DEVELOPMENT STAGES, OPPORTUNITIES AND PERSPECTIVES OF THE INSURANCE MARKET IN GEORGIA

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Summary. Of course, the development and expansion of the insurance market is one of the important and solid foundations of the development of the financial market of Georgia, because the effective development of the insurance market is a decisive factor for the insurance protection and economic security of the society. It also significantly contributes to the development of production processes and business in the conditions of market relations, so the study and detailed review of the insurance market allows to see the current challenges and ways to solve them. The main goal of the paper is to study and investigate the role and importance of the insurance market in Georgia. Despite the already achieved significant successes and results, the problem lies in the fact that in Georgia, both the financial market and its component insurance market are still in the process of formation and cannot fully ensure the satisfaction of complex insurance needs of customers with different needs and global insurance protection.

The paper analyzes the stages of formation, formation and development of the insurance market in Georgia, state regulation of the insurance market, formation and development of important insurance programs supported by the state, such as: universal health insurance and agroinsurance; Challenges and problems facing the insurance market.

Key words: insurance, insurance market, insurance risk, insurance protection, insurance program.

Introduction
The role of insurance in human life has always been one of the decisive factors. Especially today, when humanity has found itself in the era of natural, technical and technological, criminogenic, climatic and other types of risks, its role and importance are more important, because it, as a means of protecting the welfare of society and business, is the only, if not, one of the protective financial mechanisms that avoid Possible risks of devaluation of life, health and property to society. Insurance, as an economic category, represents a system of economic relations and a special form of financial relations, which has a great role and importance not only in the development of business and business relations, but also in the life of society in general. The increasing rate of development of the insurance market contributes to the expansion of the production process and business in the conditions of the
developed market relationship, therefore, the dynamic development of the insurance business is an important source of financial income for the country’s economy and a means of raising the standard of living and employment of the local population. It covers various areas of the economy and its successful activity is one of the indicators of economic and political stability in the country. The study and detailed review of the insurance market allows us to see the current challenges and ways to solve them.

The insurance industry in Georgia faces the following tasks at all stages of its development and regulation:

• How dynamically is the insurance industry developing in Georgia and does it effectively meet the insurance needs of consumers and provide global insurance protection?
• To what extent was the insurance market able to offer quality insurance products and services?
• What is the state’s support for the insurance business in Georgia and how efficiently do the large insurance programs implemented with the financial support of the state work?
• What problems and challenges does the insurance market in Georgia face and what are the prospects for the next stages of planned development and regulation?

Methodology

The paper covers the stages of formation, development and regulation of the insurance market in Georgia, its compliance with the needs of consumers and its impact on the economic development of the country. The research uses both quantitative and qualitative approaches to determine the current reality. It is based on statistical data analysis and results. It is based on the information of the State Insurance Supervision Service of Georgia and the State Statistics Service of Georgia. The conclusion and recommendations are based on quantitative and qualitative analysis of existing and received data on the current situation and international experience.

Review and discussion

A number of factors determine the opportunities of the Georgian insurance market, and one of the leading factors is the dynamic development of the insurance business. The role of the insurance market in the economic development of Georgia is great and it is considered a priority sector of the country. Obviously, the steps taken in this direction have a direct impact on the development and profitability of the insurance business.

The formation of the insurance market in Georgia began in the 1990s and was connected with the restoration of independence. At the initial stage of its origin, it developed slowly and chaotically, but over time it took its place and role in the country's financial market, which was also in the process of formation.

In the second stage, the country’s insurance system underwent transformation, the insurance legislation adopted in 1997 and the new regulation of state supervision of insurance (which in turn underwent many transformations over the years) gave a great impetus to reforms in the insurance field and laid the foundation for the development of modern insurance infrastructure.
The third stage and the period of relatively rapid growth begins in 2000, which is manifested by the rapid development of local insurance companies and the establishment of international insurance brands in the market. The list of insurance companies in market relations is rapidly expanding, at the same time, the volume of insurance premiums collected by insurance companies is increasing, as well as the rate of compensation of losses. The abundance of world brands and the subsequent increase significantly contribute to the rapid development of the insurance market. Transnational corporations are a novelty in the insurance services market of Georgia, and their number is increasing, which is certainly a great advantage for the further sustainable development of the insurance market, as well as for the country's economy. At the next stage, special attention is paid to the insurance space of Georgia and the maximum convergence and harmonization of insurance legislation with the insurance space and legislation of the European Union, in which the World Bank for Reconstruction and Development of Europe makes a great contribution, and which became even more especially relevant according to the association agreement signed between the Commonwealth of Independent States and the European Union.

Recent years have been quite active, including cooperation with international donor organizations, which is critically important for the development of the field and serves to promote the introduction of international standards. The public services twinning project (TWINNING), funded by the European Union and started in 2019, was completed, which was implemented with the active participation of experts from the Directorate General of Insurance and Pension Funds (DGSFP) under the Ministry of Economic Affairs and Digital Transformation of the Kingdom of Spain. Within the framework of the special working group created in the service, work continued on the bill prepared by Spanish experts, according to which it is planned to bring the insurance field closer to European standards and introduce the Solvency 2 standard. Cooperation with the World Bank continued within the framework of the "Financial Inclusion and Accountability of Georgia" (2019-2022) project funded by the European Union, which provided for technical assistance to the service and the development and introduction of new insurance products on the Georgian insurance market.

Over the years, even the most superficial analysis of the activity of the insurance market in Georgia shows that at certain stages, and often even today, their development did not respond to the market's requirements, and they enjoyed and were satisfied only with such approaches, which only provided the opportunity to obtain a good financial result. In modern conditions, such an approach is not productive, because if the insurance system does not develop, it is doomed. In the conditions of tough competition in the modern insurance services market, it is necessary to continuously develop the internal system of the insurance market, which involves the implementation of management with new, modern approaches, the cancellation of partially effective or completely ineffective management elements and the modernization of the existing ones in relation to modern standards.

The insurance market, unlike other areas, is a relatively complex, multifactorial, changing and unique system, which especially depends on the insurance product and service quality. Insurance product and service quality in Georgia is a
challenge not only for the insurance market, but also for the development of insurance in general, and occupies a special place in the cycle of continuous development of the insurance market. The formation of a quality insurance product is mainly determined by the needs of customers, and practice shows that the creation of a new product is a process related to the analysis of many factors, which requires a lot of time, qualified personnel and funds from the conception of a new insurance product to its realization. The formation of a new insurance product involves market research, estimated sales volume, life cycle, benchmark price, time to market and sales. Such an approach to the creation of a new product excludes the spontaneous nature of this process, because the formation of a quality insurance product contributes to the increase in the number of consumers in the insurance market.

An important challenge of the insurance market in Georgia is the quality of service, since quality service is the key to business success. Customer satisfaction depends on the quality of service, which determines competitive advantage and revenues. Existing standard insurance services, no matter how high-quality, are no longer sufficient. The insurance market is obliged to provide not only additional services, but also the provision of any service according to desire and need.

The role and support of the state towards the insurance market is great, which is first of all manifested by the formation and development of large insurance programs implemented with the support of the state. These are: the state program of universal health insurance and the state program of agricultural insurance.

Today, the most widespread is the state health program, which is focused on the economic, political and social situation of the country, as well as on the lifestyle, income level and activity of the population. Initially, the state program of universal health insurance functioned together with the insurance market, but then it was separated from the insurance market, subordinated to the state and continued to function independently, and today it is said that the insurance market should again ensure the implementation of the mentioned program.

Agroinsurance is considered a successfully implemented and subsidized project by the state. The project implemented with the help of the state and international organizations contributes to the development and financial success of the agro sector.

Transnational global brands of European and American insurance and reinsurance and representatives of the largest insurance groups, as well as insurance and reinsurance brokerage companies, which make a serious contribution to the development of the Georgian insurance market, are successfully operating in the alliance with national insurers on the Georgian insurance market.

**Statistical data and results**

In the last two years, quite high rates of economic growth were recorded in Georgia, which amounted to 10.4% in 2021 and 10.1% in 2022. This is an unprecedented economic growth in the whole of Europe, and in this process the indicators of the insurance market played a decisive role.

It is true that the development of the insurance market in Georgia does not have a very long history, but it is distinguished by serious successes and forward steps, which is clearly confirmed by the statistical data of the insurance market.
The insurance market plays one of the leading roles in the formation of the country's GDP, as well as in the formation of state budget revenues. The rate of development of the insurance sector (18%) is steadily following the significant growth rate of the country's gross domestic product (19.6%), however, there are still many other directions in the market that determine the attractiveness of the insurance sector in Georgia.

If we look at the dynamics of the insurance market development, it is clear that in the last ten years, the insurance market indicators have doubled, and in 2022, the premium collected by the insurance market from direct insurance activities will reach 910 million GEL, which is 18% more than the data for the same period of 2021 (773 million GEL).

The structure of the insurance market by types of insurance as of 2022 (direct insurance activity) looks like this: chart N 1

### Structure of Insurance Market by Classes of Insurance by 31.12.2022 - (Direct Insurance Business)

<table>
<thead>
<tr>
<th>#</th>
<th>Class of Insurance</th>
<th>Written Premium</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Life</td>
<td>74 867 045</td>
<td>8,23%</td>
</tr>
<tr>
<td>2</td>
<td>Travel</td>
<td>10 971 822</td>
<td>1,21%</td>
</tr>
<tr>
<td>3</td>
<td>Personal Accident</td>
<td>14 468 366</td>
<td>1,59%</td>
</tr>
<tr>
<td>4</td>
<td>Medical (Health)</td>
<td>375 355 637</td>
<td>41,26%</td>
</tr>
<tr>
<td>5</td>
<td>Road Transport Means (Casco)</td>
<td>166 038 968</td>
<td>18,25%</td>
</tr>
<tr>
<td>6</td>
<td>Motor Third Party Liability</td>
<td>64 677 638</td>
<td>7,11%</td>
</tr>
<tr>
<td>7</td>
<td>Railway Transport Means</td>
<td>114 623</td>
<td>0,01%</td>
</tr>
<tr>
<td>8</td>
<td>Aviation Transport Means (Hull)</td>
<td>11 345 623</td>
<td>1,25%</td>
</tr>
<tr>
<td>9</td>
<td>Aviation Third Party Liability</td>
<td>8 782 708</td>
<td>0,97%</td>
</tr>
<tr>
<td>10</td>
<td>Marine Transport Means (Hull)</td>
<td>529 767</td>
<td>0,06%</td>
</tr>
<tr>
<td>11</td>
<td>Marine Third Party Liability</td>
<td>5 690</td>
<td>0,00%</td>
</tr>
<tr>
<td>12</td>
<td>Cargo</td>
<td>12 324 024</td>
<td>1,35%</td>
</tr>
<tr>
<td>13</td>
<td>Property</td>
<td>118 473 978</td>
<td>13,02%</td>
</tr>
<tr>
<td>14</td>
<td>Miscellaneous Financial Loss</td>
<td>9 427 225</td>
<td>1,04%</td>
</tr>
<tr>
<td>15</td>
<td>Suretyships</td>
<td>12 057 716</td>
<td>1,33%</td>
</tr>
<tr>
<td>16</td>
<td>Credit</td>
<td>202 406</td>
<td>0,02%</td>
</tr>
<tr>
<td>17</td>
<td>Third Party Liability</td>
<td>29 986 537</td>
<td>3,30%</td>
</tr>
<tr>
<td>18</td>
<td>Legal Expenses</td>
<td>-</td>
<td>0,00%</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>909 629 772</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

From the statistical data, it can be seen that medical (health) insurance is the leader in terms of types of insurance on the insurance market. During the year 2022, the premium collected from the direct medical (health) insurance activity in the type of insurance amounted to 375.4 million GEL, which is 41% of the total collected premium. In second place is auto insurance, which is 166 million GEL, which is 18% of the total collected premium. The premium collected in property insurance amounted to 118.5 million GEL, which is 13% of the insurance market. Life insurance accounts for 8% of the total collected premiums with 75 million GEL, third-party liability and civil liability insurances for car owners with 64.7 million and 30 million GEL constitute 7% and 3% of the total collected premiums. Other types of insurance account for 9% - 80.2 million GEL. Life insurance is largely related to insurance products related to banking products, but also includes life insurance sold together with health insurance. It should be noted that the given statistical data do not include large insurance programs implemented with the support of the state, the state program of universal health insurance and the state program of agroinsurance, which makes the mentioned indicators even more impressive.

Despite the mentioned impressive indicators, and despite the fact that the insurance market offers favorable conditions to consumers, there is a rather low interest in insurance from consumers, which is mainly caused by low insurance awareness, relatively high tariff policy and certain mistrust towards insurance companies. It is also a fact that the insurance market is still in the process of formation and cannot fully satisfy the complex insurance needs of consumers with different needs and global insurance protection.

**Conclusion**

One of the most important factors in the development of the financial market, the economic security of the society and the economic growth of the country in Georgia is the development and expansion of the insurance market. Despite the achieved successes and impressive results, the insurance market needs to be further developed and improved, taking into account international standards. It is important to develop a specific, consistent and systematic strategy and tactics, which will ensure the further dynamic development of the insurance market.

Low insurance culture and rather low interest in insurance on the part of consumers, which is mainly caused by low insurance awareness, relatively high tariff policy and certain mistrust towards insurance companies, remains an important challenge for the insurance market of Georgia.

The insurance market is a complex, multi-factorial and dynamic system due to its specifics, because the characteristic of the insurance market is capital intensity and its development depends on economic, political and social factors and especially on the current processes in regional and global conditions, which instantly reacts to even small fluctuations and especially large-scale risks and challenges. The only correct way to overcome these problems is its continuous development, where the insurance product and service quality have a special place and where the customer is aware of the value that insurance can create as a financial instrument, taking into account modern realities and is one of the important prerequisites for the well-being of the country and society. However, it is also a fact that the insurance market is still
in the process of formation and cannot fully satisfy the complex insurance needs of consumers with different needs and global insurance protection.

References: