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Bodies and mechanisms of state regulation of the insurance market in Ukraine in the context of European integration

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Abstract. The purpose of the study was to identify the main areas of optimisation of the Ukrainian system of state regulation of the insurance market, taking into account the European experience. The research methodology included three stages, namely, analysing the role and functions of government agencies in regulating the insurance market, conducting interviews, and identifying the main trends in the development of the insurance market. The results showed the importance of the National Bank of Ukraine, which performs the functions of regulating financial services, including insurance. The Law of Ukraine No. 1909-IX "On Insurance" and Law of Ukraine No. 2664-III "On Financial Services and State Regulation of Financial Services Markets" were studied. Considerable attention was paid to the implementation of the Solvency II Directive, which sets new requirements for risk management capital in the context of European integration in Ukraine. The survey results indicated that competition in the services sector drives organisations to innovate and improve their offerings. The study found that the adaptation of Ukrainian legislation to European standards contributes to the reliability of the insurance market. In particular, negative trends include problems with the implementation of new regulations and the adaptation of insurance companies to European requirements. Adjusting to new regulatory standards includes modifying internal procedures and using modern technology. However, the general direction of regulation contributes to strengthening the insurance sector in the context of European integration. The practical significance of the study is to provide specific recommendations for improving the mechanisms of insurance market regulation in Ukraine, which will help to increase the transparency and reliability of insurance companies, as well as their adaptation to European standards in the context of European integration

Keywords: financial services; licensing; legislative norms; enterprises; financial markets

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INTRODUCTION

The influence of state regulatory authorities and mechanisms of the insurance market in Ukraine is being revealed in a new way in the context of European integration and requires scientific exploration, as integration into the European Union sets new requirements for the system of financial market regulation. The Ukrainian insurance market needs to be adapted to European standards, which includes improving the regulatory framework, strengthening control over insurance companies, and ensuring transparency of their operations. A key element is the implementation of principles that protect the rights of insurance consumers, as this increases confidence in the market and promotes its development. The study of the influence of regulatory authorities allows assessing the effectiveness of existing mechanisms, identifying their weaknesses, and developing recommendations for their improvement. Specifically, this could include an analysis of international practices in regulating insurance markets to help Ukraine adopt best practices.

Many researchers have analysed the issues of state regulation of the insurance market, focusing on various aspects from the regulatory framework to risk control and management mechanisms. For example, A. Nechyporenko (2021) examined the theoretical aspects of state regulation

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of insurance activities in Ukraine and identified the key functions and mechanisms used by the country to regulate these activities. Furthermore, the researcher investigated the major areas for improving regulation, including consumer protection and ensuring stable conditions for insurance companies. R. Van Oirbeek *et al*. (2024) examined the effect of insufficient attention from government agencies on the development of the insurance market. In their study, researchers noted that due to the lack of effective regulatory mechanisms, many insurance companies operated in a non-transparent manner, which led to a loss of consumer confidence. Their findings are consistent with the view that a stronger regulatory framework is required to ensure market stability. J. Sadowski (2024) investigated the implementation of European consumer protection standards in the insurance market of various countries. Their study showed that this improved the quality of insurance services and increased the level of trust in insurance companies. They also emphasised the significance of strengthening control over the observance of consumer rights and introducing liability mechanisms for insurance companies.

V. Bratyuk (2022) focused on identifying the problems affecting the demand for insurance services, such as consumer distrust, economic instability, and low financial capacity of the Ukrainian population. The researcher also outlined ways to develop the market, emphasising the significance of effective regulation to build trust in insurers and stimulate the economy. Furthermore, A. Tayebi *et al*. (2024) analysed the barriers to the integration of various insurance markets into the European space. Insufficient capitalisation of insurance companies and weak state control are the main obstacles to the implementation of European standards in weak states. Their studies highlighted the need for financial support and professional development of insurance company employees to achieve compliance with the standards. N. Verma (2024) identified the mechanisms of state regulation of the insurance market in the context of the economic crisis. Their study pointed to the need to increase the role of government agencies in creating conditions for market stability through the introduction of effective regulatory instruments, such as liquidity and capital ratios.

Y. Skaf *et al*. (2024) addressed the problems of supervision of insurance companies. The researchers pointed to the insufficiency of institutional mechanisms for effective control and noted that a lack of resources and weak institutions impede the full supervision of insurance companies. R.D. Banker *et al.* (2024) addressed the specifics of reinsurance market regulation, investigated the international reinsurance mechanisms and their effect on the financial stability of national markets. The researchers' conclusions pointed to the need to harmonise national legislation with generally accepted international standards in the field of reinsurance. A. Tasdemir & E. Alsu (2024) studied the insurance market regulation processes in the context of globalisation, which significantly affects national markets by integrating them into global financial systems. Their study focused on the role of international financial institutions and organisations. National regulators, according to these researchers, should adapt international standards to the specifics of national markets, maintaining a balance between the requirements of globalisation and internal market characteristics. F.A. Oquendo-Torres & M.J. Segovia-Vargas (2024) pointed out the role of educational programmes aimed at raising consumer awareness of their rights and options in insurance. The researchers suggested that information campaigns should be more actively implemented to help consumers understand complex insurance products and use them effectively.

The above-mentioned researchers made a valuable contribution, but the issue of state regulation of the Ukrainian insurance market in the context of European integration is still understudied. The purpose of this study was to identify the key areas for improving the Ukrainian system of state regulation of the insurance market according to European standards and requirements. The objectives of this study were to define the role and functions of state authorities in regulating the insurance market of Ukraine; to analyse the mechanisms of state regulation used in the EU and the possibility of their adaptation in Ukraine; to identify problems and aspects for improvement related to the regulation of the insurance market in Ukraine in the context of European integration.

MATERIALS AND METHODS

Three leading insurance companies of Ukraine were selected for the study, namely insurance company (IC) Providna (Information of the issuer..., n.d.), IC Arsenal Insurance (n.d.), IC TAS Insurance Group (n.d.). The study employed an experimental method consisting of three key stages. The first stage involved analysing the role and functions of government agencies in regulating the insurance market. At this stage of the study, the activities of the National Commission for State Regulation of Financial Services Markets were analysed, which from 2011 to 2020 was the main state regulator of the insurance market (after June, 2020, the commission's powers are divided between the National Bank of Ukraine and the National Securities and Stock Market Commission). The key functions of state financial institutions in ensuring that insurers comply with legal requirements were defined.

The following criteria were used to analyse the role and functions of state authorities in regulating the insurance market in Ukraine. **Licensing and control over the activities of insurers.** The study assessed the processes of issuing licences to insurance companies, the conditions for obtaining them, and monitoring compliance with licensing requirements. The study determined how efficiently the National Commission for Regulation of Financial Services Markets performs these functions and how insurers assess licensing requirements. Supervision and monitoring. This study analysed the process of ongoing supervision of insurance companies, including compliance with legislation, financial stability, reserves, and reporting. The study examined how monitoring affects companies' operations and whether it contributes to market transparency. **Compliance with legal requirements.** The ways in which the National Securities and Stock Market Commission (NSSMC) is effective were identified. This criterion included a study of the implementation of new regulations and their influence on the insurance market. Implementation of European standards. The criteria for adapting the Ukrainian insurance market to the standards of the European Union, specifically the Solvency II Directive (Solvency II Hub..., n.d.), were analysed. The study assessed how Ukrainian legislation is changing in the context of European integration and how this affects the activities of Ukrainian insurance companies. Enforcement mechanisms and sanctions. The study identified the mechanisms used by the NSSMC to hold insurers accountable for violations of the law and assessed their effectiveness.

The second stage of the study involved interviews with representatives of the selected companies for a total of 15 expert participants, including 7 women and 8 men, aged 25 to 45 years. The participants represented various positions, including heads of departments, analysts, and risk management specialists, which enabled a comprehensive examination of the practical aspects of the companies' work in the context of regulatory requirements and strategic approaches to adapting changes in legislation. Questions for the representatives of insurance companies were as follows:

1. How do you assess the effectiveness of the NSSMC's licensing process for insurers?
2. Do you think that monitoring of compliance with licensing requirements is effective? What aspects need to be improved?
3. What are the major challenges you observe in supervising the activities of insurance companies?
4. How well are the requirements of national legislation and European standards implemented?
5. How do you assess the NSSMC's control and sanctioning mechanisms?
6. Is the reporting system for licensing and supervision sufficiently transparent?

The study was conducted following the ICC/ESOMAR international code on market, opinion, and social research and data analytics (2016) ethical norms and standards. All participants agreed to take part in the study, explaining the purpose of the study, potential risks and benefits, and the possibility of withdrawing at any time without negative consequences. The third stage was to identify the key trends in the development of the insurance market and recommendations for European integration.

RESULTS

Theoretical foundations and analysis of the Ukrainian insurance market

Ukraine's insurance market is a vital part of the financial system, playing a role in economic development through the accumulation of long-term investments. According to the National Bank of Ukraine, 126 insurance companies operated in the market in 2023, which is a stable figure (Financial sector statistics, 2024). However, in recent years, there has been a gradual decline in the number of insurers, due to stricter competition and capitalisation requirements. In 2023, gross written insurance premiums reached UAH 52.8 billion, indicating that the market is growing even in the face of macroeconomic uncertainty. This is 7.5% more than in the previous year. The key areas of insurance are still car insurance, life insurance, and health insurance, which are growing in demand due to the increase in health-related risks. Despite the overall positive trends, the level of insurance penetration (the ratio of insurance premiums to GDP) continues to be low. Compared to developed countries, this indicator is much lower in Ukraine, which indicates an insufficient insurance culture among households and businesses. The low level of citizens' ability to pay, as well as distrust in insurance services stemming from historical fraud problems in the 1990s, continue to hamper market development.

Ukraine's insurance companies play a vital role in ensuring economic stability, as they allow for the accumulation of significant long-term investments. This is particularly true for life insurance, which attracts funds for a long period and is a source of investment in the economy. The insurance market also helps to reduce business risks, which is a principal element in the risk management system of enterprises. Life and health insurance programmes are gradually becoming increasingly attractive to Ukrainian companies, as they help to provide social guarantees to employees and minimise business risks. At the same time, economic instability and military operations are affecting the insurance market. Companies are forced to adapt their products to the new reality, including military risks and related threats. This has led to an increase in demand for insurance products that were not previously popular, such as war insurance or building insurance against destruction due to hostilities.

One of the major challenges is the lack of public trust in insurance companies. Many citizens continue to view insurance as unprofitable or risky due to negative past experiences. There is also the problem of insufficient financial security of the population, which reduces the ability to pay for insurance services. Furthermore, economic instability, frequent exchange rate fluctuations, and inflation affect the solvency of both individuals and legal entities. Another major issue is the regulatory framework and its compliance with European standards. Ukraine is gradually adapting its laws to European requirements, but the harmonisation of legislation will take time. The effectiveness of regulatory mechanisms and monitoring of licensing requirements are also still questionable. For the market to grow further, the level of public confidence in insurance companies needs to be increased by ensuring transparency of their operations and implementing European regulatory standards. Improving financial literacy among the population and introducing new, more affordable insurance products could be a crucial step. Market expansion may also be driven by growing demand for specialised insurance products that meet the modern needs of businesses and individuals. Products such as health insurance or insurance against cyber threats are gaining popularity and may become new drivers for market development in the coming years.

The NSSMC is the central executive body responsible for regulation and supervision of financial services, including the insurance market. The primary objective of this institution is to create conditions for the stable development of the insurance sector, ensure transparency of insurance companies' activities and protect the rights and interests of financial services consumers. One of the key functions of the commission is to issue licences for insurance activities, which includes assessing applicants for compliance with the requirements of laws and regulations, including verification of financial stability, business reputation, and relevant experience. Licensing helps to prevent unreliable companies from entering the market, which could pose a threat to consumers. After obtaining a licence, insurers are subject to constant supervision by the NSSMC. The commission monitors the financial performance of insurance companies, their solvency, compliance with insurance reserves, and other financial obligations, which are performed through regular reports that insurers must submit to the commission. Monitoring allows for prompt detection of possible problems in the operations of insurers that may adversely affect their ability to perform their obligations to customers.

The NSSMC is responsible for ensuring that all insurance market participants act according to the legislation. This includes overseeing compliance with insurance reserve requirements, solvency, reporting standards, and the terms and conditions of insurance contracts. In case of violations, the commission is entitled to take relevant measures, ranging from imposing fines to revoking the insurance licence. The commission reviews customer complaints against insurance companies, ensures compliance with legal regulations on the payment of insurance claims and other obligations to customers. Furthermore, the commission is working to improve financial literacy among the population, which enables consumers to choose insurance products more consciously. The NSSMC promotes competition in the insurance market by encouraging the introduction of new insurance products and services and compliance with strict service standards. The commission actively cooperates with international organisations and experts to implement best practices and improve the efficiency of insurance regulation in Ukraine. This includes the harmonisation of Ukrainian legislation with European standards, which is a crucial step towards integration with the EU. At the legislative level in Ukraine, two key laws play a major role in regulating the insurance market, namely the Law of Ukraine No. 2664-III (2001) and the Law of Ukraine No. 1909-IX (2021). Both of these documents have common goals related to Ukraine's integration into the European financial system and the creation of a stable environment for financial institutions. The Law of Ukraine No. 1909-IX (2021) regulates the provision of insurance services, consumer protection, and the activities of insurers. In the context of European integration, this law needs to be modernised to meet European standards, particularly the requirements for insurance companies' capitalisation, financial reporting and transparency of operations. Importantly, the new provisions of this law may be aimed at increasing public confidence in insurance services and ensuring greater competitiveness in the market. Specifically, the Law of Ukraine No. 2664-III (2001). This law regulates not only insurance, but also other financial services, which allows establishing common rules of the game for all market participants. In the context of European integration, this law requires the implementation of principles that ensure the competitiveness, transparency and stability of financial services markets.

Compliance with European standards in this area will also help protect consumer rights and increase confidence in financial institutions. The common features of the above legislative acts include the commitment to transparency, enhanced consumer protection, and a competitive environment for financial institutions. European integration requires Ukraine to adapt to European standards, and therefore it is essential to analyse the current legislation and identify its shortcomings to ensure adequate regulation of the insurance market. Thus, the Law of Ukraine No. 2664-III (2001) the and Law of Ukraine No. 1909-IX (2021) are of great significance for the development of the insurance market in Ukraine, as they create the basis for further integration with the European financial area.

Data collection and processing based on the assessment of the NSSMC licensing process and the effectiveness of monitoring compliance with licensing requirements

The survey of 15 representatives of insurance companies was aimed at assessing the licensing processes of the NSSMC and the effectiveness of monitoring compliance with licensing requirements. The survey findings are presented in Figure 1.

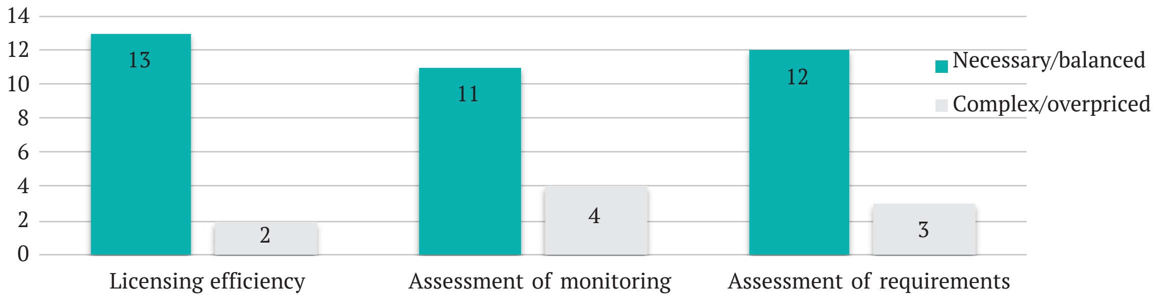

Figure 1. Results of the analysis of interviews by the criterion "licensing and control of insurers", number of participants

Source: created by the author

According to the survey, 87% of respondents recognised the licensing process as necessary to ensure the reliability of the insurance market. At the same time, 13% of respondents noted that the requirements for obtaining a licence are too complex and require considerable time and financial resources. One of the respondents from Arsenal Insurance noted that the licensing process is often delayed due to complex documentation and inspections, which can delay the launch of new products. On the other hand, 40% of participants believed that the process is balanced and meets the need to protect the interests of consumers, as licensing guarantees the stability and financial strength of companies.

The procedure for compliance with licensing requirements is strict, which helps to avoid unreliable companies from entering the market. 80% of survey respondents said that capital and reserve requirements are necessary to ensure stability, although 33% considered them too high, especially for medium-sized companies. A representative of IC Providna noted that they understood the significance of financial stability, but that excessive capital requirements could limit the ability to invest in the development of new products and services. In terms of licensing timeframes, 60% of the companies surveyed believed that the process took longer than necessary to verify financial solvency and compliance. According to one of the representatives of Arsenal Insurance, bureaucratic delays sometimes prevent them from responding quickly to market opportunities and expanding into new segments. Next, the study analysed the NSSMC's ongoing supervision of insurance companies, as presented in Figure 2.

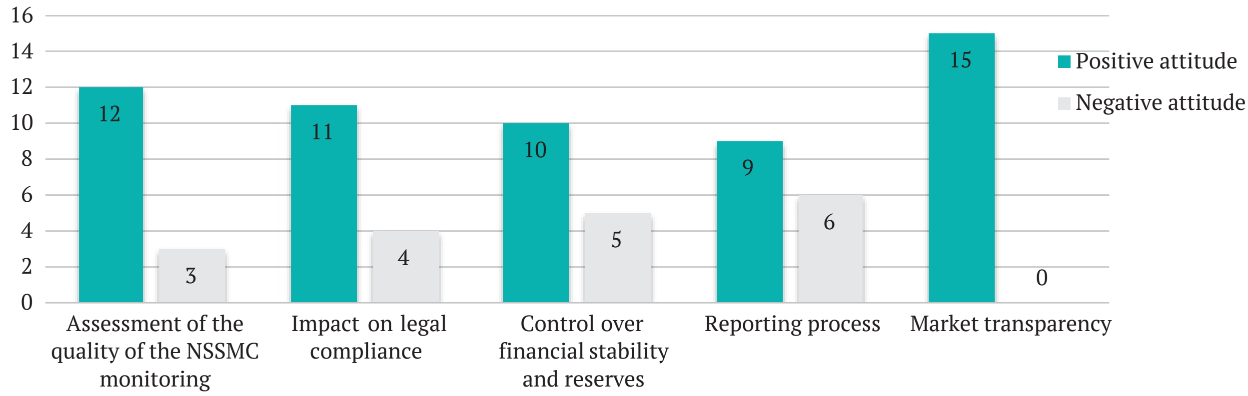

Figure 2. Results of the analysis of interviews by the criterion "supervision and monitoring", number of participants
Source: created by the author

Most respondents positively assessed the monitoring by the NSSMC, as 80% of respondents stated that constant supervision contributes to market transparency and stability of insurance companies. One of the representatives of IC Providna noted that monitoring ensures prompt detection of problems in the financial stability of companies and facilitates their prompt resolution. Furthermore, 73% of respondents noted that close supervision of compliance with the law by the NSSMC is critical to maintaining fair competition in the market. This includes checking the correctness of insurance reserves and financial indicators. However, 27% of respondents believed that excessive attention to reporting detail sometimes diverts companies' resources from their core business.

The NSSMC monitors the financial stability and reserve formation of insurance companies, which is why 67% of respondents stated that strict control over these indicators helps to strengthen customer confidence in insurance companies and reduces the risk of bankruptcy in the market. At the same time, 33% of respondents noted that reserve requirements can be excessively high for medium-sized companies, which sometimes hampers their operations. The reporting that insurance companies have to provide to the NSSMC is an effective tool for monitoring their activities, according to 60% of respondents. However, 40% noted that the preparation of the reports is time-consuming and resource-intensive, which can create operational difficulties. All respondents agreed that monitoring by the NSSMC greatly contributes to the transparency of the insurance market. This is crucial for customers, who have confidence in the reliability of companies thanks to state control. To obtain a more comprehensive result, the study assessed the effectiveness of compliance with the NSSMC's regulations, which is illustrated quantitatively in Figure 3.

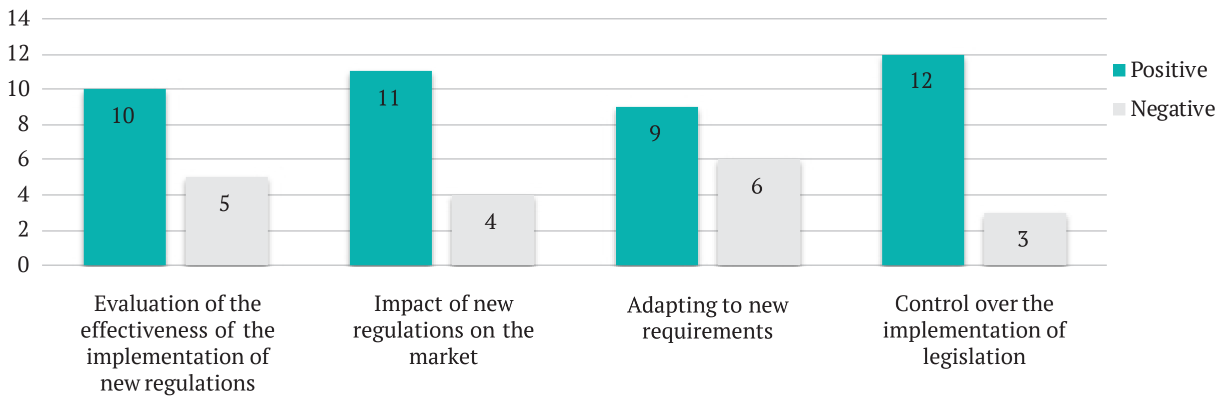

Figure 3. Results of the analysis of interviews according to the criterion of "compliance with legal requirements", number of participants
Source: created by the author

This analysis covered the introduction of new regulations and their impact on the insurance market. Thus, 67% of the survey participants believed that the NSSMC effectively implements new regulations that ensure market stability and protect the rights of policyholders. One of the representatives of IC Providna noted that the new requirements help to increase the reliability of insurance companies and ensure customer protection, which is vital for building trust in the market. Meanwhile, 33% of respondents believed that sometimes new regulations are introduced without sufficient time for adaptation. This can create difficulties for insurance companies, especially in matters related to changes in reporting or provisioning.

In terms of the introduction of new regulations, 73% of participants noted that this positively affects the market, stimulating the improvement of the quality of insurance products and services. This is especially true of transparency requirements and financial reserve requirements. For example, a representative of Arsenal Insurance noted that most new regulations help to raise service standards and improve the financial stability of companies. However, 27% believe that the new requirements may create more financial burdens for companies, especially for medium and small market players. This sometimes hinders their competitiveness. 60% of respondents said that the adaptation to new regulations is usually easy, as the NSSMC provides sufficient information and support during changes. However, 40% stated that some innovations are being implemented too quickly, which complicates the adaptation process, especially in financial terms. Most respondents (80%) agreed that the NSSMC's enforcement of legislation is strict but fair. This contributes to market stability and customer protection. However, 20% stated that sometimes the control becomes excessive, which can lead to unnecessary administrative costs and inspections that divert resources from the development of companies.

Interviews with representatives of insurance companies on the implementation of European standards and adaptation to the Solvency II Directive provided important insights into changes in the Ukrainian insurance market in the context of European integration. According to the quantitative data obtained, 53% of respondents indicated that their companies have already implemented the key provisions of the directive, specifically in terms of capital requirements and risk management. At the same time, 27% reported that the adaptation process is still ongoing and that companies are facing difficulties, especially in changing their reporting systems. Another 20% of respondents indicated that their companies are at the stage of preparing for full implementation of the standards.

The key challenges in adapting to the Solvency II Directive were the difficulty of integrating the new requirements into their internal processes (60%) and the financial costs of preparing for the new requirements (33%). Some participants (7%) also noted a lack of qualified staff to implement the new requirements. In terms of the impact of European integration changes in legislation, 67% of respondents positively assessed their effect on companies' operations, especially in the context of increased market transparency and risk management. However, 20% of respondents believe that legislative changes may create more administrative burdens. The remaining 13% were unable to assess the long-term implications as the process of adaptation had only just begun (Fig. 4).

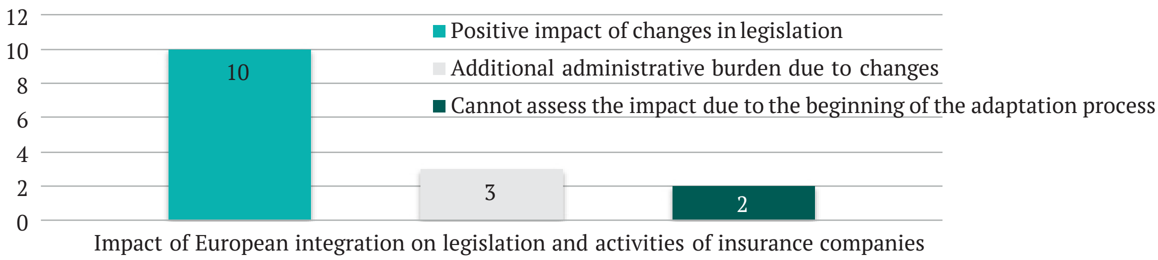

Figure 4. Results of the analysis of interviews by the criterion of "implementation of European standards", number of participants

Source: created by the author

Expectations from the introduction of European standards also appear encouraging. Most participants (80%) anticipate increased confidence in the Ukrainian insurance market on the part of European investors and partners, and 53% of respondents believe that this will open new opportunities for expanding services in international markets. Overall, the adaptation to the Solvency II Directive is fraught with difficulties, but most insurance companies are positive about it, as the introduction of European standards will contribute to further market development and Ukraine's integration into the global economic space.

Interviews with representatives of insurance companies indicate that they generally have a positive assessment of the NSSMC's control and sanctions mechanisms, but stress the need to improve their effectiveness, especially in terms of increased accountability and better communication. According to the survey, 47% of respondents believed that the NSSMC's mechanisms were effective in ensuring market discipline and forcing companies to follow the legislation requirements. They noted that regular inspections and strict sanctions contribute to compliance with insurance legislation. At the same time, 33% of participants stated that while the mechanisms are formally effective, they are not always used promptly or to the fullest extent. In their opinion, some inspections are merely a formality and do not lead to any substantial changes. Another 20% of company representatives noted that sanctions have limited effectiveness due to the lack of transparency of the NSSMC and the possibility of avoiding responsibility for large market players. As for the types of sanctions, 53% of participants indicated that the key sanctions applied to insurers are fines for non-compliance with financial requirements and violation of reporting standards. These fines have a disciplining effect, but their amount is sometimes insufficient for large companies. 27% of respondents said that a ban on certain types of activities is an effective lever of influence, especially for small and medium-sized insurance companies. While 20% of the participants mentioned other sanctions, such as revocation of licences, they stressed that such drastic measures are rarely applied and mainly to companies that are already in a dire financial situation.

The respondents identified the difficulty of adapting to new legislative requirements, especially in the context of rapid changes in the regulatory sphere, as the key challenge in enforcement, which sometimes complicates the observance of standards (40%). 33% of participants noted that low level of communication between the NSSMC and insurance companies often leads to misunderstandings and compliance issues. Another 27% of respondents believe that sanctions are sometimes delayed, which may result in violations not being corrected for a long time. Participants also suggested several ways to improve the enforcement system. 53% of respondents said that liability for violations should be increased by increasing the amount of fines and the frequency of inspections. 27% suggested improving communication between the NSSMC and insurance companies, particularly through the establishment of joint working groups to discuss new legislative requirements. 20% of participants said that more transparency in the NSSMC's decision-making is needed to avoid situations where large companies can avoid severe sanctions.

Government regulation has both a positive and somewhat restrictive effect on the activities of insurance companies. It helps to ensure market stability and consumer protection, but sometimes causes an excessive burden due to complex licensing and reporting procedures. Overall, respondents noted that the licensing process is instrumental in ensuring market transparency and stability. However, some companies pointed to major administrative barriers and excessive bureaucracy in the process, which can impede the development of new products or services. Some interviewees noted that reporting requirements are complex and resource-intensive, especially for companies with limited financial resources. They also pointed out that regulatory inspections are often more focused on compliance with formalities than on the actual financial soundness of companies. Representatives of insurance companies positively assessed state control in the area of consumer protection, as it increases customer confidence in the insurance market. However, they believed that dispute resolution procedures should be more efficient and quicker. Interviewees also highlighted the need to reform the regulatory system to facilitate the introduction of innovative products and services. They emphasised that current regulation often does not address the specifics of digital solutions and emergent technologies, such as online platforms for selling insurance products.

Key trends in the development of the insurance market and recommendations for European integration

The analysis of insurance market trends revealed both positive and negative aspects that affect its development and adaptation to European standards. This allowed to identify key recommendations for ensuring effective integration into the European market and creating conditions for sustainable development of the insurance industry in Ukraine. One of the key positive developments in the insurance market is the increasing level of consumer confidence in insurance products. Over the past few years, the number of insurance contracts concluded has increased substantially, which indicates that people are becoming increasingly aware of the benefits of insurance. This is explained by both an increase in the number of insurance companies and an improvement in the quality of their services. Specifically, the introduction of compulsory insurance for certain types of activities has stimulated activity in the market. Another significant positive trend is the gradual improvement in the quality of insurance services. In an effort to attract more customers, insurance companies have started to introduce modern technologies that streamline processes, reduce service times, and increase transparency of operations. For example, an increasing number of companies are offering online services for signing contracts, applying for insurance payments and monitoring the status of insurance policies. This helps to simplify the interaction between the insurer and the consumer and increases customer satisfaction. Another positive aspect of the market development is the increasing number of international insurance companies entering the Ukrainian market, as well as the strengthening of cooperation between Ukrainian insurers and their foreign counterparts. This contributes to increased competition and the introduction of European standards in the Ukrainian insurance industry. The influence of foreign capital also encourages insurers to follow international norms and standards in financial management and reporting, which positively affects the market overall.

Despite the positive trends, the Ukrainian insurance market faces a series of challenges that hinder its development and transition to European standards. One of the primary challenges continues to be the lack of transparency in the operations of insurance companies. Despite the reporting requirements, many companies do not disclose sufficient information about their operations and financial position. This creates obstacles for customers in choosing reliable insurance companies and may negatively affect the overall level of confidence in the market. The lack of clear standards for financial transparency is also a problem in the context of European integration, as European insurance companies operate under strict regulations in this area. Although the number of insurance companies in the Ukrainian market is growing, competition between them is still relatively weak. This is caused by the concentration of a large market share in the hands of a few large companies, which can dominate certain market segments, reducing the incentive to improve the quality of services and lower the cost of insurance policies. Insufficient competition can also hinder the adoption of advanced technologies and innovations, as the absence of strong competitive pressure does not encourage companies to innovate.

A major challenge for the Ukrainian insurance market is the need to implement European standards, particularly the requirements of the Solvency II Directive, which regulates the activities of insurance companies in the EU.

Presently, only a fraction of Ukrainian companies has adapted to these requirements, which creates unequal conditions in the market and impedes its integration with the European market. The implementation of European standards is a lengthy process that requires extensive financial and organisational resources, which is why many companies postpone this process, reducing their international competitiveness. To successfully integrate the Ukrainian insurance market into the European economic environment and overcome the existing challenges, a series of measures should be taken. The first step to improve the situation is to ensure transparency of insurance companies. Clear reporting requirements should be established that are in line with European standards, specifically the Solvency II Directive. Furthermore, regular monitoring of compliance with these requirements should be ensured and the audit results should be made public to increase confidence in the insurance market by clients and investors. To increase competition in the insurance market, favourable conditions should be created for the entry of new companies, particularly by reducing barriers for small and medium-sized insurance companies. This will increase the number of players in the market and create incentives to improve the quality of services and reduce prices. Innovations should also be encouraged, for example by supporting digital solutions in insurance that can make services more accessible and efficient.

A crucial step towards European integration is the active implementation of European standards in the operations of Ukrainian insurance companies. It is necessary to ensure that legislation is gradually harmonised with the Solvency II Directive and other EU regulations governing insurance activities. For this, companies must be supported in adapting to the new requirements, particularly through consultations and training programmes. It is also worth intensifying cooperation with European insurance regulators to ensure the exchange of experience and best practices. Thus, the Ukrainian insurance market demonstrates both positive and negative trends that affect its development and adaptation to European standards. For successful European integration, it is necessary to improve the transparency of insurance companies, stimulate competition and implement European standards. These measures will help increase confidence in the market, increase the number of international partners, and ensure the sustainable development of the insurance industry in Ukraine.

DISCUSSION

The findings of the present study showed that the insurance market is one of the key components of Ukraine's financial system, and its regulation requires due attention at both the national and international levels. Harmonisation of national legislation and regulatory mechanisms with European standards is a necessary step towards integration into the European Union. A. Nechyporenko (2021) explored the problems associated with the control and supervision of insurance companies in Ukraine and emphasised the need to improve regulation to increase the stability of the insurance market. It was found that the regulation of the insurance market in Ukraine before the start of the European integration process was characterised by some instability and imperfection. This was conditioned by the fact that the Ukrainian insurance sector had been developing for a long time without clearly defined regulatory frameworks and due attention from the government. This situation led to fragmentation of the market, with different segments operating under different standards, which created difficulties for comprehensive regulation and supervision. According to S. Ghorashi *et al*. (2024) and K. Ha *et al*. (2024), this period was a time when the foundations of the insurance market were being formed, but the lack of a clear regulatory framework did not allow for a unified structure that would facilitate the stable development of the market. This confirms the conclusions of the present study that due to the lack of a sufficient regulatory framework and regulatory mechanisms; individual market sectors cannot function properly overall. Specifically, the key areas of insurance, such as life insurance, continued to be underdeveloped due to low public confidence.

A. Gupta & S. Venkataraman (2024) highlighted that insufficient attention by government agencies to insurance market regulation is often one of the reasons for low confidence in insurance services among the population. The lack of effective supervision and a clear legal framework meant that many insurance companies did not always act transparently, and consumers were not confident in receiving compensation in case of an insured event. This was reflected in the lack of insurance traditions and the unwillingness of citizens to enter into insurance contracts, which negatively affected the dynamics of market development. To overcome the existing problems and on the path towards European integration, the state has begun to introduce new regulatory mechanisms and adapt Ukrainian legislation to European standards. M. Eling (2024) and Y. Elgargouh *et al*. (2024) identified the value of knowledge management and digital transformation for improving the efficiency of insurance companies. Y. Elgargouh *et al*. (2024) emphasised that proper knowledge management is a critical factor for the successful digital transformation of insurance companies, which allows them to increase their competitiveness. M. Eling (2024) found that to ensure the sustainability of the insurance industry, it is essential to implement digital solutions and adapt to changes in the market environment. Both studies agreed that digital transformation and knowledge play a key role in supporting the sustainable development and resilience of insurance companies.

A. İlkaz & F. Çebi (2024) and J. Montero *et al*. (2024) confirmed the findings of the present study, namely that the creation of independent bodies to regulate the insurance market was positively assessed by experts as it contributed to market regulation, reduced the number of unscrupulous insurance companies, and increased consumer protection in many countries. It also created the conditions for the introduction of European corporate governance and financial reporting standards, which are in line with EU directives. Such measures improved the regulatory system of insurance markets, enabling the countries implementing these reforms to integrate more effectively into the global market and meet international standards. X. Pei *et al*. (2024), emphasised the significance of implementing the Solvency II system in each European country, as it is the basis for ensuring the stability of the insurance market and increasing its international competitiveness. This also supports the conclusions of this study, which shows that the adaptation of Ukrainian legislation to Solvency II will help attract foreign investment, as European investors will be able to operate in a more predictable and secure legal environment. However, according to N.Y. Asabere *et al*. (2024), B. Srbinoski *et al*. (2024), and M. Farrugia *et al*. (2024), the implementation of Solvency II in many countries has faced a series of challenges, particularly due to underdeveloped financial infrastructure and lack of qualified personnel. The researchers argued that the adaptation of this system requires extensive investment in training and modernisation of insurance companies, which coincides with the findings of the present study, which stressed the need for institutional support and technical aid from the EU.

Harmonisation of Ukrainian legislation with European standards forms an integral part of the European integration process. This includes the introduction of legal norms that regulate the activities of insurance companies, the procedure for supervising them, and consumer protection. For example, V. Bratyuk (2022) proved that the Ukrainian insurance market continues to develop despite economic difficulties and political challenges. The researcher showed that the market is undergoing structural changes, including a reduction in the number of insurance companies, but at the same time an increase in the volume of insurance premiums. V. Bratyuk (2022) found that the financial stability of many insurance companies is still under threat, especially due to the unstable economic situation. Furthermore, I. Alley (2024) and S. Cosma & G. Rimo (2024) confirmed that the implementation of these standards contributed to improving the quality of insurance products and increasing consumer confidence in insurance companies. This is consistent with the findings of the present study. The harmonisation of legislation is a prerequisite for the creation of a competitive insurance market, which is also in line with the presented findings.

Despite the achievements in insurance market regulation, Ukraine faces a series of challenges that hinder the full integration into the European insurance market. According to M. Çetin (2024) and K.F. Čiković *et al*. (2024) one of the primary barriers is the lack of sufficient financial resources to modernise insurance companies, which is necessary to meet European standards. Most global insurance companies are still unable to ensure the required level of capitalisation, which is one of the key requirements of Solvency II. Notably, the supervision of insurance companies in Ukraine is not yet fully in line with European requirements. According to E. Mojali *et al*. (2024), although government agencies are trying to strengthen control over insurance companies, a lack of resources and institutional weaknesses mean that some insurance companies continue to operate without proper supervision. This is in line with the findings of this study, which point to the need to strengthen the regulatory framework and develop institutional control mechanisms. However, despite the challenges, the European integration of Ukraine's insurance market has great potential. According to C. Amanda & A.D. Pradipta (2024) and J.C. Acosta-Prado *et al*. (2024), opening the market to European insurance companies can stimulate competition, which will improve the quality of insurance services. Attracting foreign investors will help to increase the level of market capitalisation, which is a prerequisite for its stable development. Therefore, state regulation of Ukraine's insurance market in the context of European integration is essential for ensuring the stability of the financial system and the development of the national economy. However, further reforms, institutional support, and cooperation with the EU are needed to achieve full compliance with European standards.

CONCLUSIONS

Thus, the study confirmed the role of state regulation in the activities of insurance companies in Ukraine, especially in the context of European integration. The analysis of legislative acts, specifically the Law of Ukraine No. 1909-IX and the Law of Ukraine No. 2664-III, revealed that these documents not only provide the legal framework for the market functioning, but also define principles that promote transparency, consumer protection, and competitiveness. Interviews with representatives of insurance companies showed that changes in legislation directly affect business strategies. Many respondents noted that adapting to new regulatory requirements requires extensive efforts, including retraining, changing internal processes, and introducing advanced technologies. However, despite the challenges, company representatives also stressed that the correct implementation of government regulations can stimulate market development and improve the quality of insurance services. Specifically, increased capitalisation and financial reporting requirements help to reduce risks and increase consumer confidence.

Interviews with representatives of insurance companies on the implementation of European standards and adaptation to the Solvency II Directive revealed several important findings. Thus, 53% of the survey participants indicated that their companies have already implemented the key provisions of the Directive. At the same time, 27% of participants said that companies are still in the process of adapting, facing difficulties, especially in changing their reporting systems. Another 20% of experts said that companies are currently preparing to implement the standards. The major challenges are the difficulty of integrating new requirements into internal processes (60%) and financial costs (33%). Some companies face a lack of qualified staff to implement the requirements. The impact of the legislative changes was positively assessed by 67% of respondents, while 20% believe that these changes may create an incremental burden.

The survey findings confirmed that competition in the services market encourages companies to innovate and improve their services. The survey participants noted that the existence of clear and transparent rules of the game contributes to the growth of interest from investors and international partners, which is an essential aspect of the European integration process. At the same time, some limitations of the study were identified, including the insufficient number of respondents. Further research perspectives may include the issue of insurance companies' adaptation to technological changes, including the introduction of digital platforms and the use of artificial intelligence in regulating and providing insurance services. This will contribute to a better understanding of the challenges and opportunities facing the insurance market in the context of globalisation and European integration.

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Органи та механізми державного регулювання страхового ринку в Україні в контексті євроінтеграції

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Анотація. Мета дослідження полягала у виокремленні основних напрямків оптимізації української системи державного регулювання страхового ринку, враховуючи європейський досвід. Методологія дослідження включала три етапи, а саме аналіз ролі та функцій державних органів у регулюванні страхового ринку, проведення інтерв'ю та виокремлення основних тенденцій у розвитку страхового ринку. Отримані результати показали важливість Національного банку України, який виконує функції щодо регулювання фінансових послуг, включаючи страхування. Було досліджено Закон України № 1909-IX «Про страхування» та Закон України № 2664-III «Про фінансові послуги та державне регулювання ринків фінансових послуг». Значну увагу було приділено імплементації Директиви Solvency II, яка встановлює нові вимоги до капіталу управління ризиками в умовах євроінтеграції в Україні. Результати опитування показали, що конкуренція у сфері послуг спонукає організації впроваджувати інновації та вдосконалювати свої пропозиції. У дослідженні виявлено, що адаптація українського законодавства до європейських стандартів сприяє підвищенню надійності страхового ринку. Зокрема, серед негативних тенденцій виявлено проблеми з імплементацією нових норм та адаптацією страхових компаній до європейських вимог. Адаптація до нових регуляторних стандартів передбачає зміну внутрішніх процедур та використання сучасних технологій. Однак загальний напрямок регулювання сприяє зміцненню страхового сектору в умовах євроінтеграції. Практичне значення дослідження полягає у наданні конкретних рекомендацій для вдосконалення механізмів регулювання страхового ринку в Україні, що сприятиме підвищенню прозорості та надійності страхових компаній, а також їхньої адаптації до європейських стандартів в умовах євроінтеграції

Ключові слова: фінансові послуги; ліцензування; законодавчі норми; підприємства; фінансові ринки