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ROLE OF INSURANCE IN THE SYSTEM OF SOCIAL PROTECTION OF POPULATION OF UKRAINE

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Author has researched the role of the insurance institute in operation of the system of social protection of population of Ukraine. Analysis of formation of the financial resources of the Pension Fund of Ukraine has been carried out. Analysis of the efficiency of the pension payments and other types of social aid has been carried out. Peculiarities of voluntary types of insurance usage by the population of Ukraine. The role of insurance in formulation of new concept of financial support of the system of social security of population of Ukraine.

Key words: insurance, social security, population social security system, pension payments, social aid, non-state pension insurance, medical insurance, accident insurance.

Formulation of the problem. Concept of financial support of the system of social security of population of Ukraine is based on the prevailing role of state in financing the social security of population.

In recent years decrease of economic growth, decline in production, increase of unemployment rate, inflation, difficult political situation and military actions in the country that lead to decrease of the living standards took place. As a result, the circle of people in need of social protection expands and a necessity to increase spendings from the state budget occurs. However, in such circumstances the country cannot fulfill its social obligations provided by the Constitution of Ukraine.

In connection with that, a significant number of issues related with the financing of social security of population arises. One of the priorities is the need to review the responsibilities between the actors of the social security system, namely the state, enterprises and population that relate to formation of its financial support.

An important institution that would enable to resolve that issue is insurance.

Analysis of recent researches and publications. A number of authors, including L. B. Barannyk, I. Ya. Chugunov, N. P. Floreskul, L. M. Klividenko, M. M. Ruzhensky and others, have researched the elements of the system of a population social security system. Such scientists as M. V. Mnykh, I. I. Kychko, V. H. Baranova and others research the features of insurance as a part of a population social security system.

Pointing out the issue still not solved. At the same time, the role of insurance in the social security system of Ukraine under the conditions of growing crisis is still not studied.

Purpose of the article. Research of the role of insurance in the social security system of Ukraine under modern conditions.

Summary of main material. Social insurance is an important element of the system of social security of the population of Ukraine. It is based on the rules of equivalence and redistribution.

Social insurance plays an important role in the social protection of employees of enterprises, institutions, organizations and also disabled people.

Social protection of disabled people in the form of social services is financed from the Pension Fund of Ukraine. Such subjects of the social protection system as the state, enterprises, institutions, organizations and people are of great importance for the formation of financial resources of the budget of the Pension Fund of Ukraine.

Enterprises, institutions, organizations pay the accrued unified contribution for compulsory state social insurance (USC) from the employees' salary fund that is transferred to the Pension Fund of Ukraine and social insurance funds. By 2016, the companies were tax agents in relation to payment of USC deductions from employee's salary fund. Some population groups, including individuals entrepreneurs, individuals providing themselves with job unassisted, persons working abroad, members of farms pay voluntary contributions for obligatory state pension insurance to the Pension Fund of Ukraine.

The USC amounts distributed into compulsory state pension insurance (insurance premiums) formed by companies, institutions, organizations and population make the lion's share in incomes of the Pension Fund of Ukraine. During 2011-2015 it decreased from 64.59% to 62.46% (Table 1).

Table 1

Structure of Income of the Pension Fund of Ukraine within 2011 to 2015, %

	2011	2012	2013	2014	2015
Own incomes	66,26	67,37	66,61	68,32	64,16
Including - insurance premiums	64,59	66,73	65,96	65,67	62,46
State budget funds	27,78	27,51	33,22	30,22	35,8
Including					
- for pensions payment under various programs	19,32	20,98	24,54	25,17	23,80
- to cover deficit of the Pension Fund	8,46	6,53	8,68	6,05	12,0
Funds of the Social Insurance Fund for Unemployment Cases	0,04	0,03	0,02	0,03	0,03
Funds of the Funds for Production Accidents	0,04	0,03	0,03	0,03	0,01
loans from Treasury	5,88	5,06	0,12	0,40	0

Source: made by the author on the basis of data from reports of the Pension Fund of Ukraine [1]

Statistical observations show that the state actively participates in the pension support. The share of state budget in the incomes of the Pension Fund of Ukraine within 2011-2015 years increased from 27.78% to 35.8% (Table 1). This increase has resulted from the increase in the volume of assignments for pensions, allowances and pension supplements under various pension programs as well as increase of the deficit of the Pension Fund of Ukraine. Lack of funds for timely payment of pensions leads to occurrence of treasury loans covering temporary cash gaps [2, 83]. The loans are granted by the Treasury on a contractual basis not taking into account the interest on these loans. They had the greatest share in the incomes of the Pension Fund of Ukraine in 2011 - 5.88%. In 2015 there was a positive trend - they were fully repaid during the year.

The deficit of the Pension Fund of Ukraine is growing every year that is connected with growth of disabled population and

reduction of working population and consequential insufficient amount of own revenues. The amount of their income in income of PFCs in 2015 was reduced to 64.16%, while the funding deficit of PFCs has increased 2-fold (Table 1).

With such a burden on the State Budget of Ukraine, the amount of pension payments received by the pensioners remains very low (Table 2). The minimum pension determined each year by the Law "On State Budget of Ukraine" is equated to the subsistence minimum for one disabled person. Unfortunately, these funds are not enough for a sufficient standard of living of disabled people. There is a need to review the social standards.

The amount of pension does not meet the requirements of the International Labour Organisation (ILO). So, according to the ILO Convention, the minimum pension should not be less than 40% of the average salary [3, 45].

Table 2

Pension financing indexes for 2011-2015

	2011	2012	2013	2014	2015
Minimal pension, UAH	750	822	894	949	1074
Average pension under age, UAH	1135,1	1216,5	1429,9	1490,9	1562,9
Average salary, UA	2633	3025,62	3265,21	3480,19	4194,57
Ration of average pension to average salary, %	43,11	40,20	43,79	42,83	37,26
Ration of the minimum pension to the average salary, %	28,48	27,16	27,38	27,27	25,60

Source: made and calculated by the author on the basis of data of State Statistics Service of Ukraine [5 -9]

Statistical observations show that the ratio of the minimum pension to the average salary does not meet the standards of the ILO and tend to reduce in 2015 to the level of 25.60% (Table 2). The amount of the average pension under age in comparison with the average wage also does not give comforting estimates. In 2015 it decreased to the level of 37.26%. Under the conditions of growth of utility tariffs, sufficient part of population of unemployable age appeared on the poverty line [3, 46]. This part of population has the right to allowances, but that is also an additional burden on the state budget.

Apparently the pensions amount do not meet the ILO standards. This non-compliance is connected with the absence

of pensions indexing in 2014, 2015.

Social protection of the able to work population is made by the means of the Social Insurance Fund for Temporary Disability, the Fund of Social Insurance for Production Accidents and Occupational Diseases, of Compulsory Social Insurance Fund for Unemployment Cases (hereinafter referred to as the social insurance funds).

Financial resources of social security funds are formed mostly at the cost of insurance premiums from employers and employees.

The volume of social aid received by the able to work population from the social security funds gives ground to say its

size is insufficient to cover the social risks to the able to work population.

Social aid under temporary disability leave received from the Social Insurance Fund for Temporary Disability depends on the length of insurance service and average salary (income) of the employee during the year. Unfortunately, the amount of social aid is often quite undervalued. This is connected with envelope salary. In addition, the procedure of obtaining it is complicated as its first five days paid by the employer and the next days are paid by the Social Insurance Fund for Temporary Disability. Actual receipt of social assistance under temporary disability leave is often delayed. For certain time the employee remains socially unprotected. However, if compulsory health insurance was implemented, these problems would be neutralized.

In connection with that some companies provide additional social protection of employees in the form of voluntary health insurance, non-state pension insurance, supplementary insurance from accidents at the account of their own income [4, 74]. In some cases, having understood the importance of insurance employees voluntarily submit applications so that the companies paid premiums to the insurance companies from

their salaries.

Under market conditions of business, people have to take care of social protection of population itself.

Due to the fact that the state cannot provide pensions that are sufficient for living, some part of the population of Ukraine, while understanding of this fact, under conditions of stability used the services of non-state pension insurance. The domestic system of non-state pension insurance activities is represented by the activity of three types of institutions: insurance companies, non-state pension funds (NPF) and banks. More often voluntary pension provision contracts are concluded at NPF. As a result, in Ukraine pensioners receive payments from the NPF apart from the pension itself. Thus, pensioners take care of their own social protection upon reaching retirement age.

The amount of pension premiums paid by individuals to the NPF gradually increased during 2011-2015 to the level of UAH 95.8 million. At that in 2015 there was an increase in the pension premiums growth rate on 12.46%. The ratio of individuals in concluded pension contracts raised significantly to the level of 95,8% (Figure 1).

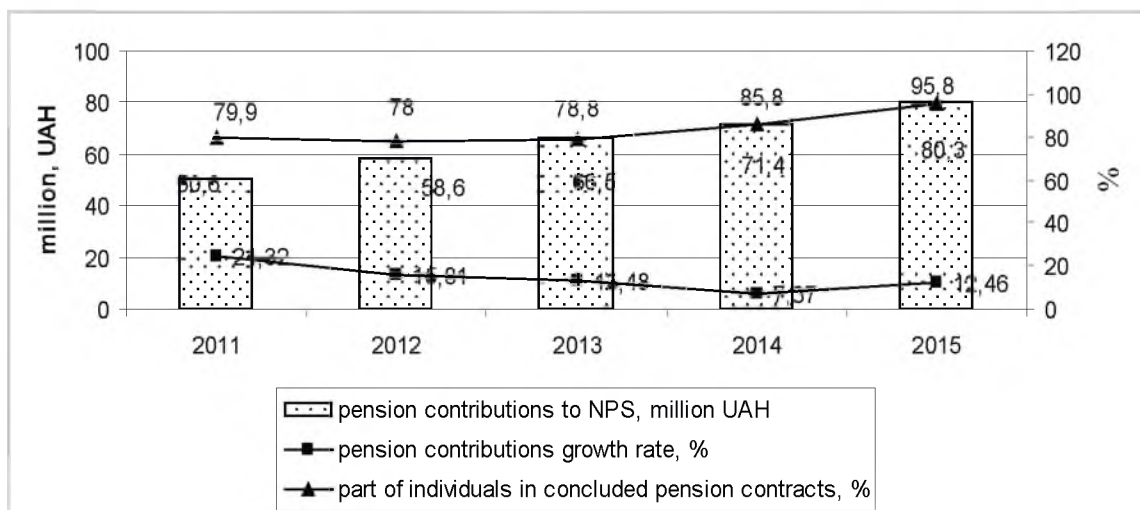


Fig. 1. Indexes of participation of individuals in NPF in 2011-2015

Source: made and calculated by the author on the basis of data on development of non-state pension provision system [10, 11]

The population of Ukraine being in the area of high environmental hazard realizes the importance of health

insurance. In connection with that, people buy insurance policies on permanent health insurance (Table 3).

Table 3
Indicators of net premiums paid by individuals under voluntary insurance agreements other than life insurance within 2011-2015

	2011	2012	2013	2014	2015
Medical insurance (continuous health insurance), million UAH	471,8	584,9	713,3	809,1	768,9
Net premium growth rate, %	35,07	23,97	21,95	13,43	-4,96
Accident insurance, million UAH	460,2	697,6	933,8	647,4	420,5
Net premiums growth rate, %	85,19	51,58	33,85	-30,6	-35,04

Source: made and calculated by the author on the basis of data of State Statistics Service of Ukraine [10, 11]

In 2014 and 2015 a significant reduction in insurance premiums to insurance companies under health insurance took place in connection with the rise of the latter's price. That is

connected with the reduction in demand for insurance products and the decrease in living standards. In modern conditions purchase of insurance policies for medical insurance is observed

among people with stable income, which is commonly considered as middle class.

High cost of drugs makes a certain part of the population to purchase an insurance policy. Recently, the trend to insure against such common diseases as hepatitis, cancer diseases can be observed. Their treatment is quite expensive. Funds in the state budget are not sufficient to procure life-saving medications for these patients in time. Moreover, in the conditions of limited financial resources the country canceled a number of preferences to free purchase of these medications. However, existence of an insurance policy would allow them to obtain the necessary treatment and medicines on time.

A very common type of voluntary insurance is accident insurance. For this type of insurance, there was a peak in 2011. The volume of insurance premiums compared with 2010 increased by 85.19%. However, already in 2014 and 2015 a significant reduction in net premiums under accident insurance contracts can be observed. In 2015 in comparison with 2014 net premiums decreased by 35.04% (Table 3).

To overcome the problem of insufficient amount of social assistance from the funds of compulsory social insurance believe that people should independently take care of their own social protection using voluntary life insurance and other types of voluntary insurance, including medical insurance, accident insurance.

To make people use insurance products for their own social

protection more actively, we offer to create the necessary legal framework that will enable the people to increase the amount of tax reduction from individuals income tax when purchasing insurance policies. This will move people to purchase insurance policies that will increase the demand for this service and will enable to reduce the cost of insurance services in the future.

Conclusions of this research and prospects of further development in this direction. Thus, insurance plays an important role in the social protection system in Ukraine. Active use of voluntary insurance in the system of social protection of population of Ukraine will firstly help to reduce spending on social protection from the state and secondly create conditions for receipt of timely support of the population in case of insurance claims and protect against unforeseen expenses.

We offer a review of the concept of financial support of the system of social protection of population in Ukraine. The state should provide social protection to those socially vulnerable groups of population that cannot do those themselves. Companies together with employees should use voluntary insurance along with compulsory one on an equal footing. In this case, the amount of insurance payments to them will depend on their premiums and will be fair.

The prospect of further research is to develop certain ways of building new concept of financial support of the system of social protection of population in Ukraine.

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