

Insurance market:

New Regulation – What to Expect

Following the implementation in July 2020 of the so-called “split”, the National Bank of Ukraine (NBU or Regulator) took over regulation of the insurance market. As the regulator, the NBU initiated a new *Law on Insurance* (the Law), which was adopted by the Ukrainian parliament on 18 November 2021. Provisions of the Law took effect on 19 December 2021 and will come into full effect on 1 January 2024.

The Law replaces the current insurance law, which dates back to 1996 and no longer meets current requirements. Compared with the current law, the new regulation is more comprehensive, with certain aspects to be regulated by future legislation.

The new progressive approach to regulation and oversight in Ukraine’s insurance market that the Law introduces are in line with the best global and European practices.



Novelties





- NB!** License to be issued for one or more non-life insurance class or one or more life insurance class
- Combining non-life and life insurance activities is prohibited
- License scope may be expanded or narrowed

Insurer to meet requirements



Legal entity applying for license must meet requirements as follows:



Material participation owners



The Law introduces certain requirements for material participation owners in insurers and procedures for the acquisition/increase of such participation.

Who are they?

1

- 10%, 25% or 50% or more of the insurer's authorised capital or voting shares (interest) and/or
- Significant impact on the insurer's management and activity

Reputation and finance

3

- Impeccable business reputation and
- Satisfactory property and financial standing

Implications

5

In case of failure to seek NBU approval for actually acquired or increased material participation:

- Restriction to use voting right and/or
- Requirement to sell respective shares (interests)

2

Approval

- Prior approval (without such approval, the agreement is void) or
- Subsequent approval of actually acquired or increased material participation (allowed in certain instances)

4

Procedure

- Filing documents specified by the Law
- Regulator to make its decision within two months from receiving the full package of documents
- Applicant to be notified within five days from date of the decision
- Six months to fulfil the intent to acquire/increase material participation (in case of prior approval)



Requirements to solvency



Calculation of solvency and minimum capital must be done according to one of the following approaches:



NB Insurer must take the basic approach provided that:



Its license is obtained for life insurance classes or non-life insurance classes 10–15



Financial performance indicators set by the Law have been fulfilled in the last three consecutive years

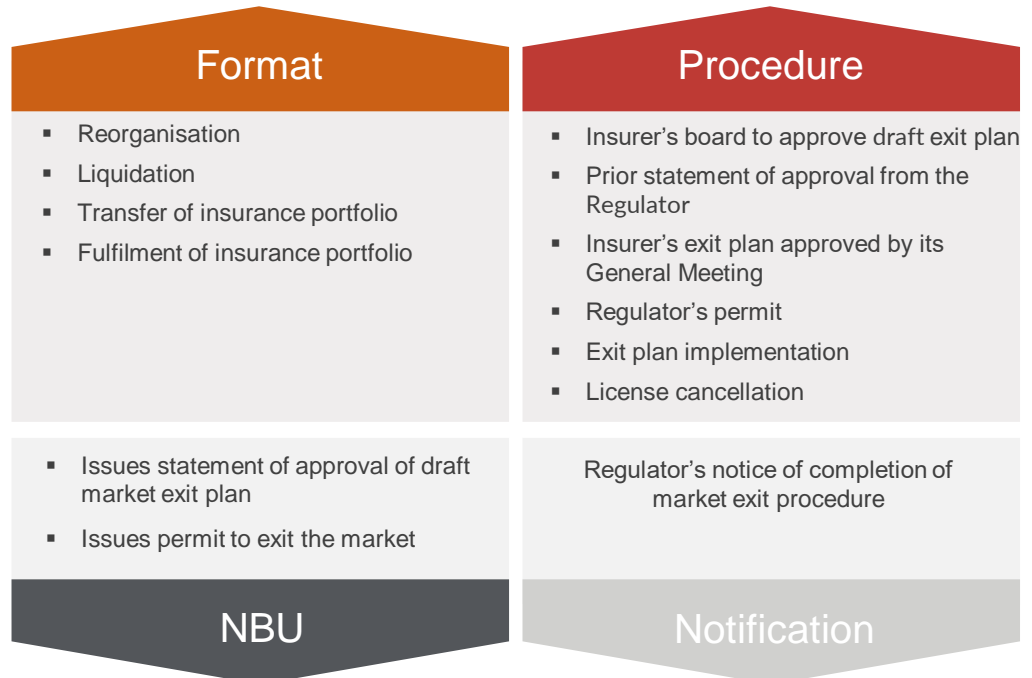
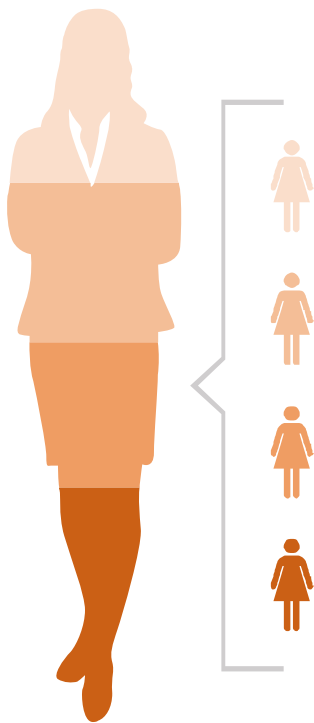


The basic approach may be changed to the simplified approach only with NBU's permission

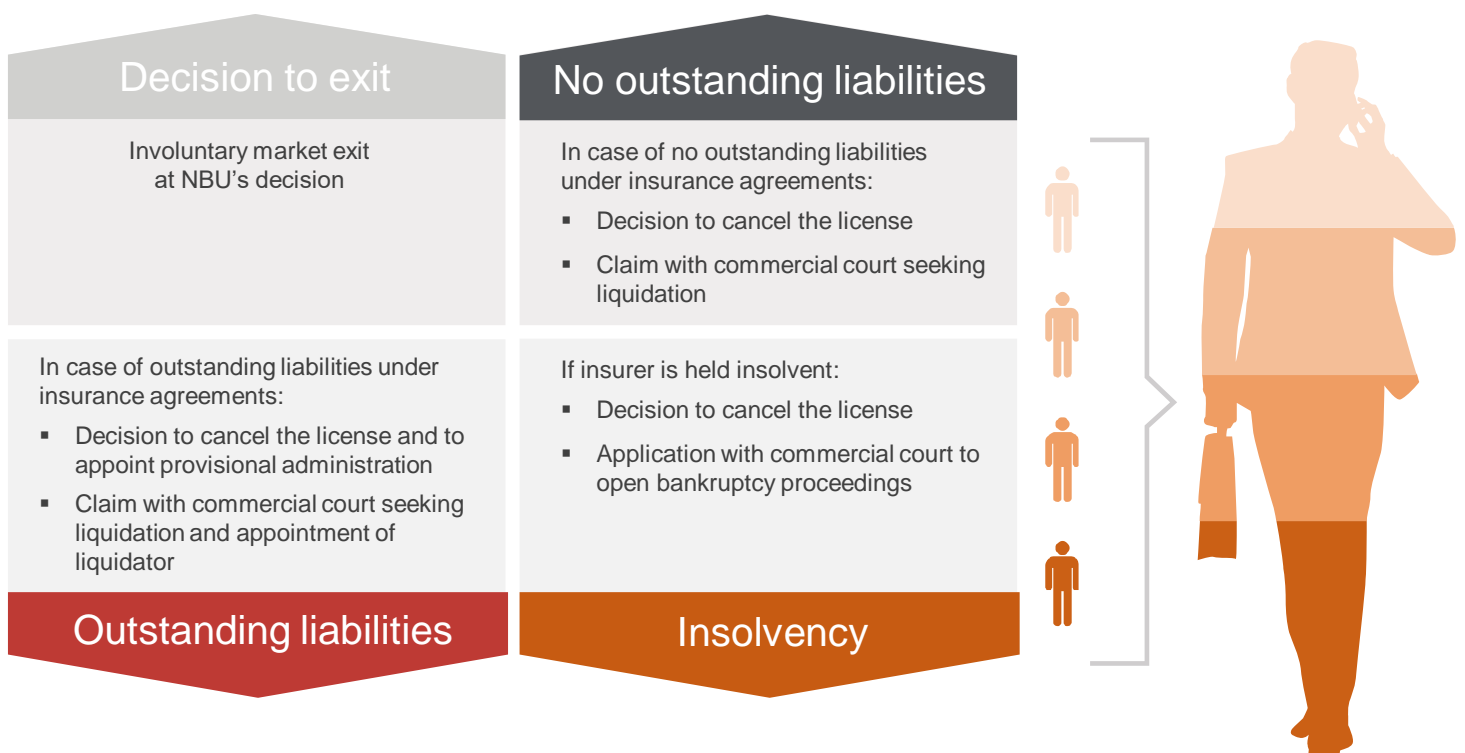
As a transitory step, the simplified approach may be taken by all insurers during the first three years after enactment of the Law



Voluntary market exit



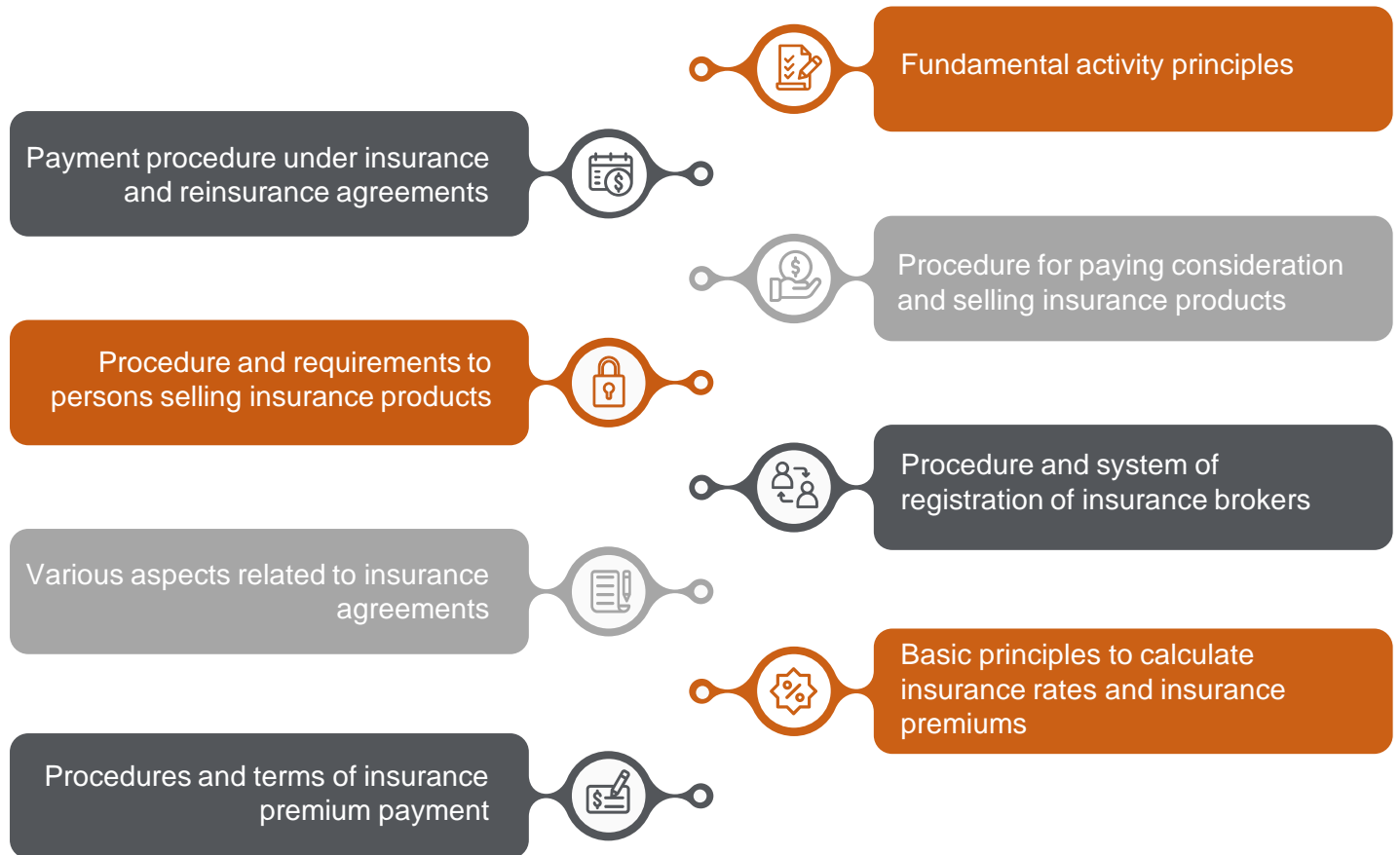
Involuntary market exit



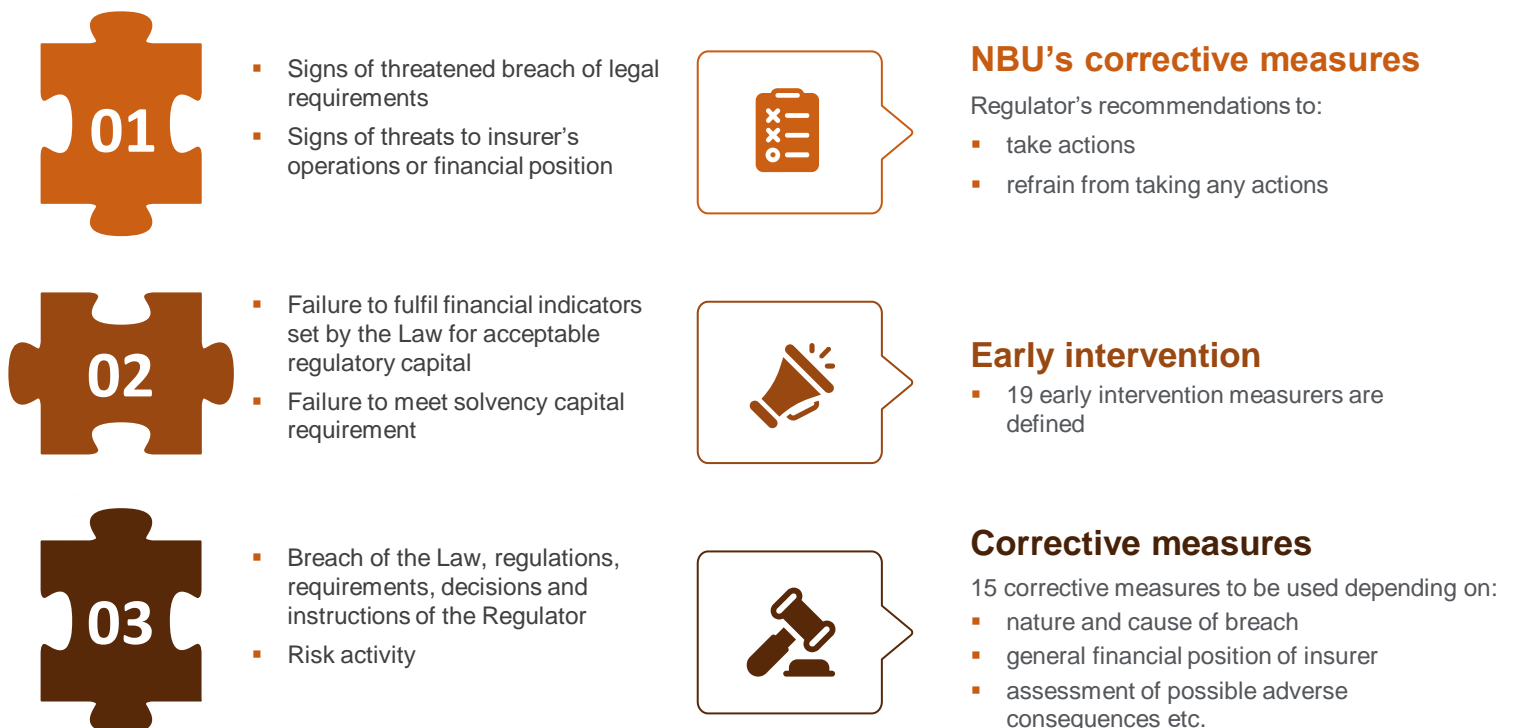
Regulation of insurer and insurance broker activities



The Law provides comprehensive procedures for the activities of insurers and insurance brokers, in particular:



Oversight by Regulator



Requirements to authorised capital and solvency with respect to certain insurance classes



*The condition does not include direct insurance activity with insurance class 13, provided that insurer license contains restrictions and/or special aspects for such class determined in the regulations of the Regulator which can substantiate the use of the simplified approach to assess the solvency and minimum capital.

**For the first three years after enactment of the Law, all insurers have a right to use the simplified approach to assess solvency.

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