

Socio-Economic Essence of Insurance Services

A. Umirov

TIF, PhD, acting associate professor

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ABSTRACT

The article describes what insurance services are and their economic significance. The article also discusses the level of capitalization, solvency and financial stability of professional insurance market participants, improving the quality of their assets, as well as the development of investment activities of insurers, strengthening the protection of rights of consumers and other insurance entities, ensuring openness and transparency of the insurance market. introduction of insurance products and development of traditional products in high demand, the formation of the insurance market of Uzbekistan.

In addition, the directions for purchasing insurance service through the insurance market only through the insurance market, based on their needs, have been revealed more widely.

Introduction

"... to increase the level of capitalization, solvency and financial stability of the professional participants of the insurance market, to improve the quality of their assets, as well as to develop the investment activities of insurers, to strengthen the protection of the rights of consumers of insurance services and other subjects of insurance activities, to increase the population's insurance literacy and confidence in insurance, to ensure the openness and transparency of the insurance market, to expand the volume, types and quality of insurance services provided by introducing new innovative insurance products and developing traditional products in high demand, as well as wide use of modern information technologies in the field of organization and regulation of insurance activities, electronic provision of insurance services It was determined that serious attention should be paid to the active introduction and development of these types and their sequential implementation"¹

The formation of the insurance market of Uzbekistan is closely related to the process of transitioning the economy to market relations. This process required abandoning the principle of monopoly that had prevailed in the national economy for many years, removing property from state ownership, and developing entrepreneurship. In such conditions, the demand for financial services, including insurance services, of economic entities based on various forms of ownership will undoubtedly increase sharply. Businesses, organizations and institutions can get the insurance service that suits their needs only as a result of applying to the insurance market. In our opinion, it is appropriate to answer the questions of what kind of market we understand by the insurance market and who can appear in it as a buyer or seller.

¹ Decree No. PQ-4412 of the President of the Republic of Uzbekistan Sh. Mirziyoyev of August 2, 2019 "On measures to reform the insurance market of the Republic of Uzbekistan and ensure its rapid development".

It is known that in any market there is a seller and a buyer, and relevant goods (services) are exchanged between them. Similarly, the insurance market involves a seller (insurer) and a buyer (potential insured). Here is how to interpret the concept of potential insured. The fact is that we will make a big mistake if we call a potential insured a direct insured. After all, in accordance with the current laws, natural persons who have entered into a contract with insurance companies, have civil capacity and are legally registered according to the established procedure are called insured persons. On the contrary, persons who need to buy an insurance "product", but have not yet entered into relevant insurance relations with insurers, are called potential insureds.

Material and method. Now, if we talk about insurers, insurers are legal entities authorized to carry out insurance activities in the territory of this country. An insurance company must have a license from an authorized state body to carry out relevant activities and must not engage in business activities unrelated to insurance. This is also specified in the Law "On Insurance Activities". However, the law allows insurance organizations to engage in investment activities under the conditions set by a specially authorized state body, as well as to carry out activities related to the improvement of the qualifications of specialists in the field of mediation and insurance as insurance agents.

Results. It should be noted that the institutional structure of the insurance market consists not only of the insurer and the insured, but there are also such subjects without whose participation it is difficult to imagine the insurance market, to be more precise, its infrastructure. This can also be seen in the Figure below.

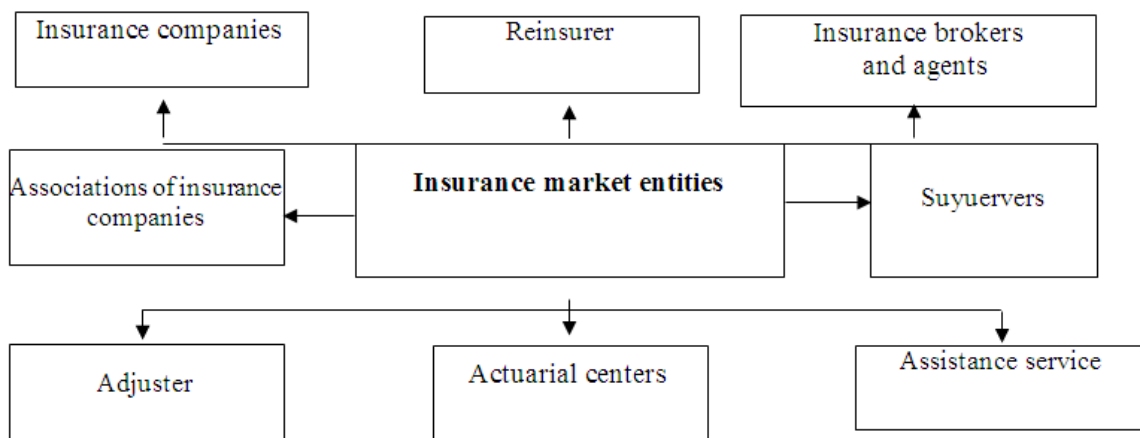


Figure 1. Professional participants and infrastructure of the insurance market.²

Undoubtedly, the position of insurance organizations in the insurance market is extremely large. In turn, there are several types of insurers depending on the form of ownership (state, joint-stock and limited liability company). In addition to registered participants in the insurance market, mutual insurance companies can also operate.

The difference between these societies and other insurers is that they do not seek to make a profit, but provide mutual compensation for losses. According to statistics, mutual insurance companies have a significant position in the international insurance market in terms of collected premiums and assets. For example, the number of mutual insurance companies in the national insurance markets of the USA and Japan is more than 50 percent of the total number of insurance companies. One of the important components of the insurance market of foreign countries is insurance brokers. Unlike insurance agents, insurance brokers protect the interests of the insurer on the one hand, and the insured on the other. This process required abandoning the principle of monopoly that had prevailed in the national economy for many years, removing property from state ownership, and developing entrepreneurship. In such conditions, the demand for financial services, including insurance services, of economic entities based on various forms of ownership will undoubtedly increase sharply.

² Source: Developed by the author.

Businesses, organizations and institutions can get the insurance service that suits their needs only as a result of applying to the insurance market.

Also, the insurance market is divided into professional and non-professional participants. Article 12 of the Law of the Republic of Uzbekistan "On Insurance Activity" states that "professional participants of the insurance market are subjects of insurance activity".

Discussion. Insurers, insurance intermediaries and other legal and natural persons are considered professional participants of the insurance market in accordance with the legislation.

The insurer has the right to finance the measures related to the elimination and prevention of occurrence of insurance incidents in the manner and under the conditions established by the specially authorized state body.

Insurers may not engage in business activities that are not directly related to insurance. The following are exceptions:

investment activities in the order and conditions determined by a specially authorized state body;

activities related to improving the qualifications of insurance specialists;

insurance mediation as an insurance agent.

Undoubtedly, the position of insurance companies in the insurance market is extremely large. In addition to registered participants in the insurance market, mutual insurance companies can also operate. The difference between these societies and other insurers is that they do not seek to make a profit, but provide mutual compensation for losses. According to statistics, mutual insurance companies have a significant position in the international insurance market in terms of collected insurance premiums and assets. The number of mutual insurance companies in the US and Japanese national insurance markets is more than 50 percent of the total number of insurance companies.

Insurance brokers and insurance agents can also be included in the professional participants of the insurance market.

Currently, the role of insurance brokers in Uzbekistan is almost non-existent. Most of the insurance services are performed without their participation. One of the important components of the insurance market of foreign countries is insurance brokers. Unlike insurance agents, brokers protect the interests of the insurer on the one hand, and the insured on the other.

Reinsurance brokers acting as an intermediary in the provision of reinsurance services may operate between mutual or specialized reinsurance companies between insurance companies.

Unlike insurance brokers, insurance agents provide active service in the insurance mediation system of Uzbekistan.

The heads of the management bodies of the insurer cannot be insurance agents. Insurers must keep registers of insurance agents authorized by them.

Reinsurance companies as a professional participant of the insurance market are an important means of strengthening the financial position of insurance organizations.

Reinsurer is a legal entity that accepts the insured risk for reinsurance. A secondary distribution of risk is carried out with the help of a reinsurer. An insurance company can also act as a reinsurer. The largest group of reinsurers in the world includes the Munich Reinsurance Society, the Swiss Reinsurance Society, and the Cologne Reinsurance Society.

It would not be an exaggeration to say that the stable development of the insurance market in Uzbekistan laid the foundation for the further expansion of the composition of its participants. An example of this is the introduction of terms such as adjuster, surveyor, actuary and assistance in the insurance market. In Article 20 of the Law of the Republic of Uzbekistan "On Insurance Activities" adopted on November 23, 2021, an adjuster is defined as follows: "An adjuster is a legal entity that

provides the following insurance services on behalf of the insurer (insured) and has the appropriate specialists in its state or professional knowledge and is a qualified natural person:

review and inspection of the insured object after the occurrence of the insured event;

analysis of insurance event facts and risk situations;

determining the causes of damage to the insured object and the existence of an insured event;

in the event of an insurance event - determining the level of damage and the amount of damage caused by the insurance event;

determining the amount of insurance compensation to be paid;

drawing up a conclusion on the insurance event for the insurer".

The adjuster performs his/her activities in accordance with the contract concluded with the insurer (insured). To carry out insurance and reinsurance operations as an adjuster insurer; to carry out insurance mediation activities; does not have the right to participate in chartered funds of insurers. The results of the adjuster service are formalized in the form of a report, which can be used by the insurer when compensating for damages and resolving disputes. The conclusions expressed in the adjuster's report may be revised in the course of an independent insurance examination. In addition, actuaries are among the professional participants of the insurance market. Article 22 of the above Law states that "Actuary is a legal entity or individual providing actuarial services, which includes:

to calculate the mathematical probability of an insurance event, to determine the frequency of damage both in individual risk groups and in the insurance package as a whole, and the degree of severity of their consequences;

mathematical justification and calculation of necessary insurance reserves and funds of the insurer (reinsurer), development of methods of their formation;

determining the relationship between the capital investment norm and the amount of the net rate in the use of contributions collected as investments by the insurer in a way that helps to reduce the tariff rates to the amount of investment income;

justifying the costs necessary for organizing the insurance process and calculating the cost of insurance services;

setting tariff rates for each type of insurance (reinsurance) for insurers, taking into account the long-term and short-term nature of their transfer;

assessment of the results of investment activities of the insurer (reinsurer) using actuarial calculations;

planning of the insurer's (reinsurer's) income for various types of insurance (reinsurance)" is noted.

The insurance surveyor also has an important position in the insurance market. However, the surveyor service is not sufficiently developed in Uzbekistan. Despite this, the activity of surveyors was legally regulated. Professional participants of the insurance market include actuaries. Article 24 of the Law of the Republic of Uzbekistan "On Insurance Activities", adopted on November 23, 2021, contains the following norms about the insurance surveyor: An insurance surveyor is a legal entity with relevant specialists in its state or an individual with professional knowledge and qualifications, providing services in the following areas:

inspection and inspection of the insurance object before the conclusion of the insurance contract;

analysis of all facts and risk situations before the conclusion of the insurance contract, determining the level of risk;

drawing up a conclusion on the inspected insurance object.

Insurance assistance according to the Law "On Insurance Activities" (Article 26) "Assistance is a

legal or physical entity that provides assistance, technical, medical and other services to policyholders (insured persons, beneficiaries) and insurers within the framework of the insurance contract, as well as financial assistance to them. is a person. Assistance performs its activities in accordance with the contract concluded with the insurer. Assistance services are paid only by insurers, without the participation of insured persons. As an insurer, Assistance does not have the right to carry out insurance and reinsurance operations, to carry out insurance mediation activities, to participate in chartered funds of insurers.

There are professional and non-professional participants in the insurance market. The scientific research carried out in our study can make reasonable conclusions that actuaries, surveyors, adjusters and assistance services are not developed at all in our republic.

"Insurance covers the economic relations related to the formation of special monetary reserves at the expense of insurance premiums of individuals and legal entities and the formation of monetary funds to compensate for the damage caused in the event of various unpleasant events in the life of customers or the realization of payments related to other conditions of the insurance event. At the same time, insurance is one form of organizing protection of economic entities, along with self-insurance and centralized formation of budget reserves. The ratio of different forms of organizing such protection is determined by the level of development of market relations.

Also, insurance organizations are considered professional participants of the insurance market and ensure satisfaction of individual, collective and social needs for insurance protection. The concept of "insurance protection" is studied in detail in scientific literature³.

Also, in order to modernize insurance activity in Uzbekistan, to expand the scope of insurance services, insurance activity has become one of the rapidly developing branches of the country's economy as a necessary condition for creating organizational and legal bases. In recent years, the rate of growth of insurance premiums in our country is higher than the rate of growth of assets is becoming one of the characteristics of the insurance market. This indicates that the insurance organizations operating in the national insurance market do not meet the level of financial stability and the formation of insurance reserves does not absorb the level of demand. This situation may lead to increased competition between insurance organizations operating in the insurance market. This process is directly related to the following factors:

increased costs of insurance companies to organize insurance business with the increase in requirements for the provision of insurance services;

increase in requirements by insurance regulatory bodies regarding the financial stability of insurance organizations;

increased attention to insurance services provided under compulsory insurance types;

increased competition between insurance intermediaries and insurance organizations that is not based on the requirements of the insurance market;

emergence of competition in insurance sectors in the insurance market;

It is possible to increase the demand for insurance as a mechanism of socio-economic protection of individuals and legal entities.

Also, in the practice of developed countries, a lot of rich experience in insurance work has been accumulated, and as a result of their effective use, great progress has been made in increasing the competitiveness of insurance organizations. Therefore, the role of insurance services provided in the Republic of Uzbekistan in the international insurance market is important. Because the share of the insurance premium in the gross domestic product is the main macroeconomic indicator of the development of the insurance market. In Uzbekistan, this indicator is much lower than the global

³ Zhuk I.N. Management of the competitiveness of insurance organizations.–M.: Ankil, 2011. C.4; Kolomin E.V. Reflections on insurance. - M.: Insurance business, 2006. 384 p.

level. Practical information for this situation can be seen from the data of Figure 2, which is depicted below.



Figure 2 shows the share of insurance premiums collected in the insurance market of certain countries in the GDP, in which "countries with the highest share of insurance premiums in the GDP include Taiwan (18.9 percent), South Korea (14 percent), South Korea (11, 3 percent) states can be included. The Netherlands (11.0 percent), Japan (10.8 percent), USA (7.3 percent), Singapore (6.7 percent), Germany (6.5 percent), UAE (2.2 percent) are the next places. Russia (1.4 percent), Pakistan (0.8 percent), Kazakhstan (0.6 percent), and Uzbekistan (0.4 percent) took the last places⁴.

Proposal and conclusions. The main reason for the high share of insurance premiums in the gross domestic product is the timely fulfillment of insurance obligations by insurers, the quality and convenience of insurance services provided by insurers, and the high demand and reliability of insurance services.

The main reason why the insurance market of the Republic of Uzbekistan, which has a very low share of insurance premiums in the GDP, has achieved such a result is that the quality of the insurance service and the lack of promptness in fulfilling insurance obligations, as a result of the lack of full confidence of legal and natural persons, lead to an increase in the number of potential insured persons. Also, in recent years, increased competition in the insurance market and a significant increase in the number of insurance companies are becoming one of the distinctive features of the insurance market of Uzbekistan. This made it possible to study the competitive environment in the insurance market and determine the following.

In addition, the increase in the number of insurance companies providing life insurance services in the life insurance network in the insurance market of Uzbekistan in recent years indicates the expansion of life insurance services. This situation indicates the activity of insurance companies providing insurance services in the field of life insurance and the increased demand for this insurance service.

The increase in the number of insurance companies capable of providing insurance services in the national insurance market of Uzbekistan leads to an increase in the number of clients in insurance companies. This indicates that it increases the financial stability of insurance companies and their competitiveness in the insurance market.

Also, taking into account the growing competition between insurance services in the world insurance market, great attention is being paid to improving the management of insurance companies in the national insurance market of Uzbekistan and increasing their level of capitalization, as well as ensuring competitiveness by introducing new insurance products.

In this situation, goodwill has a large share in the balance of assets of insurance companies and becomes important, because in recent years insurance companies have been developing through the

⁴ Prepared based on the information of the Ministry of Finance of the Republic of Uzbekistan.

strategy of mergers and acquisitions.

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