


# Typical Steps of Development in Growing Insurance Markets

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- Key factors for development of insurance markets
- Market development and regulatory infrastructure
- Benefits from market development
- Product range and intermediaries in different steps of development
- Relative position of the Ukrainian insurance market

# Key Factors for Development of Insurance Markets

- Legal framework
- Regulatory regime
- Financial market conditions
- Social security system
- Acceptance by consumers



Start: consumer needs are not sufficiently satisfied by existing market



- Insurance contract law
- Investment regulations



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Step 1 - Immature Market: Limited product range due to limited competition and non-adequate administration/bureaucracy



- Liberalization of investment regimes
- Liberalization of reinsurance regulation
- Increased statutory capital
- Reform of regulatory regime




Step 2 - Developing Market: Growing Activity due to new market participants and better regulation. Moderate acceptance of insurance products by consumers.



- Risk based solvency control
- Central register of intermediaries
- Tax deductibility of insurance expenses
- Consumer protection law



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Step 3 - Mature Market: Wide range of insurance products fitting to consumers needs due to prevalent competition. Good acceptance by consumers due to sufficient level of consumer protection and reliability of insurance products.

## *Who benefits from a high developed insurance market?*

- Consumer: insurance protection fitting to individual needs - security and provision
- Economy: Stabilization of risk transfer to insurance industry; insurance companies as domestic investors due to high capital accumulation
- State: relief for social security system (i.e. pension problem); increase of fiscal revenues and stability of economy



# Product range in different steps of development - personal insurance

|        | Life   | Accident   | Health                          |
|--------|--|--|---------------------------------|
| Step 1 | Saving products  | Accidental death riders                              |                                 |
| Step 2 | +: Credit ins., dread disease and unit linked products | +: Riders for acc. disability and incapacity to work | for deductible (retention) only |
| Step 3 | +: Pension products, term life                         | +: Separate accident ins.                            | +: Health costs ins.            |

# Product range in different steps of development - property insurance

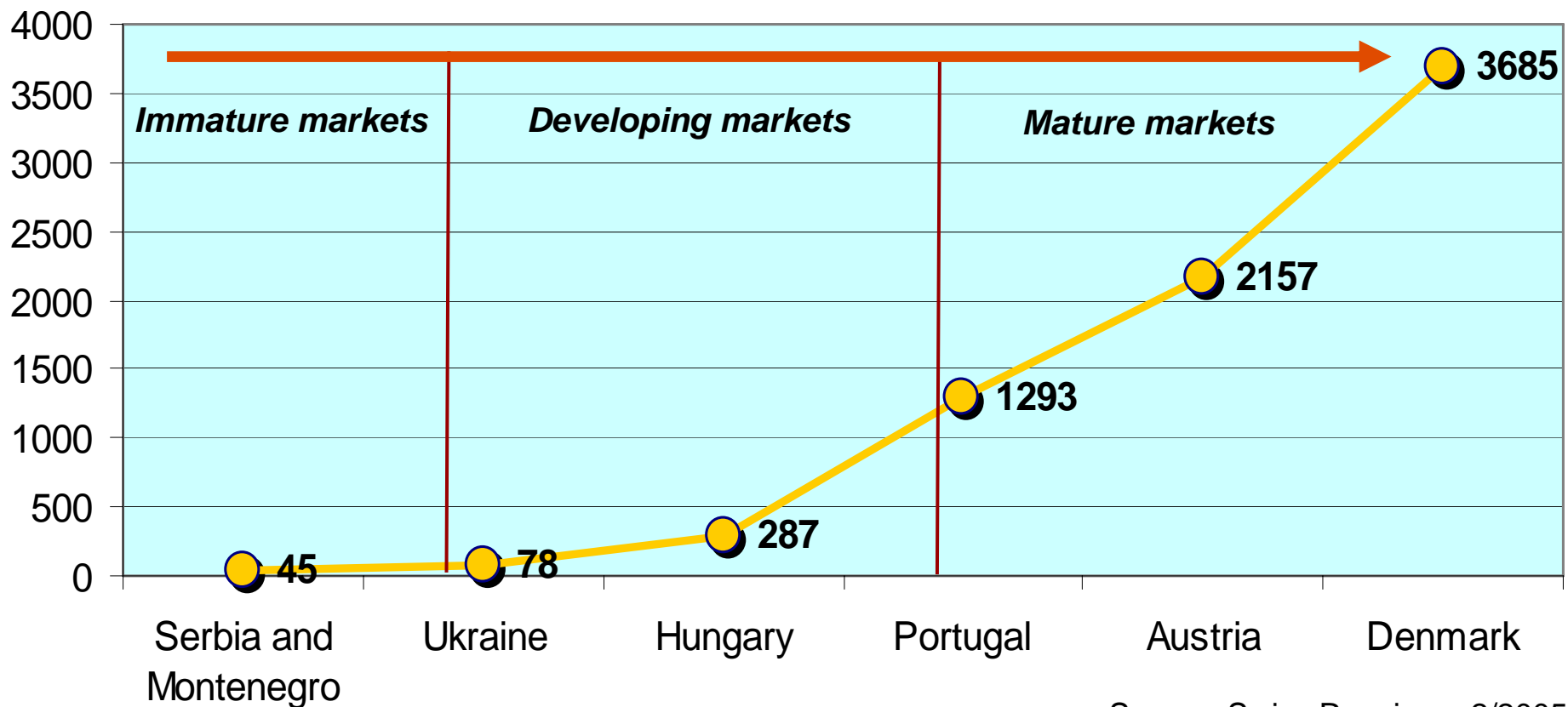
|        | Motor                         | Fire, Household   | Other                                   |
|--------|-------------------------------|---|---|
| Step 1 | Voluntary and<br>“green card” |   |   |
| Step 2 | Partial<br>coverage           | Basic household,<br>basic fire                              |   |
| Step 3 | Full obligatory<br>coverage   | Individual house-<br>hold and fire ins.<br>with add. covers | Gen. liability,<br>legal costs,<br>etc. |

# Insurance intermediaries in different steps of development

|        |  |
|--------|--|
|        | Sales Channels   |
| Step 1 | Brokers (mostly MLM)   |
| Step 2 | Brokers (MLM and non-MLM), employed field staff                    |
| Step 3 | Brokers (mostly non-MLM), employed field staff, tied agents, banks |

# Relative situation of the Ukrainian Insurance Market

## Insurance premiums per capita in USD in 2004



Source: Swiss Re, sigma 2/2005

*The market is still in an early stage. Ukraine has great chances for beneficial growth.*

- Further develop legal framework and regulatory regime
- Support development and relief of social security system
- Increase awareness and acceptance by the consumers

*Thank You for  
Your interest!*