

# How brokering in Ukraine is triumphing over adversity



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**Interview: Ukrainian insurance broker Alina Golubieva talks to David Worsfold about the current challenges of insuring businesses and homes in the country, plus how the market is preparing to align itself with European Union regulation.**

The resilience of the Ukrainian people in the face of Russia's brutal assault on their country seems to be inexhaustible.

We see the news stories of the bravery of the men and women in the frontline and they rightly draw our admiration, but beyond those stories is a determination to hold on to as much normality as possible, to repair and build the Ukrainian



economy and prepare the country for membership of the European Union.

This requires insurance. Not just the London Market-led scheme to insure the grain ships coming out of Odesa and hugging the Romanian Black Sea coast, but insurance to keep businesses and society operating.

One firm that epitomises the determination and entrepreneurial spirit of Ukraine's domestic insurance market is Karpatia, a dynamic brokering firm only launched in early 2020 but which now has more than \$5m (£4m) in gross written premium and more than 100 local and international clients.

It was not the best time to launch a new firm, admits CEO Alina Golubieva.

“We started in 2020, just before Covid, and for about six months it was quite slow but then it started working. Our idea was to provide an innovative digital experience, because we have a lot of pretty old-school insurance brokers, and they haven't given anything new to the clients for the past 10 to 15 years.

“We had an idea of doing a mobile app that will cover all the user experience. So we started working with the IT sector in Ukraine, which is one of our most dynamic sectors.”

Starting with health and life insurance, Karpatia now offers a range of business insurances, including professional indemnity and cyber cover.

## **Russia attack**

24 February 2022, a day no Ukrainian will ever forget.

Just over two years after launching the firm, Russian bombs started falling and the Russian army swept through eastern Ukraine, getting to within a few miles of Kyiv where Karpatia has its offices, a short walk from the Golden Gate of Kyiv.

Golubieva says they had no idea what impact the war was going to have on their business.

“We were expecting to lose about 80% of our portfolio, but we lost only 30% because we haven't stopped working and we are a digital business. Every day

we were online and we were answering clients' questions.

“It was amazing team effort. On 24 February 2022 we regrouped quickly. Some of our people relocated to safer areas of Ukraine if they were able to.

“We didn't store any paper-based agreements or anything like that. So we closed the office for two months and it didn't affect our work at all.

“So I'd say it was a challenge, but it was a bigger challenge for insurers and brokers who had physical offices in major cities, especially in eastern Ukraine, because they not only had to relocate their teams, but they had to relocate all the information stored in that office.

“They lost their assets. They lost their money and they lost their clients, because clients, like millions and millions of people in Ukraine, relocated either to western Ukraine or outside of Ukraine.

“A lot of our clients relocated their teams outside of Ukraine as well. Because mainly we focused on the IT sector, there were companies that could afford to create hubs outside of Ukraine, from Poland to Spain or Germany.”

## **Operating today**

Now most of the 25 members of staff – down from a pre-war headcount of 30 – are back in the offices in Kyiv serving a mixture of Ukrainian and international clients. Twenty-three are women, partially a reflection of the proportion of men serving at the front, but also the attraction of working for a female CEO in an otherwise traditional market.

It was not only clients who left. Some insurers did too, especially where there was any suggestion of Russian ownership or control.

“Some of the largest insurance companies left the market. One company, Providna, basically collapsed because it couldn't provide the proof of beneficiaries to the regulator. It was the largest insurance company in Ukraine.”

It had its licence cancelled by the National Bank of Ukraine (NBU) on 23 March last year, along with that of another Russian-controlled insurer,

Ingosstrakh. That was not the end of NBU action against Russian-controlled insurers.

“And then another group, Alfa, which was part of the Alfa insurance group in Russia, had their licence cancelled as well. But the whole team joined a Ukrainian-owned insurance company,” with many of the policies transferring with them, says Golubieva.

With brokers, it has been harder to prove Russian ownership, influence or control, she says. “The market is not that regulated in terms of the brokers in Ukraine. You can’t actually track the source of beneficiaries.”

This is being addressed as Ukraine readies itself for accession into the EU, with new rules for intermediaries due to come into force next year, followed by Solvency II regulation for insurers by 2027.

“So it’s three more years of regulatory change. In an ideal world, this would be just in time for Ukraine to become a member of the EU.”

To achieve this will require a significant restructuring of intermediary-insurer relationships as most intermediaries are part tied agent, part independent broker and Karpatia is no exception. “We are working as an agent in most of the cases. But we see more and more requests from clients for a fixed fee of like a yearly subscription fee to obtain independent advice,” she says.

## War risks

War, with constant shelling, bombing and drone attacks, means large-scale property damage.

War risks are excluded from all contracts, but attempts are being made to make some limited cover available.

This has been led by Ukrainian insurer INGO, praised by Golubieva for its innovation and adaptability.

“It covers some specified war-related damages for properties or for motor. We saw that with the development of these products; clients were willing to come back to negotiations. Before they said, ‘What’s the point of insuring our

properties as if something happens we won't be reimbursed.”

The scheme is limited but is being looked at by some of the major European insurers still operating in Ukraine. The main obstacle is the lack of reinsurance for anything war-related.

Golubieva says she is hopeful that talks being co-ordinated by the Ukrainian government involving the International Monetary Fund and the US Agency for International Development will produce some state or international agency backing for a limited war damage (re)insurance scheme by the end of the year.

She is relentlessly optimistic about the future, seeing potential for significant growth in a market that is under-insured - even in peacetime - compared to the rest of Europe.

“I'm an optimist myself, so I always look bright to the future, and I have the greatest plans.

“We just finished our strategic planning for the next three years and we have amazing plans. We want to grow three times this year, and we see a niche in the market because of our approach, because we treat clients with an ultimate client experience.

“Yes, there's war in Ukraine, but a lot of people are returning to Ukraine. The country is adjusting to new realities, and the business is growing as well.”

Resilience with a heavy overlay of optimism. It feels like a heady mix.

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