



Strengthening the Role of Insurance Companies in the Financial Market in The Republic of Uzbekistan

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ABSTRACT

This article examines the content of the insurance mechanism, the role and importance of the country's economy in the development of the country, the views of economists on increasing the role of the insurance industry in the financial market. At the same time, the financial analysis of insurance companies operating in the Republic of Uzbekistan, as well as foreign experience based on the position of the insurance market of foreign countries in the field of portfolio investment. Scientific conclusions and proposals have been formed to increase the position of insurance companies in the financial market of the country.

Keywords:

insurance mechanism, insurance market, financial market, portfolio investment, insurance companies, insurance premium, insurance payment, insurance accident, insurance activity, Gross domestic product (GDP)

1. Introduction.

The Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017-2021 was approved by the Presidential Decree on February 7, 2017. According to him, the third priority is the further development and liberalization of the economy, which identifies priorities for further development of the insurance mechanism in the development of the country's financial markets [1].

The most basic requirements of market relations are freedom and purity. That is, the existence of a market economy depends on the free and pure competition of all its components. The abolition of monopolies in the economy will pave the way for the development of all sectors on the basis of free competition. The insurance market is one of

them. The existence, growth and development of the insurance market largely determine its effectiveness in a market economy. The significant impact of the insurance system and the need to protect the interests of policyholders necessitate state regulation of insurance activities.

The insurance market is a unique socio-economic environment, formed on the basis of supply and demand, the object of trade is the sphere of monetary relations, which is insurance protection.

The insurance market can be interpreted as follows:

- the form of monetary relations related to the establishment and distribution of the insurance fund in order to provide the company with insurance protection;

- integrity of insurance companies (insurers) involved in the provision of relevant insurance services.

The objective basis for the development of the insurance market is to ensure the continuity of financial and economic activities and the emergence of a process of providing financial assistance in the event of unforeseen adverse events [2]. The existence of the insurance market is, first of all, the establishment of a free market economy, based on which to increase the diversity of forms of ownership and price freedom, to operate on a competitive basis, to meet demand and increase supply while protecting the interests of consumers. The goal is to develop and introduce new insurance services.

The existence of the insurance market depends on the existence of a general demand for insurance services, is the emergence of demand and the formation of supply that can meet these needs.

2. Literature review

“The participants of the insurance market are sellers, buyers and intermediaries and their associations. The sellers are insurance and reinsurance companies. The buyers are the insured - individuals and legal entities, who conclude an insurance contract with a seller. Intermediaries between sellers and buyers are insurance agents and insurance brokers who help to conclude insurance contracts through their actions” [3].

“The insurance market is a whole system of dialectical integrity of the internal system and the external environment. They work together and interact with each other. The internal system is fully managed by the insurer. The external system or external environment consists of elements that can be controlled by the insurer and elements that cannot be controlled. In this case, the external environment surrounds and limits the internal system” [4].

“In the legal system of control, the state gives a legal form to certain requirements.

Insurance companies must comply with these requirements, and the role of the supervisory body is to monitor compliance with these rules” [5].

Insurance is also a separate licensed activity, provided by a specially authorized body and maintained. “The license is issued to the insurer for voluntary and compulsory personal insurance, property insurance, liability insurance and reinsurance, indicating the specific types of insurance” [6].

In countries where there is a developed insurance market, a special tax is levied on insurance premiums as an important means of state control over insurance activities. In this case, the object of taxation is any payment made by the insured for any insurance services provided to them. Insurance premiums accepted as payment for the provision of insurance services developed in the territory of the country are taxable, and insurance companies that are residents or non-residents, regardless of the form of ownership, are taxpayers. [7].

“According to the theory of state control over the taxation of insurance activities, the tax on insurance premiums is an absolutely independent instrument and is separate from value added tax and turnover taxes, which are widely used in foreign countries” [8].

Insurance companies are responsible for overseeing financial activities and, above all, controlling the solvency and placement of assets of insurance companies. development of internal control mechanisms in similar types of insurance companies [9].

3. Research methodology.

Economic research methods such as data collection, analysis, synthesis, and logical thinking have been widely used to enhance the position of insurance companies in the financial market of the country.

4. Analysis and discussion of results.

It should be noted that innovative solutions within the first direction of value

creation relate to all business processes and their results up to the launch of the insurance product on the market. The second direction concerns innovations involved in bringing insurance products to the market and thereby converting non-financial capital invested in their creation and sale into a financial form. Since Edvinsson considered the intellect of a creative person to be the source of all the listed

non-financial forms of capital of the insurer, he called it intellectual capital. Intellectual capital, according to Edvinsson, arises as a result of combining all non-financial resources into a single structure. Since its main value is the ability to develop innovative solutions, innovation capital was included in the Skandia model, as shown in (Figure 1).

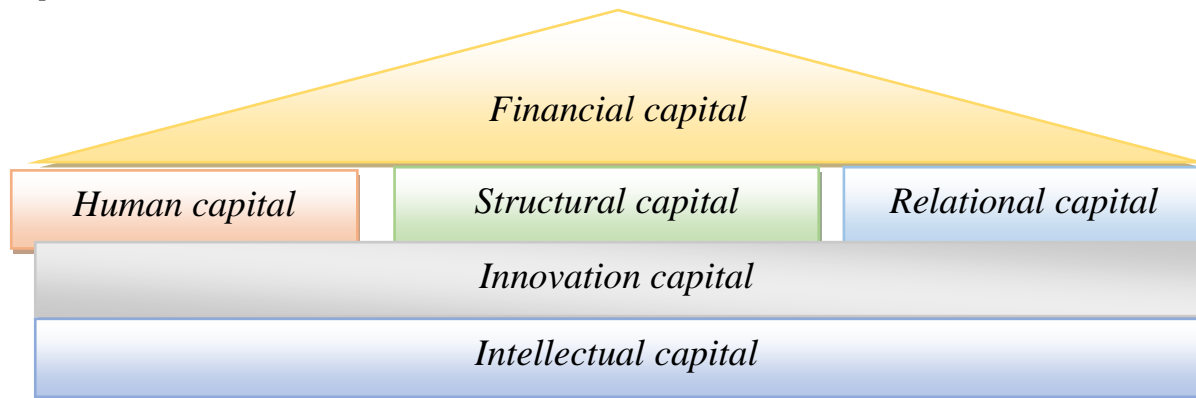


Figure 1. Model of intellectual capital as a source of new value creation [10]

Refining his model of intellectual capital, its author then singled out organizational capital in its composition. For all the logic of the presented model, it raises some objections. In particular, elements such as structural, relational and innovative capital in the Skandia model are not directly related to the resources that generate them. In addition, from the explanation of L. Edvinsson it is not entirely clear what is meant by innovative capital: innovative potential as a company's ability to formulate innovative solutions or innovative products created using innovative solutions. In our opinion, such forms of non-financial capital of an insurance company as "relational", structural, organizational and innovative capital are the result of capitalization of the entire spectrum of non-financial resources involved by this company in the process of turnover. It is the results of such non-financial capitalization that can be embodied in the financial form of increasing the market value of the company or its free assets. At the same time, for an insurance company, the process of

such non-financial capitalization ends with the formation of "relational", "client" capital, which in the future will ensure the growth of the financial volume of insurance premiums. The exact correlation of non-financial forms of capital with the resources that generate them is of practical importance for determining their required range and evaluating the effectiveness of attracting. The identification of attracted resources is a condition for the financial assessment of their value, and this assessment, in turn, will allow us to evaluate the effectiveness of the use of each resource by comparing it with the share of financial capital created during its use. In this regard, it is proposed to improve L. Edvinsson's model using the following considerations. Human, information and entrepreneurial resources are factors of production. If it is possible to involve them, then they have an objective form that ensures their identification. The answer to the question of under what conditions these resources become capital should be sought in the functions of the entrepreneurial resource.

A factor that further strengthens the role of insurance in the economic and social life of the country is the introduction of compulsory insurance. Compulsory insurance provides contractual insurance protection in the event of liability for damage to the life, health and property of certain persons, other persons. This is a social function of compulsory

insurance. Economically compulsory insurance increases the premium income of insurance companies and ensures that insurance enters the economic and social life of the country. The following figure shows the financial analysis of insurance premiums and insurance payments of the largest companies operating in the insurance market of the Uzbekistan (Figure 2).

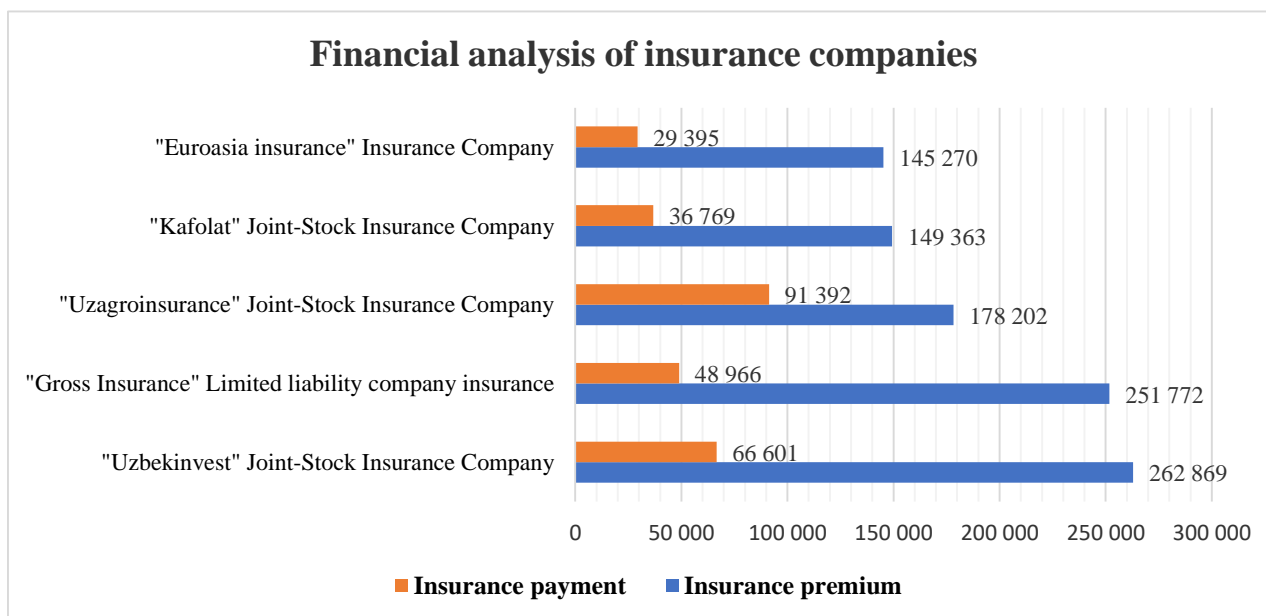


Figure 1. Financial analysis of insurance companies operating in the Republic of Uzbekistan Top-5 as of 2021 (in million soums) [11]

The results of the above analysis show that in the Uzbek insurance market, the insurance company "Uzbekinvest" JSC has 262,869.20 million soums in insurance premiums. The company's current charter capital is 282.2 billion soums. At the same time, on December 5, 2019, the international rating agency Moody's Investors Service (USA) officially announced that the national insurance company Uzbekinvest has increased its financial stability from "B1" to "Ba3" with a "Stable" outlook.

Today, there are 30 insurance companies in the country, 24 of which specialize in general insurance and 6 in life insurance. As of January 1 this year, the total assets of insurance companies amounted to 2.5 trillion. The total authorized capital amounted

to 534 billion soums. The analysis shows that a number of problems have arisen in the field of radical reform of the industry by improving the quality, scope and diversification of insurance services.

The results of the study of the implementation of the Law "On Insurance Activity" in the Ministry of Finance by the Committee on Budget and Economic Reforms of the Senate of the Oliy Majlis clearly prove this.

In particular, the work carried out by the ministry in accordance with the requirements of the law, despite the measures taken, there are still many issues that need to be addressed in this area. In particular, the current state of the insurance market does not meet the requirements of the ongoing reforms,

and the needs of the population and entrepreneurs in this service remain unmet.

One of the main reasons for this is the limited number of employees of the Insurance Supervision Inspectorate under the Ministry, who mainly keep statistics. As a result of

insufficient information on insurance activities in the regions, the population's confidence and understanding of insurance is not fully formed. This has a negative impact on the growth of the industry's share in GDP and the financial stability of companies (Figure 3).

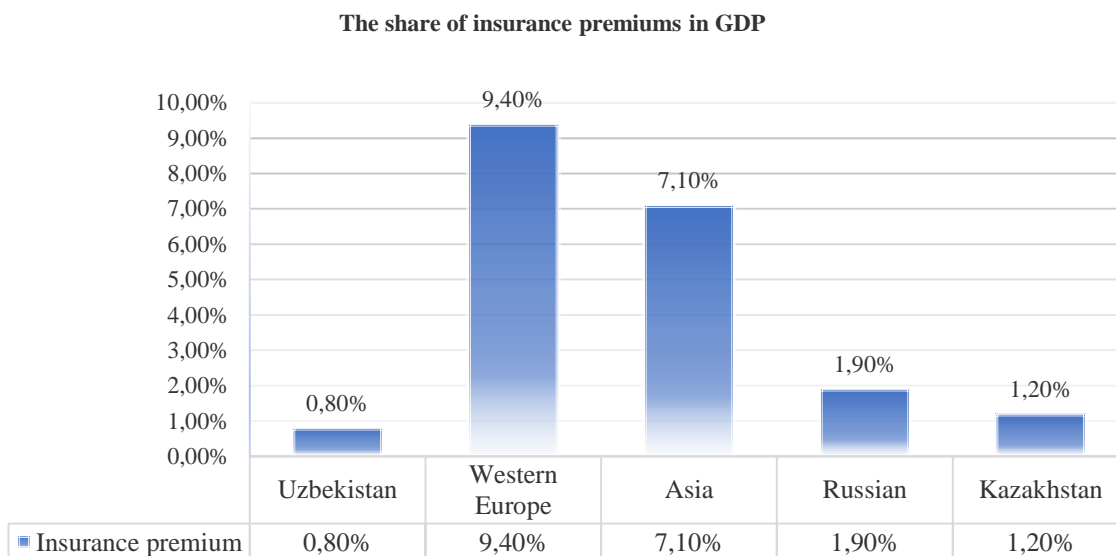


Figure 3. Share of insurance premiums of foreign countries in GDP 2022 y. (in percent) [12]

The law “On Insurance Activity”, adopted 15 years ago, does not fully meet today’s requirements. In particular, certain types of compulsory insurance have been introduced on the basis of government decisions and are not regulated by law. In addition, the lack of involvement of large international insurance and reinsurance companies in the country’s insurance market, as well as the incomplete implementation of international norms, standards and principles of the International Association of Insurance Supervisors and financial reporting and accounting is an obstacle for medium-sized companies to obtain international ratings.

A number of suggestions have been made to address other similar issues in the system. Institutional strengthening of the insurance

market regulation system, ensuring the stability and reliability of the insurance market, training, retraining and advanced training of personnel for the industry, strengthening the status, responsibilities and capabilities of the competent authority, modern information technology in the insurance process These include the introduction of electronic registration of insurance policies, the development of online insurance based on digital technologies.

It is expedient to consider the analysis of the causes of these problems and the factors influencing it on the basis of the following statistics. To do this, we consider the relative correlation of the indicators given in the table below.

**Table 1.
Targets for the accelerated development of the insurance market of Uzbekistan, 2018-2022 y. [13]**

Over the years	2018	2019	2020	2021	2022
Assets of insurance companies	2,5	3,0	3,6	4,3	5,2
Types of insurance services	105	115	135	155	175
Number of regional divisions	1450	1500	1580	1660	1740
The amount of insurance premium per capita	50,0	65,0	88,0	114,0	148,0
The share of insurance services in GDP	0,4	0,5	0,6	0,7	0,8

5. Conclusions and suggestions.

As a result of studying the system of state regulation of the insurance market in Uzbekistan, we came to the following conclusions:

1. Establishment of a single policy of state regulation of insurance activities:

- development of new legislation regulating insurance relations and improvement of existing ones;
- Improving the regulatory framework to ensure the protection of the interests of the state, organizations and citizens in the field of compulsory insurance through insurance.

2. Creation of conditions conducive to the involvement of enterprises in insurance, regardless of the general population and forms of ownership:

- Improving the legal framework for the development of health insurance, long-term life insurance, pension insurance;
- placement of insurance companies by developing effective forms of investment, creating additional guarantees to increase the profitability of insurance operations.

3. Improving and developing the infrastructure of the insurance market - assisting in the development of insurance companies that accompany the process of insurance relations in the interests of citizens and legal entities of various forms of ownership and assist in the implementation of state insurance policy.

- increase the volume and type of insurance services provided through the introduction of innovative insurance products and the development of traditional products in high demand;

- extensive use of modern information technologies in the field of insurance, active development of electronic forms of insurance services;

- Improving the system of training, retraining and advanced training of specialists in the field, the use of modern methods of education in the field of insurance, targeted incentives for research activities;

- The main directions are to form and maintain a positive image of the national insurance market and increase its investment

attractiveness, including through the integration of the national insurance market with international and foreign insurance markets [14].

4. *Regulation of international cooperation in the field of insurance:*

- development of measures to regulate the activities of foreign insurers in the territory of the Republic of Uzbekistan;

- Ensuring the development of a regulatory framework that expands international insurance relations (especially in the field of reinsurance);

- increase the level of capitalization, solvency and financial stability of professional participants of the insurance market, optimize the structure of their assets, as well as the development of investment activities of insurers;

- development of the insurance market infrastructure on the basis of activating the activities of insurance brokers, improving the system of insurance agents, introducing bank insurance mechanisms, as well as increasing the role of professional participants in the insurance market in general.

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