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## PROBLEMS AND PROSPECTS OF ENVIRONMENTAL INSURANCE IN UKRAINE

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The article considers the nature of the environmental insurance as a category of economic relations. It outlines the principal ways of development and analyzes problems of the environmental insurance in Ukraine. On the basis of the selected problems and the experience of foreign countries certain proposals concerning the development of this type of insurance are elaborated.

**Key words:** environmental insurance, insurance relations, damage compensation.

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## ОСНОВНІ ПРОБЛЕМИ ТА ПЕРСПЕКТИВИ РОЗВИТКУ ЕКОЛОГІЧНОГО СТРАХУВАННЯ В УКРАЇНІ

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Розкрито сутність екологічного страхування як категорії економічних відносин. Окреслено провідні напрями розвитку та проаналізовані проблеми проведення екологічного страхування в Україні. На основі виділених проблем та з врахуванням досвіду зарубіжних країн розроблено певні пропозиції щодо розвитку цього виду страхування.

**Ключові слова:** екологічне страхування, страхові відносини, відшкодування шкоди.

### Problem statement

Under present-day conditions of social development among the priorities of the national interests of Ukraine provision with environmentally and technologically-safe living conditions of citizens and society, conservation and renovation of the environment are especially notable.

Today direct relationship between pollution of environment and deterioration in health of population, negative changes in its gene pool have been proved.

In such circumstances, the actuality and importance of the citizens' right for safe and healthy environment gains particular acuteness. Moreover, lack of structuring of separate sectors and segments of economic mechanism, shapelessness of institutional structure of economy, low level of development of normative and legal framework to create conditions for environmental security causes objective necessity for investigating environmental insurance as its important component.

### Analysis of recent research and publications

The problem of insurance against risks to do harm to various economic activities is not new to us. It's worth pointing out that I.A. Dubovich and H. R. Vasylyshyn wrote that the concept of "insurance" appeared with the emergence and development of commodity-money relations and social division of labor. This concept is associated with economic needs of society in forming means to eliminate the effects of extreme events and facts that occurred by accident or under the influence of the elements.

Content, methods and standards of insurance were improving and developing over time. The up-to date interpretation of insurance is economic relations which appear as a result of formation and use of the

insurance fund, which is created by special organization for reimbursement of losses to juridical persons and individuals caused by unforeseen occasions or natural disasters [ 2].

A number of national and foreign scholars have investigated separate aspects of environmental insurance including O.S. Kuzmin, L.A. Prystupa, S.M. Rogach and others. However, these issues are not explored enough and require further review and generalization and this very fact determined the choice of problems for investigation.

### **Objectives**

The purpose of this article is to outline the essence of environmental insurance as an economic category and research the problems of environmental insurance system. The major goal of the work is to develop prospects for the development of the given type of insurance in Ukraine.

### **Materials**

Due to intense environmental situation that recently has arisen in the economic complex of the country and necessity to minimize existing risks dealt with these processes, the interpretation of the essence of the concept “environmental insurance” acquires special theoretical and methodological importance.

Understanding of environmental insurance as insurance of responsibility for enterprises – sources of increased environmental dangers for polluting the environment that enables compensation of some parts of losses caused to the recipients by environmental pollution, creating additional sources of funding for environmental actions is also of great importance [1, p. 281].

Analyzing the state of the market for environmental insurance in Ukraine, it should be noted that it is characterized by low development rate. In Ukraine the environmental insurance services are provided by the following insurance companies: “Ukrainian environmental insurance company”, Ukrainian-Russian joint stock insurance company “Avionica”, insurance company “Energopolis”, insurance company “Credo-Classic”, insurance company “INGO Ukraine”, NASC “Oranta”, JSC USC “Generali Garant” and others. Of course, it is difficult to name the list of traditional types of environmental insurance in Ukraine taking into consideration their part in the insurance market and the number and level of insurance companies who give proper service in the market. Thus, we suppose that the environmental insurance market in Ukraine is at an early stage of its formation that indicates the possibility of development of this type of insurance in almost all sectors of the economy of Ukraine [2, p. 202].

Problems that are observed in environmental insurance have both theoretical and practical character. Learning of practical insurers’ experience allows to identify a number of faults of that system of environmental insurance formed in Ukraine today: environmental insurance is still a tool of economics that is not developed enough and has not a multi-functional orientation; lack of environmental funds in the regions is also observed; low rates of insurance premiums operate, enterprises’ dangers being of inadequate risk; typical training system far from being perfect, retraining and getting higher qualification for staff in the field of insurance against emergencies; objective needs to provide insurance protection not agreed with the existing rules of taxation; company information contains no characteristics about economic risk; lack of methodological (informative) framework for determining the degree of environmental danger; disparity of insurance principles of civil responsibility of management subjects to the damage caused [5].

For the modern Ukrainian democratic state the formation and further development of the insurance relationship system is justified together with the experience of European countries that have definite achievements in the issues. Thus, in early 90s strengthening of legislation on environmental liability of industry companies resulted into insurance policies against gradual pollution in the insurance market of European countries. Insurance of potential liability for damages as a result of environmental violations is accomplished in Germany, Belgium, Britain, the Netherlands and in other countries [3].

In the U.S. there is a Federal Law about comprehensive responsibility for restoration and preservation of the environment, known as “Superfund”, thanks to which a campaign for re disposal and reduction to the standards of safe storage of toxic waste was arranged. In addition, the U.S. federal government serves as a reinsurer to private insurance companies, which conclude insurance contracts of environmental insurance. Thus, insurers may only use 32 % of contributions, the rest goes to the state. In case of excess of the limit set for the insurance expenses, the lacking funds are given by the state [4].

Such mechanism can be used in Ukraine, for example, in Carpathian Regions when providing insurance against floods and landslides, or when implementing such a large scale program as creation of a closed nuclear cycle [3].

At present the bulk of environmental insurance in the U.S.A is about one billion dollars. It is expected that Japan, Germany and Central Europe will be leaders in amounts expensed for environmental measures. The greatest tempos of market development are expected in Mexico, India, Argentina and Brazil.

Now the EU is improving the legal framework of environmental insurance, systems of certain insurance of environmental risks are formed; a mechanism of general responsibility for damage caused by environmental pollution is implemented. In many countries, a tendency of transition from the insurance of environmental risks under general liability to insurance for all the risks dealt with environmental pollution, but only with the environmental insurance contracts is observed.

Thus, the analysis of national and international experience shows that environmental insurance is special and the most complex type of insurance that is specific. There are also difficulties dealt with establishing differences between unintentional and intentional risks; determining the probability of failure and amount of insurance payments; estimation of gradual risks when damage is found many years after environmental pollution. However, in general, insurance of environmental risks is quite effective economic mechanism that can compensate for the damage done to third parties, and the very insurers' expenses arise as a result of accidental pollution. This type of insurance promotes preventive action, leading to a decrease of expenses on environmental protection; increasing of direct foreign investment, because it reduces the general investment risk and so on. Thus, environmental insurance contributes to economic growth of the country and improves the quality of the environment [2, p. 203].

Taking into consideration the above-mentioned problems of formation of Ukrainian environmental insurance market, as well as the experience of other countries, we can identify the following future directions of environmental insurance:

- improving the legal framework;
- creating economic stimuli for the development of environmental insurance through consideration of tax policy;
- increasing the capitalization of insurance companies;
- developing reinsurance, including state participation, in order to redistribute risks with large amounts of probable losses;
- considering risks of gradual pollution by the example of international experience within the national environmental insurance;
- improving the use of environmental auditing mechanism that serves as a powerful information source when making environmental insurance;
- strengthening of control over the activities of entities that are potential polluters of the environment, increasing the size of financial penalties for lack of preventive measures to prevent pollution at these sites;
- guaranteeing of the rights of individuals who have had losses as a result of an accident at a potentially dangerous object, receiving compensation for damage caused to their health and property;
- improving the coordination of the work of public authorities dealing with public safety and environmental areas for the development of estimation and environmental risks insurance;
- arranging measures to inform potentially interested parties about the benefits of environmental insurance as an effective tool to ensure the environmental safety of subjects - polluters and citizens residing in the territories [3].

The complex development of environmental insurance in Ukraine will help reduce the budgetary costs for liquidation of accidental and emergency situations; ensure proper use of funds allocated for the elimination and prevention of environmental pollution.

### **Conclusions**

Analyzing the above mentioned facts, we conclude that environmental insurance has an extremely important role in a society, as it provides a guarantee of full or partial compensation for damage caused as

a result of accidental environmental pollution caused by business entities and creates conditions and provides economic stimulus for prevention of accidental environmental pollution.

### **Prospects for further research**

Prospects for further researches are the analysis of the implemented areas of environmental insurance in Ukraine, as well as their impact on the public interest, environmental pollution and total society.

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