Concept

of insurance of subjects of tourist activity, which suggests voluntary liability insurance for tour operators.

Since the fulfillment of obligations by tour operators and travel agents to tourists is not always conscientious, it predetermines a considerable expediency of liability insurance for the subjects of tourism business. Current legislation of Ukraine in the field of tourism does not provide for compensation of losses to a tourist in case of suspension of the activity of a travel company, but only as a result of initiation of the process of declaring him bankrupt. Currently this problem is under discussion as part of the development of a new draft law “On Amendments to the Law of Ukraine “On Tourism”.

Despite the fact that expenses of travel companies for liability insurance of tourism entities are related to the economic activities of such taxpayers and are included in the tax expenses of insurers, only the largest “players” of the insurance sector have resorted to liability insurance of tourism entities. However, despite a general interest of insurance companies in the development and distribution of this new insurance product, insurers do not hurry up to introduce it, because in case of an insured event (insolvency of the tour operator), financial losses of insurers will be very significant, and it is now quite difficult to reinsure such risks. Tour operators also did not come to a consensus, since the problem of the expediency of including such insurance in the cost of tourist trips is problematic and acute.

9. Conclusions

Insurance, which is most fully realized in market conditions, is intended to meet a fundamental need – the need for security. Complete rest is an integral part of a healthy lifestyle and is provided through the rational organization of free time, as well as special restorative measures that are included in the work regime. Working capacity can be restored due to the rest at resorts, in rest homes, etc. Tourism is one of the most common types of recreation.

To address the issue of the insurer’s refusal to pay insurance indemnity requires intervention not only of insurers, but also active involvement of tourism entities and relevant executive bodies, because tourism is one of the most promising industries in our country, which has recently showed its opportunities to Ukrainian tourists, and the interest in tourism is just

beginning to grow. In 2017 alone, the number of tourist flows increased by 30%, the total number of travelers amounted to 2.9 million people. The Law of Ukraine “On Tourism”, Article 16, indicates compulsory insurance, which is provided by tourism entities on the basis of agreements with insurers, which is also going to increase the need for insurance.

In general, the subjects of the insurance industry, tourism industry, and the state should unite their efforts to improve the system of insurance and management of insurance payments in tourism, risk management programs with the involvement of professionals so that the market tourism services and the insurance market will achieve a qualitatively new level, which will be based on the combination of interests and mutually beneficial cooperation.

In order to avoid the need for cooperation with unqualified insurance agents, it is necessary to improve and strengthen consumer protection, namely to create public institutions dealing with insurance and licensing of insurance agents, which would create and maintain a reliable statistical database on the insurance market.

To avoid typical problems between the subjects of tourism activities in the insurance market of Ukraine, as well as the problems they face when concluding insurance contracts, it is necessary to introduce:

- combined discount payment cards indicating comprehensive insurance: deposit insurance, payment card insurance, personal health insurance, accident insurance and compulsory insurance of the entire range of travel services;
- mandatory creation of insurance pools (mutual benefit funds) aimed to distribute obligations of insurance benefits to several members of the community;
- creation of the minimum size of the insurance indemnity fund for insurance companies working in this area.

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