

**CURRENT TRENDS AND PROBLEMS
OF THE MARKET OF CIVIL LIABILITY INSURANCE
OF VEHICLE OWNERS AND WAYS TO SOLVE IT**

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Abstract. Insurance in general and civil liability insurance, as part of it, is an infrastructure that helps increase the efficiency of all areas of business. This determines the importance of the development of all types of insurance in Ukraine, taking into account the process of Ukraine's integration into the world community. The development of insurance business in our country should be based on the study and balanced use of experience of industrialized countries with long traditions of insurance market organization, legal regulation of insurers and diversification of various types of insurance [2].

The world community, however, has invented a universal means of redress, which is the most popular type of liability insurance worldwide—civil liability insurance for owners of land vehicles. It provides for the payment of monetary compensation to the victim in the amount that would be collected from the owner of the vehicle on a civil claim in favor of a third party for damage to life and health, as well as for damage or loss of property due to an accident or other road -transport (accident) due to the fault of the insured.

Given the state and prospects of motorization in our country, as well as foreign experience in insurance, we can say with confidence that liability insurance is one of the leading areas among other types of insurance. However, in its organization and implementation there are many different problems of legal, social, economic and organizational nature.

The subject of the study is the economic relations that arise in the protection of property interests of persons injured in traffic accidents caused by the fault of the insured.

The purpose of the work is a theoretical and practical study of the features of civil liability insurance of vehicle owners and determine on this

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basis the problems and prospects for the development of motor insurance in our country.

In accordance with the set goal, the following tasks were identified: to determine the economic essence and benefits of civil liability insurance of vehicle owners; to consider the experience of foreign countries in the field of liability insurance and the possibility of its introduction in Ukraine; to analyze the current state of motor insurance in Ukraine; identify problems of development of civil liability insurance of vehicle owners in Ukraine and predict the directions of their solution, taking into account foreign experience; provide proposals to improve the efficiency of insurance activities.

The scientific novelty of the obtained results is the substantiation of theoretical and methodological bases of strategic development of civil liability insurance of vehicle owners in Ukraine, which allowed to obtain practical and theoretical results that contain scientific novelty, in particular: generalized features of comparative characteristics of liability insurance, property insurance and personal insurance and on the basis of the analysis the essential differences of liability insurance from other branches of insurance are defined that allows to state definitively that liability insurance is an independent branch of insurance; proved a specific feature of liability insurance, which is that the object of insurance is not specific personal property of a citizen or organization, as in property insurance, and the occurrence of events related to life or ability to work of a citizen who entered into a contract, which is typical for personal insurance, and liability to third parties. Thus, the direct object of liability insurance is the economic interest of potential victims, who in each insured event finds a specific monetary expression; the necessity of digitalization of the liability insurance industry is substantiated. Based on the study, it is proved that marketing innovations in motor insurance relate to new sales channels. Today, such a sales channel is the online sale of insurance products, which allows the insured to draw up a contract online, choose the functions that belong to him and pay insurance premiums. At the micro level, innovative development is seen as the process of implementing innovative solutions by insurers that help strengthen their competitiveness, create a unique insurance product for each policyholder individually, improve insurance services and more.

Practical significance of the obtained results is to develop and provide recommendations for improving the civil liability insurance of vehicle owners, taking into account the experience of foreign countries.

1. Introduction

Motor insurance is associated with profound economic and social changes taking place in society due to mass motorization, the growth of the car fleet and traffic intensity, as well as huge material losses as a result of road accidents. Road transport is an accessible, convenient and still the most dangerous mode of transport: according to the WHO, about 1.3 million people die in road accidents in the world every year – a constant number since 2007 [7].

Freight transportation is developing rapidly both within the country and in international traffic. The number of intercity bus transportation, excursion and tourist bus services is increasing, international motor tourism is growing. All this will increase the number of accidents, losses in the transportation of goods, accidents with passengers and pedestrians on highways and, accordingly, material and social losses of society, population, commercial and government agencies.

Liability insurance is the youngest branch of insurance. Its essence is that the insurer undertakes to reimburse the damage caused by the insured to a third party or group of persons.

Liability insurance does not cover own damage, but damage that the insured person caused to another person. Civil liability is of a property nature: the person who caused the damage is obliged to compensate the damage in full to the victim, ie a third party. When concluding a civil liability insurance contract, this obligation is transferred to the insurer, but the insured is not released from criminal or administrative liability for damage to a third party.

Liability insurance has emerged as an independent industry relatively recently. Currently in Ukraine this branch of insurance is just beginning to develop. Abroad, liability insurance has received much stronger development, and the percentage of premiums for this type of insurance is even higher than for property types. The reason for the development is that liability insurance provides protection of important socio-economic phenomena and aims to ensure a high standard of living and well-being of the population [3].

A special place in liability insurance is occupied by civil liability insurance. The peculiarity of civil liability insurance is that, unlike others, the sub-sector plays a dual role – on the one hand it protects the insured, because it is he who can violate their obligations, which can cause harm to others or their property, on the other parties – liability insurance protects

persons and property that are not even specified in the insurance contract from damage that the insured may cause them [1].

2. Comparative analysis of liability insurance and property and personal insurance

A specific feature of civil liability insurance is that the object of insurance is not specific personal property of a citizen or organization, as in property insurance, and the occurrence of events related to life or ability to work of a citizen who has a contract, which is typical for personal insurance and liability to third parties. Thus, the direct object of liability insurance is the economic interest of potential victims, who in each insured event finds a specific monetary expression [9].

The liability insurance mechanism is as follows (Figure 1).

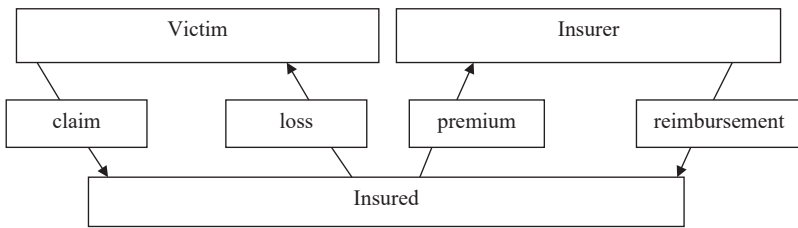


Figure 1. Liability insurance mechanism

In Ukraine, the branch of civil liability insurance, unfortunately, has not received the appropriate level of elaboration by scientists, so the information and practical base of research on the development of this topic is imperfect.

Consider the characteristics of property, personal insurance and liability insurance (Table 1).

The study of the essential features of liability insurance allows us to state that they are inherent only in this field of insurance. Therefore, liability insurance cannot be considered a type of property insurance or considered as a conglomeration of property and personal insurance. The listed features of liability insurance allow to allocate it as one of representatives of independent branch of insurance.

Thus, given all the above, liability insurance is an independent branch of insurance, which differs from both property insurance and personal insurance.

Comparative characteristics of property insurance, personal insurance and liability insurance

Sign	Types of insurance		
	Property insurance	Personal insurance	Liability insurance
The purpose of insurance	Protection of the material condition of the insured	Protection of property interests of the insured and the insured; preventing a critical deterioration in people's living standards	insurance protection of property interests of possible perpetrators of damage, which in each given insured event finds its specific monetary expression
Insurance functions	Protecting the interests of the client (insured)	Protecting the interests of the client (insured, insured)	Protection of the interests of both the client and the average citizen (third party)
Subjects of insurance legal relations	insurer and insured (individuals and legal entities)	Insurer, policyholder and insured person (individual)	Insurer, the insured and a third party who is unknown and in whose favor the agreement is concluded
Subject of insurance	Property of the insured	Life, health, ability to work of citizens as an individual, ie his personal interests	Property, life, health, ability to work of a third party; financial position of the insured
Object	Pre-determined property (in its various forms) for a pre-determined amount; Property interests of the insured	Life, health and ability to work of citizens; Property interests of the insured and the insured	the property interest of the insured is expressed in monetary form, which is manifested in the insurance of his civil liability to third parties who may be harmed; property interests of third parties
Sum insured	The actual value of insurance facilities or part thereof	It has a mathematical definition and depends on the economic situation in the country	Reimbursement limit (reimbursement limit)

Sign	Types of insurance		
	Property insurance	Personal insurance	Liability insurance
Property interest	Determined at the time of the contract	Determined at the time of the contract	cannot be determined at the time of concluding the insurance contract, and is only a conditional reflection of the potential amount of possible damage, while the fulfillment of the insurance obligation by the insurer does not release the insured from the need to compensate the victim directly in case of insufficiency
Indemnified damages	Material damage	Damage to the life and health of the insured	Both material damage and damage to life and health of third parties
Insurance case	Destruction or damage of the insured property	Death, loss of health and disability of the insured	The actual occurrence of liability of the insured, established by the courts or voluntarily recognized by the insured
Payment amount	In the amount of the sum insured	In the amount of the sum insured	In the amount of damage, but not more than the limit of liability of the insurer. The amount exceeding the limit of liability of the insurer is paid by the insured.
A person who receives insurance compensation	insurer	insurer or insured	The third person (or his successor) suffered from the harmful actions of the insured

Source: generated by the author [5; 6]

The development of civil liability insurance affects not only the quality of a particular insurance company, but also ultimately increase the level of socio-economic well-being of the population throughout the country and the stability of Ukraine's economic system.

It is necessary to strengthen the role of this subsector of insurance, the ways to achieve which have their own specifics, so we consider it necessary to analyze world practice and develop quality recommendations for the development and strengthening of civil liability insurance in Ukraine.

3. Current trends in motor insurance in Ukraine

An important subject of the insurance market is the state, which with the help of legal instruments regulates the activities of other participants in the insurance market. At the level of the state, market participants are insurers and insureds, which may be represented by individuals and legal entities that purchase and sell insurance products on the basis of statutory norms and standards. The situation in the insurance market, the level of its integration and demand is characterized by the volume of insurance premiums and insurance payments.

In terms of capitalization, the insurance market is second among other non-banking financial markets. The total number of insurance companies as of 31.12.2020 amounted to 210, including IC “life” – 20 companies, IC “non-life” – 190 companies (as of 31.12.2016 – 310 companies, including IC “life” – 39 companies, IC “non-life” – 271 companies) (Table 2).

The number of insurance companies has decreased significantly, as of 01.07.2021. Compared to 2016, the number of companies decreased by 129 companies, including life insurance companies by 20 companies and non-life insurance companies by 109 companies.

Road transport is an accessible, convenient and still the most dangerous mode of transport: according to the WHO, more than 1.5 million people die in road accidents in the world every year – a constant number since 2007 (Table 3).

It is also necessary to analyze the Top 10 insurers in the market of civil liability insurance of owners of land vehicles (OTSPV) in 2020. Such insurance companies as: TAS SG, ORANTA, UPSK are the leaders in the collected insurance payments and insurance payments under contracts of civil liability insurance of owners of land vehicles. And in the insurance company ORANTA this type of insurance occupies the largest share – 63.47%.

Table 4 shows the analysis of the main indicators of civil liability insurance of owners of land vehicles (OTSPV) under internal contracts for 2015–2020.

According to Table 4, there is a clear positive trend towards an increase in the number of contracts and, as a result, the volume of collected insurance premiums for 2015–2020 is increasing.

Table 2

**Number of insurance companies in Ukraine
in 2016–2020 and the first half of 2021**

Period	the total number of	Non-life insurance company	Life Insurance Company
As of 31.12.2016	310	271	39
As of 31.12.2017	294	261	33
As of 31.12.2018	281	251	30
As of 31.12.2019	233	210	23
As of 31.12.2020	210	190	20
As of 01.07.2021	181	162	19

Source: generated by [8]

Table 3

Accident statistics in Ukraine for 2014–2019

Indicator	2014	2015	2016	2017	2018	2019
Total accident	186225	196410	191010	153205	164193	158776
Accidents with victims: total	31281	30699	30681	26160	25365	26782
died	4908	5131	4833	4464	3970	3410
injured	38178	37519	37521	32352	31467	33613

Source: compiled according to the Road Safety Office [4]

Motor third party liability insurance is provided for the benefit of the entire population of the country, because everyone can get into an accident and be among the victims. And with the increase in the fleet, the probability of getting into a car accident increases.

In the process of formation and development of the OTSPV market, the state performs the following functions: regulation, control, stimulation, organization and protection. This is realized through mechanisms of state regulation and self-regulation (institutional regulation), which complement each other. In this case, state regulation is general, and self-regulation – specifically – mandatory, ie mandatory only for members of the association. Under certain circumstances, the state may give some powers to self-regulatory organizations .

Compulsory insurance of civil liability of owners of land vehicles is a powerful investment resource. Today, a significant part of the collected

Table 4

**The main indicators of civil liability insurance of owners
of land vehicles (OTSPV) under domestic contracts in 2015–2020**

Indexes	2015	2016	2017	2018	2019	2020
Number of agreements entered into force, pcs.	6826118	7049462	7408257	7720277	8003279	8333824
Amount of accrued insurance payments, UAH	2970390004	3406938863	3737904765	4485983891	5089744903	6136584507
Number of claims settled by payment of insurance indemnity, pcs. incl. using the European protocol, pcs.	98785	119186	133394	120081	139551	147117
Accrued amount of insurance indemnity, according to settled claims, UAH	1089581666	1405420766	1887502798	2114142130	2526624427	2851856416
in. incl. using the European protocol, pcs.	72719614	151688430	240417212	330834838	447425071	503162786
Level of payments, %	36.7%	41.3%	50.5%	47.1%	49.6%	46.5%
The share of the European protocol in payments, UAH.	6.7%	10.8%	12.7%	15.6%	17.7%	17.6%
The share of the euro protocol in payments, pcs.	12.6%	17.2%	22.9%	29.6%	34.0%	34.2%
Frequency of declared events, %	1.45%	1.89%	1.80%	1.56%	1.74%	1.77%
Average payment, UAH	435	483	505	581	636	736
Average payment, UAH	11030	11792	14150	17606	18105	19385

Source: compiled according to Natskomfinposting [6]

premiums of insurance companies with OTSPV in accordance with existing legislation are invested in the economy of Ukraine, which provides significant support to the national economy in overcoming the investment crisis.

In many parts of the world, an injured person or the owner of the victim's property must establish the guilt of another person. If the defendant travels constantly, he is obliged by law to have an insurance policy that provides the possibility of compensation for such damages.

The main articles of European traffic law stipulate that the use of any mode of transport, coercion of another person or permission to use a vehicle on the road without an insurance policy is a criminal offense punishable by a fine or imprisonment. The insurance policy must provide unlimited liability in the event of death or injury, and property insurance indemnity, which may be subject to damages of up to USD 375,000 as a result of the use of vehicles on the road.

As the practice of insurance has shown, especially at the stage of settling claims of insured persons, victims, the logical, most mitigating mechanism for fulfilling financial obligations for insolvent insurers in motor insurance is joint and several guarantee of insurance payments on their obligations. Guarantee funds are most common in developed countries. In one form or another, they operate, in particular, in the United Kingdom, Canada, the Netherlands, the United States, France, Japan, Italy, Norway, Finland, Greece, Spain and more.

In the vast majority of countries where guarantee funds exist, reimbursement under motor insurance contracts, including voluntary property insurance (CASCO), is guaranteed on a general basis, together with other voluntary types of insurance. The only exception may be compulsory motor insurance, the insurance payments of which are provided by separate guarantee funds established in accordance with the requirements of national legislation on this type of insurance (in particular, Western, Central and Eastern Europe, North Africa, Middle East).

In Ukraine, the guarantee fund is represented in international and domestic compulsory motor insurance. In CASCO insurance, guarantee funds that cover the risks of insolvency of insurers under this type of insurance, compensate for losses to policyholders or persons entitled to receive insurance indemnity, based on the essential terms of insurance contracts and subject to restrictions that may be established by law, for example, in relation to the amount of damage or a fixed amount of guarantee compensation.

The mechanism of compensation of insurance indemnity by guarantee funds under compulsory car insurance contracts differs significantly from general guarantee schemes. First of all, this is due to the compulsory and social orientation of this type of insurance. The existence of a guarantee fund and the mandatory participation of insurers who have the right to conclude contracts of compulsory motor insurance is an unconditional requirement of insurance legislation in most countries.

State regulation of OTSPV is also an impetus for the development of the insurance market in the country as a whole. This thesis is true in world practice. For example, in Italy, the insurance market in its current form began to take shape after the introduction of OTSPV, which provoked rapid growth in the industry. Companies that have gained experience and financial strength through compulsory insurance have begun to actively expand the range of services offered by voluntary insurance, and many of them are still leaders in the Italian market.

The main reasons for the need for state regulation of the OTSPV market are as follows:

- combating the emergence of fictitious insurance companies that can harm both the insurance business and the property interests of policyholders;
- OTSPV is subject to taxation, which is a source of state budget revenues and a means of ensuring the social sphere of the country;
- OTSPV is a powerful investment resource.

At present, the OTSPV market has a number of unresolved issues. The following issues are currently the most relevant:

- low amount of payments aimed at compensating for the damage caused to the lives and health of victims;
- constant growth of unprofitable insurance operations in the absence of the possibility of automatic adjustment of tariffs for the inflation index;
- competition that threatens the financial stability of both individual ICs and the market as a whole;
- lack of qualified personnel to promote and sell insurance services;
- insurance fraud on the part of both representatives of the insurance company and insurers, etc.

All these problems hinder the development of OTSPV in Ukraine, restrain the growth of sales of insurers, narrow cash flows to insurance reserves and centralized insurance reserve funds, reduce the financial stability of the insurance company.

There are various options for solving these problems, but the main one is to develop a general market strategy of action, which will be provided by appropriate tactical measures.

Today, the existing methodological approaches to overcoming these problems in OTSPV and justifying the most appropriate areas of development of OTSPV have a number of shortcomings: they are incomplete because they do not take into account foreign experience and the effectiveness of implementation for all market participants.

4. Innovative technologies in motor insurance

At the present stage, it is impossible to do without innovation, because innovation is always associated with the demand for innovation in a particular situation and the availability of investment potential. Innovation in insurance is the main task of the insurance company. And their content is to, using the best domestic and world traditions, to create an economic, organizational system of relations between insurers and the state, users of insurance services, which could flexibly respond to all trends in consumer demand, offering modern types of insurance services to specific clients, while maintaining the availability of insurance for different segments of the population, regardless of age, occupation, income and other factors.

The current state of the insurance market requires insurers to raise standards of work through the introduction of innovative products.

The development of motor insurance in the world and in Ukraine is gaining popularity. Liability insurance for owners of land vehicles is one of the most common and popular types of liability insurance worldwide. Liability insurance for vehicle owners is mandatory in all European countries. Lack of such liability by the owner of the vehicle insurance policy is considered a serious offense punishable by a fine or even imprisonment.

Consumers of these services are aware of their importance. The widespread use of information and digital technologies provides new opportunities for the growth of additional premiums, improving the quality of customer service, better selection of insurance risks, and preventing losses. To increase the effectiveness of competition, insurers find the opportunity to receive and process telemetry information from devices and sensors, information received in streaming mode from social networks and external sources, as well as to monitor information from body devices.

The research reveals the place and role of innovations in motor insurance. Factors influencing the introduction of innovations in motor insurance are considered, innovative technologies in compulsory civil liability insurance are considered, product innovations in voluntary property insurance are analyzed, financial technologies in insurance are considered.

With the development of information technology, the growing popularity of Internet technology, increasing the availability of portable devices, the insurer is actively using innovative tools. This allows not only to develop the insurance company, but also to understand what the insured needs. Foreign experience shows that the level of innovation of the insurer is one of the main factors in increasing its competitiveness. To implement innovative solutions, insurance companies need to automate business processes, use digital technologies in obtaining, storing and processing data, have alternative sales channels, use effective marketing ideas.

In the conditions of unstable economic environment of the country this complex of types of insurance, and especially, its obligatory segment – insurance of civil liability of owners of land vehicles – is characterized by rather steady development. As a result, most innovative solutions in the domestic market are motor insurance. This trend also exists in other countries of Eastern, Central and Western Europe, where motor insurance occupies a leading position.

In domestic and foreign scientific literature, innovation means ideas and proposals that can be the basis for creating new products or significantly improve the consumer characteristics (technical, economic, etc.) of existing goods, creating new processes, services, or anything that can improve “quality of life” of humanity; the new idea must be put into practice.

Innovative solutions have become especially widespread in the financial sector of the national economy, due to:

- development of computer and telecommunication technologies which allow to minimize business processes of participants of financial branch;
- ease of implementation of theoretical solutions in practice;
- high level of customer orientation of financial services, which additionally motivates participants of the financial sector to apply innovations;
- constant change of demand factors for financial services and the structure of their supply;
- financial market regulation policy;
- high level of competition in the financial market.

Classification of factors influencing the introduction of innovations in motor insurance

Factors	Characteristic
Economic	The introduction of innovations in motor insurance helps to minimize the costs of insurers to carry out insurance activities; reducing the cost of insurance for consumers; maximizing the profitability of the insurer and its stability
Social	The society needs to increase the efficiency of the mechanism of protection of property rights of legal entities and individuals, unconditional guarantee of insurance payments under motor insurance contracts, insurance coverage for all its subjects, regardless of the contractual relationship with the insurer. Complicating the problem is the significant loss of this type of insurance and the severity of the consequences for the victims of the accident
Technological	The development of the automotive industry, financial, information and digital technologies requires motor insurance market participants to create appropriate innovative insurance products, services and adapting their business processes
Market	Innovation as a tool of competition promotes the introduction of new products and services in the insurance market. This helps to improve the quality of insurance services and maximize customer satisfaction in insurance protection

Source: [5]

Innovations have certain characteristics in insurance, which are distinguished by the specifics of the insurance business and the uniqueness of the insurance product. They include:

- lack of patenting, which allows insurers to easily implement effective and proven solutions, ideas, technologies, borrowed from other participants in the insurance market;
- insensitivity, inseparability and risk: the insured receives the service only in the event of a certain unforeseen event;
- non-affiliation to essential services, which encourages insurers to seek flexible approaches to potential consumers and offer insurance services that could meet the needs of a wide range of policyholders;
- high social orientation: insurance provides reliable protection of property rights of the population and economic interests of the state.

Under these conditions, insurance innovations are a process or result, the implementation of which in practice makes qualitative changes in the insurer in the form of new insurance products, improving the interaction with the external environment, expanding approaches to attracting new policyholders and improving internal business processes.

At the macro level, the innovative development of insurance is ensured by extensive innovation, the use of opportunities by insurance market participants, the implementation of which requires the use of modern technologies and standards and aimed at improving the quality of insurance services, improving their availability and guaranteeing persons and victims.

At the micro level, innovative development is seen as the process of implementing innovative solutions by insurers that help strengthen their competitiveness, create a unique insurance product for each policyholder individually, improve insurance services and more.

Innovative nature is most characteristic of motor insurance as one of the socially necessary and technological types of insurance. The introduction of innovations in the field of motor insurance is influenced by economic, social, technological and market factors. Depending on the object of innovation in insurance activities, there are marketing, product, process and organizational innovations.

Marketing innovations in motor insurance relate to new sales channels. Today, such a sales channel is the online sale of insurance products, which allows the insured to draw up a contract online, choose the functions that belong to him and pay insurance premiums.

The main advantages of internet marketing are:

1. Significant savings in consumer time and simplification of interaction between the insurer and the insured.
2. Lack of borders. Any user of the Internet can access the site from anywhere in the world, it does not tie him to a particular region of the city or district. The consumer of the service can be at home, at work or on vacation and will still contact the insurance provider.
3. Ease of obtaining information and the possibility of its use for research. Moreover, both the insurer and the insured have access to the necessary information virtually immediately and anonymously.
4. Speed and convenience of adding or changing information. Insurers can promptly and timely edit information on insurance services, prices and

Benish GUARD system

	Characteristic
General information	Information about the current location of the car, the status of the system (car guard or system inactive) and the time of receipt of the last message from the system
Location data	Exact vehicle coordinates, current speed and total mileage since system installation
Specifications	Battery charge level and charge of the safety system itself. The application also shows the ignition on, as well as closed or open car doors

Source: compiled by the authors on the basis of [6]

mechanisms for their provision. This helps to provide the consumer with only relevant information, which encourages the consumer to prefer this method of communication with the insured.

5. During the economic downturn in Ukraine, which is due to the loss of Crimea, anti-terrorist operation in eastern Ukraine, gas conflict, concentration of business in the hands of the previous government is falling incomes, and hence their costs. Insurance is not the highest priority item for households, which makes it quite vulnerable. That is why the use of Internet marketing is relevant, which reduces the cost of insurance business and thus reduce the cost of insurance services.

6. Variety of promotion channels. Thanks to the development of “digital” marketing, information about insurance services in the form of banners can be placed on any site, using a huge number of formats. Also social networks, namely: Instagram, Facebook, Telegram. Such advertising platforms are becoming increasingly popular. Posting information via the Internet allows you to track which types of advertising are effective and which are not.

Product innovations are represented mainly in voluntary property insurance (CASCO). In addition to the traditional risks (theft, damage due to an accident, destruction of vehicles, etc.), which are covered by contracts of this type of insurance, insurers may additionally offer: evacuation of the vehicle from the scene of the accident; simplification of documentary evidence of an accident, in particular the need to present a certificate from the competent authorities in case of minor damage; technical assistance on

the road; possibility to conclude a CASCO contract for half price before the first accident; voluntary insurance of civil liability of vehicle owners or insurance of passengers and driver at the price of only one CASCO.

Today, insurance telematics deserves more and more attention. In today's world, it is actively gaining momentum, as it is significantly beneficial for both insurance companies and vehicle owners.

Telematics in insurance is an opportunity to reduce the cost of the policy for a single driver. In other words, it is a special monitoring system, the main function of which is to track the specifics of driving a particular person. And if the owner of the transport adheres to the rights of the road, he may well expect to reduce the cost of CASCO.

What benefits does this bring to insurance companies? A monitoring device mounted on the vehicle encourages the driver to drive smarter. As a result, the risk of an accident is significantly reduced, which means that no insurance payments will be required.

Insurance telematics represents tangible benefits for both parties, so both insurance companies and car owners are equally interested in its installation.

Vehicle owners only have to agree to install a telematics device in the car when concluding a contract. In addition, a special application is installed on the driver's mobile phone, which allows him to also monitor the information transmitted.

Telematics in insurance works on this principle. After the consent of the owner of the vehicle, the monitoring device is installed. During the month, information is collected that determines the characteristics of the client's driving. It is evaluated on a 10-point scale. According to the results of the calculation, the owner is refunded a certain percentage of the amount paid for CASCO.

Thus, an insurance policy, the price of which is quite high, a neat driver can be inexpensive. And the device itself is provided absolutely free.

Installation of the system promises the car owner and other useful services:

- navigation function that helps to navigate the road;
- remote diagnostics of vehicle systems;
- signal transmission in case of emergency.

The number of electronic contracts of OTSPV in Ukraine in 2020 amounted to 3.1 million units, an increase of 150%.

For fleet owners, there is an added benefit of being able to control each work machine. Such monitoring nullifies all fraudulent methods of the park staff.

Modern technology has made a tremendous step forward in recent years and now it is difficult to imagine life without a smartphone and other electronic gadgets. Thus, owners of the Benish GUARD satellite system, any of the 4 configurations, in addition to the obvious advantages in the form of reliable protection against theft 24/7, can get up-to-date information about the status and location of your car directly on your smartphone using a special mobile application Olympia Tracking.

The main function of Olympia Tracking is to display information about the location and status of the car, and in the main menu you can use additional features such as creating a report for a certain period of time and viewing a complete travel history, select map type, get detailed information about the car.

The use of financial technologies (fintech-innovations) are the most modern innovations in insurance, which allow to receive insurance services anywhere, using digital information and analytical resources, Web-portals, social networks and payment systems, as well as the introduction of distributed registry technologies to store static and dynamic transaction information. Such innovations include Blockchain technologies and the operation of startups (Table 6).

It should be noted that the complete set of Benish GUARD – ULTRA in the application reflects in as much detail the movement of the vehicle: route, speed and location. A function to view the current status of the car’s systems is also available.

Another type of innovation is process innovation, which consists in the introduction by insurers of automated business process management systems.

Participants in the motor insurance market have introduced an electronic policy in compulsory motor insurance, which allows to protect policyholders and accident victims from insurance fraud, minimizes the administrative costs of insurers for this type of insurance. The first company in Ukraine to sell an electronic policy was VUSO Insurance Company, which was carried out on February 7, 2018.

The Motor Transport Bureau of Ukraine has published the performance indicators of the “electronic policy” system as of October 3, 2018.

Table 6

Comparative characteristics of Blockchain technology and startups

Blockchain technology	Startups (aggregators)
Essence	
<p>These are distributed registry technologies for storing static and dynamic transaction information without any central administration through a consensus-based mechanism for transaction authentication. This mechanism provides a reliable service, because the stored information is easily accessible to users, and the original records can not be modified due to the high level of security of this system</p>	<p>They focus on the distribution channels of insurance products by avoiding any mediation in the implementation of insurance services (direct sales), shift the emphasis on the dissemination of reliable information among the target group of consumers, in the right place and at the right time. Provide personalization and individualization of approaches to a particular consumer by verifying his needs in a particular insurance service. One of the simplest types of startups (by functional purpose) are aggregator sites for implementation insurance services</p>
Opportunities	
<p>Allow you to improve: – automation of insurance history creation and monitoring; – prompt access to certificates from government agencies; – accounting of insurance events, their instantaneous fixation; – conclusion of online insurance contracts; – examination and preliminary risk assessment; – interaction with brokers and sales network; – transparency of settlement and response to customer requests</p>	<p>Thanks to a standardized algorithm for charging and calculating the amount of insurance premiums under motor insurance contracts, aggregator sites provide insurers with an alternative method of attracting policyholders, which is to provide them with real-time offers from many insurers to insure their risks.</p>
Disadvantages	
<p>Threat of cyber risks of unauthorized interference with information systems</p>	<p>Aggregator sites have certain restrictions on use in circumstances where the insured's risks go beyond the unified ones (for example, a high-value exclusive or rare car with CASCO insurance). Quoting such risks requires additional traditional assessment by the insurer</p>

Source: compiled by [6]

63,358 OTSPV contracts were concluded in electronic form, the total amount of insurance premiums for them was UAH 43.9 million. The leader in the number of concluded online contracts is VUSO Insurance Company (almost 19,500 contracts).

Today, international insurance experts pay great attention to innovative information technologies and digital transformation in the field of insurance, in particular in its most common segment – motor insurance. This contributes to increasing financial inclusion, which takes into account the interests of the most vulnerable groups in the context of ensuring their access to quality and safe insurance services.

Financial inclusion in the insurance market has three dimensions: access to insurance products and services; use of insurance services; product quality and service delivery. One of the current factors contributing to the impact of innovative information technology and digital transformation on the development of motor insurance is the active use of mobile devices, laptops with online access to information resources as a catalyst for innovative change for most insurance companies. Modern consumers of insurance services require an individual approach from the insurer, expecting to receive the service in a convenient place and time at the best price.

The widespread use of information and digital technologies provides new opportunities for the growth of additional premiums, improving the quality of customer service, better selection of insurance risks, and preventing losses. To increase the effectiveness of competition, insurers must find the opportunity to receive and process telemetry information from devices and sensors, information received in the streaming mode from social networks and external sources, as well as monitor information from body devices. Long-standing systems simply cannot ensure the completeness, efficiency and variability of such information.

Information and digital technologies have a positive impact on the development of motor insurance, but the legal issues related to the protection and processing of personal data aimed at protecting fundamental human rights and freedoms, including the right to privacy, are currently insufficiently regulated.

High level of competition in the insurance market, economic downturn in the country, consumer demand, low purchasing power, scientific and technological progress of mankind – all these are the factors that

encourage Ukrainian insurance companies to innovate in their activities. Such innovative processes not only allow insurers to create new services for existing customers, but also to attract new ones. The introduction of innovative technologies in insurance companies is a guarantee that the company is competitive and, consequently, solvent. In the future, the development of motor insurance will be influenced by various innovations. Among them, information technology and digital transformation will be of particular importance due to the active use of mobile devices, laptops with online access to information resources, fintech innovation, the functioning of social networks and payment systems, as well as the use of distributed registry technologies for storage static and dynamic information on insurance-related transactions.

In the near future, innovative technologies in the automotive industry will have a special impact on the development of motor insurance, including the operation of automated (unmanned) vehicles, active dissemination of car sharing (car sharing), the use of additional intelligent car control systems. These innovative technologies will encourage insurers to improve their insurance products, maximize the needs of policyholders, speed up the settlement of insurance cases, reduce insurance fraud and reduce the cost of insurance services related to the ownership and use of vehicles. Promising innovative solutions in motor insurance, despite their high-tech nature and a clear revolution in approaches to the organization of business processes of insurance companies, will maintain the need for existing guarantee mechanisms in this complex of types of insurance, as the vehicle as a source of increased risk the rights of both their owners and third parties – victims.

Processes of harmonization of Ukrainian insurance legislation with European regulations in the field of insurance and implementation of Western standards in the domestic insurance market will stimulate demand for innovative solutions in auto insurance that can bring efficiency, technology, profitability and reliability of Ukrainian insurers.

5. MTIBU activities in the market of civil liability insurance of owners of land vehicles

The confidence of car owners in such a modern way of registration of road accidents as the European protocol is constantly growing. Ukrainian drivers have become accustomed to using it in the event of accidents that

fall under the terms of the European protocol. We also note an almost threefold increase in the number of electronic European protocols. Last year, the participants of the accident were able to draw up an electronic European protocol not only through the MTIBU website, but also through the mobile application “My Policy”, which increased the availability and convenience of the service.

The MTIBU also conducted an active awareness campaign on the benefits of the European Protocol, as we have a common position with the regulator that it is possible to increase the share of payments under it to 50% or more. This would be a significant contribution to improving the situation with traffic jams and saving the state budget.

Unfortunately, the pandemic hit the Green Card segment as expected: as a result of cross-border traffic restrictions, the number of cars crossing the border has dropped significantly, and the Green Card has fallen accordingly. The number of contracts decreased by 45%, the amount of premiums for them by 28% [7].

Most importantly, during the crisis year, we maintained the trust of OTSPV road users due to the fact that insurers quickly and efficiently settled insurance cases, as well as promptly responded to the situation and took care of the safety of employees and customers.

In the last quarter of last year, the average settlement period was shorter than it was in the first, and the number of complaints about the actions of insurers in 4 square meters. 2020 was a record low of less than 1%. What could be more convincing than these figures for the efforts made by insurance to maintain the protection of victims at the proper level, despite the pandemic.

The events of 2020 also confirmed the importance of the course taken several years ago for the active digitalization of the OTSPV industry. According to the results of last year, the number of electronic contracts of OTSPV amounted to 3.05 million units, which is 2.5 times more than in 2019. The amount of insurance payments under such contracts is UAH 2.6 billion. (+ 176%). The monthly number of contracts increased almost threefold from the beginning of the year to the end.

More than a third of the total number of OTSPV contracts are concluded in electronic form: the share of OTSPV electronic contracts in 2020 is about 37%, while in 2019 it was 15%, and in 2018 ‘only about 2% [8].

In 2020, much attention was paid to improving the activities of the MTIBU. The crisis situation did not become an obstacle to development, on the contrary, we saw it as a challenge. We need to work even better and at a more modern level, because it was quarantine that proved how important all the previous steps were to improve business processes and digitalize the Office. In particular, they actively introduced and learned to work in the electronic document management system, which accelerated the work of the Bureau and greatly simplified the remote exchange of documents. We are also starting to implement a quality management system based on a process approach and risk-oriented thinking that meets the requirements of ISO 9001: 2015.

MTIBU settlement procedures are automated, so the Bureau easily switched to remote settlement mode with the start of quarantine, without losing the quality and speed of work. In 2020, the MTIBU paid more than UAH 215.7 million to the victims of road accidents from the Victims Protection Fund (FZP), the total number of payments amounted to 6464 units. The number of payments decreased by 10.6% compared to the previous year, the amount of payments remained virtually unchanged (+ 1.8%). The decrease in the number of payments was solely due to a significant decrease in payments to the IC of bankruptcies and companies that left the OTSPV market without fulfilling their obligations to the victims of road accidents. Even in difficult and unpredictable circumstances, the Ukrainian MTPL market is able to maintain the quality of regulation and service, implement new projects and strategic initiatives [7].

Priorities remain unchanged: updating legislation, creating a full-fledged digital environment for motor insurance, increasing the level of protection of the interests of road accident victims.

We see that the NBU as a regulator of the non-banking financial market understands the social significance of OTSPV as a type of insurance. In particular, the issue of the need to increase the sum insured has already been raised. Therefore, there should be support from the regulator for the modernization of sectoral legislation. Let me remind you that the insurers and the Bureau prepared the text of the new bill five years ago. Our proposed document would solve all the long-standing painful problems of insurance protection of road users: raising insurance premiums to the European level, payments to victims without deductible and deductible, accelerating

payments for bankruptcies and companies that have left the market. We would also have a full-fledged legal framework for the technological transformation of the industry.

In a few months, the “ombudsman in the OTSPV” will start working on the basis of the MTIBU. The task of the ombudsman will be to monitor compliance with the legal rights and interests of policyholders and victims of road accidents, as well as to resolve pre-trial conflicts between insurers and recipients. The ombudsman will provide assistance free of charge. Any citizen who needs protection of his rights in the field of liability insurance of motor vehicle owners will be able to apply to the ombudsman [5].

This year, international insurance contracts will be signed in Ukraine in electronic form, and the Green Card insurance certificate will also be in black and white. This will allow after the conclusion of the electronic contract of international insurance to obtain a certificate in the form of a file and print it on a regular printer, including the insured himself.

Priority task for further digitalization of OTSPV introduction of remote settlement of insurance events. The pandemic has demonstrated how uncomfortable and sometimes dangerous a world can be, where “papers” have to be passed from hand to hand. The pandemic is ongoing, so a remote settlement is not only about convenience, but also about saving lives.

The regulator is ready to help with the issue of modernizing the legal and regulatory framework for the introduction of remote settlement, and many insurers can now offer proven procedures for online filing, for example, through their website.

The MTIBU is currently working on a single standard for a remote settlement procedure. We also plan to assess the prospects for strengthening the mechanism and functions of self-regulation of the MTIBU. OTSPV insurers are ready for greater responsibility for the future of the industry. Now that the legal framework for the operation of self-regulatory organizations in the non-banking financial market is being developed, it is time to consider expanding the capacity of the MTIBU to coordinate the efforts of its members to develop the industry.

Findings

Liability insurance for vehicle owners is a socially important area for the state due to the fact that with the annual increase in the number of vehicles

there is an increase in the number of accidents and victims. Material claims on the owner of the vehicle that caused the damage can be significant, and the financial situation of the perpetrator of the damage does not always allow to compensate for the damage in full.

The analysis of the practice of OTSPV allowed to offer the following as promising directions for the development of this field of insurance:

- change the approach to determining the insurance history of the car owner with OTSPV, namely to tie it to the driver, not to the car;
- review the approach to the bonus-malus system in order to financially stimulate insurance entities;
- to introduce a full-fledged automated information system with OTSPV for control over insurance history;
- centralize the fight against fraud in the field of car insurance;
- create a state register of independent technical experts;
- to gradually move from the administrative regulation of OTSPV to the formation of insurance rates based on existing demand [7].

Ukraine's insurance market in the context of civil liability insurance is imperfect. Revenues from some types of insurance are significantly higher than others and have too high levels of payments, which increases the risk of liability insurance.

Among the main problems of development of civil liability insurance in Ukraine are the following:

- strict regulation of the insurance process by the authorities of Ukraine, which is expressed in full control of all components of the insurance contract: the sum insured, the insurance rate, the list of insured events, etc.;
- Insufficient information support of Ukrainians on the obligation to conclude an insurance contract, which leads to the leveling of the importance of these types of insurance;
- despite the compulsory nature of certain types of civil liability insurance, a certain proportion of Ukrainians deliberately avoid turning to insurance companies, which reduces the socio-economic effect of this insurance sub-sector;
- low insurance rates lead to a significant gap between the tariff and payments, which reduces the willingness of insurers to offer certain types of insurance products.

However, it should be noted that these problems can be solved. To this end, several recommendations are proposed to improve the state of the sub-sector as a whole, among them:

1. Improving the effectiveness of the incentive system “bonus-malus” in the conclusion of internal insurance contracts, which will increase demand for insurance products in the industry.

2. Change in the legal framework for the abolition of part of the requirements for concluding a civil liability insurance contract, which will lead to an adequate insurance system in which all components will be calculated by the actuary to minimize the risks of the insurance market.

3. Creation and development of new insurance products in the field of civil liability, which will protect the liability of other professions, such as lawyers and financial analysts.

4. Introduction of international solvency standards Solvency II, which will improve the state of the subsector and improve the quality of insurance in general.

The gradual development of liability insurance in Ukraine is due to the fact that individuals and legal entities are beginning to increase their costs to obtain a high level of security of their lives and businesses, the need to protect their property interests from unforeseen risks is growing. The volume of collected premiums is growing, but the volume of payments is growing faster. Strengthening the role of civil liability insurance can qualitatively change the insurance market of Ukraine and bring additional funds to it. For insurance companies, improving the sub-sector is also a positive factor, as it will increase the demand for insurance services.

To improve the level of development of civil liability insurance, it is necessary to increase the demand of the sub-sector and improve the level of information provision of Ukrainians about the socio-economic effect of these types of insurance. Also a necessary component is to reduce the level of control and change the conditions of the legal framework regarding the main provisions of insurance contracts.

Conclusions

Ukraine’s insurance market is on the verge of major changes and needs close attention to address many of the issues that began to emerge with the advent of economic, political and social crises. That is why at the present

stage of our lives, it is so important to study all the processes, all the wells that will help our state to fight the destructive processes in all areas.

Having conducted a detailed analysis of the functioning of motor insurance, the following conclusions can be drawn:

1. Motor insurance is a generalized concept, is a set of certain types of insurance related to the operation of vehicles that protect both property and financial liability of the insured for damage to life and health of other road users (driver and passengers of the insured transport). The historical formation of vehicle insurance dates back to the end of the eighteenth century, the country of origin of which is France. In Ukraine, this type of insurance emerged with the adoption of independence in 1991. According to scientists, car insurance as a separate industry was formed due to the emergence of the subject of insurance – the vehicle (with the growth of the fleet increases and the danger). In order for car insurance to function successfully and bring income to insurance companies (you need to understand that the UK is not a charity), it is very important to properly form insurance rates.

2. In Ukraine, the field of motor insurance is represented by such types of insurance as property and liability. In turn, these types are divided into two forms: mandatory and voluntary. Compulsory liability insurance includes insurance of civil liability of vehicle owners under internal contracts (OTSPV) and insurance of civil liability of vehicle owners under external contracts (“Green Card”). Voluntary liability insurance includes civil liability insurance of land transport owners, including carrier’s liability (CAR). With regard to voluntary property insurance, in Ukraine the auto insurance industry is represented by land transport insurance, except for rail (CASCO).

3. Analyzing the general situation of this type of insurance in Ukraine, we can conclude that it occupies a significant place in the insurance market of Ukraine. Both in terms of insurance premiums and insurance payments, the share of car insurance in the insurance portfolio of Ukraine for the analyzed period is 40-45%. As for compulsory and voluntary forms of insurance, in our country it exceeds the second form, respectively, both in terms of insurance premiums and insurance payments, and the level of payments. Only in such a characteristic as the number of contracts compulsory insurance exceeds voluntary. The main reason for this situation is the nature of the insurance itself, ie compulsory. As for the more detailed description,

both in terms of insurance premiums and payments, CASCO occupies the largest share. The reason for such indicators is a large list of risks from which this type insures (on the one hand, customer interest, and on the other frequent insurance claims). The second step in premiums and payments is the insurance of civil liability of owners of land vehicles. This is due to the mandatory registration of an insurance policy for any car. The third position is occupied by the “Green Card” and in last place is the insurance of civil liability of land transport owners, including the liability of the carrier.

4. Car insurance in Ukraine, including the analyzed companies, is currently experiencing bad times and has many problems, both external and internal. Given the situation in which our state finds itself, it is necessary to really assess the whole picture that is happening.

Common problems that prevent the effective functioning of insurance and motor insurance include: imperfect regulatory and regulatory framework; financial and economic crisis; political situation in the country.

The specific problems of the car insurance market include: depletion of resources of insurance companies; conducting dumping policy by insurance companies; activities that do not meet international standards; post-Soviet stereotypes in car insurance; “Honest business” of insurance companies in vehicle insurance; fraud on the part of insurers; lack of interest of insurance companies, according to the classic compensation of losses, in serving “foreign” customers (loss settlement system; unsatisfactory condition of roads and gross violations of traffic rules by citizens.

5. It is impossible to completely eradicate the difficulties that have gripped our country in the insurance market, but it is quite possible to fight them. This is why the main driving forces of mitigating these problems were given: explanatory insurance policy among the population, introduction of innovative types of car insurance, improvement of the legal framework, support of healthy competition (prevention of dumping policy), optimization of insurance companies’ cost structure, changes in the calculation of insurance payments (depreciation), the fight against fraud through innovative methods, preventive and educational and informational work among road users. With regard to more specific actions, in particular, in order to solve the problems of the MTPL, it is necessary to increase and bring to European standards insurance limits, cancel the deductible and link the policy to the driver. According to CASCO and DCV, it is possible to form

a separate guarantee fund, created by the insurance companies themselves, to balance the old car fleet, remove predatory customs clearance taxes, and create a general register for checking voluntary insurance policies.

6. As for development prospects, if domestic insurance companies can use the national potential and develop and implement the rudiments of the “new insurance” that the world offers us, they will receive the income they dream of. Such trends include the improvement of electric car insurance, the development of insurance during “carsharing”, the use of telematics, Blockchain and other innovations in car insurance. Also, the modern world should think about the feasibility of motor insurance, because with the advent of alternative means of transportation, the whole system is being rebuilt.

Thus, car insurance is one of the driving elements of the progressive processes taking place in the state. Only well-considered actions of the state, which will be aimed at improving this area, rather than burdening it, will help to obtain positive results. But in addition to government policy, the activities of insurance companies are very important, which should be aimed not only at raising funds for their own pockets, but also real help to all insured.

Among the positive developments that have taken place in recent years are: the consolidation of insurance companies, the gradual increase in the volume of insurance premiums received; growth of insurers’ capitalization; reducing the level of unprofitable insurance market; recovery of foreign investors, the insurance industry in Ukraine needs to be radically changed and improved, stimulated and developed by assessing its current state, as well as the social significance and strong investment potential inherent in the insurance market.

The future development of the insurance market of Ukraine will depend not only on the qualitative or quantitative composition of the market, but also on further improvement of the legal framework governing not only insurance but also all activities, including health insurance, private pension insurance, mortgage lending, insurance life, activities of banks and their impact on insurance, as well as improving the insurance culture and increasing confidence in insurers.

It is important to identify the main prospects for the development of civil liability insurance of owners of land vehicles in Ukraine, including the following:

– creation of a developed and solvent system of civil liability insurance of owners of land vehicles, able to compensate for losses from unforeseen events;

- introduction of programs to inform the population through the media about the state and prospects of the insurance market;
- to expand international cooperation in the field of information exchange on the activities of insurance companies that provide services for this type of insurance;
- increasing the effective demand for insurance services through the introduction of new incentive systems;
- opening of centers for loss settlement with an extensive network and full-scale implementation of its own information system with personalized web access of salons, banks, insurance companies to the database of intermediary companies.

Therefore, today insurers face a difficult task to increase the volume and quality of insurance services, increase the level of capitalization and financial reliability of insurance companies. Following the above-mentioned measures aimed at overcoming crisis trends, the domestic economy will be able to attract significant investment resources, strengthen the effectiveness of state supervision of insurance activities.

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