

Institutional Foundations for the Creation of a Complete Insurance Market

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Abstract: *The article is devoted to the development of the insurance market in Uzbekistan, the conditions and operations necessary to ensure the sustainable development of the insurance market. At the same time, special attention is paid to the factors restraining the development of the insurance market, as well as the role of the state in modernizing insurance.*

Keywords: insurance market, insurance services, types of insurance, financial stability of insurance organizations.

Introduction

To date, the interpenetration and interdependence of innovations predetermined the prerogative of the development of the most significant innovative areas of high socio-economic significance and high innovative potential, thereby contributing to the integration of national economies into the world economy. The implementation of the latest innovative financial products in these areas, of course, affects all spheres of society, assumes a high level of consumer demand and government support.

The most intensively developing innovative insurance services with a large market potential, which determine the specific position of the insurance industry in the global insurance market.

For Uzbekistan at the present stage, it is necessary to develop criteria for assessing the preference and a list of priority insurance services. Moreover, the acceptance should be made for the significance of a certain set of insurance services and differentiated according to the hierarchy of priorities. In our opinion, the priorities for the development of insurance services focused on the goal of sustainable development of the insurance market include insurance of risks, loans, exchange transactions and traditional types of services: property insurance, technical risks, etc.

Main part

At the same time, an important point is to establish a hierarchy of types of insurance services within each sector of the economy. Those that are of greatest importance to the policyholder should be highlighted. The credibility of insurance services and calculations should be ensured by a team of insurance experts with reliable market information and analysis of the previously studied insurance market. It is advisable to arrange the indicators themselves in descending order of their importance. Those with the greatest weight, for example, will be prioritized in terms of the competitiveness of insurance companies. First of all, they should be the objects of case study, but secondary indicators sometimes turn out to be very important for the success of a product on the market.

Assessment of the competitiveness of insurance services (products), as well as its certification, are important elements of its economic and financial stability in the insurance market [1]. To assess the competitiveness of insurance services, indicators can be successfully used in accordance with the documentation to determine the level and quality of insurance services. However, their grouping and analysis will have a slightly different direction if we proceed from the assessment of the totality of their consumer properties in relation to the costs associated with their provision. Part of the costs needs additional accounting and use in the considered economic calculations.

Calculations of the competitiveness of insurance services should become part of the practice of economic activity and analysis of the economic situation of insurance companies. They are especially necessary when predicting the development of insurance relations in the insurance market.

It should be noted that the data of the current types of insurance do not yet give a tangible or expected result. The overwhelming majority of insurance contracts are concluded on an individual basis, which does not contribute to the effective development of insurance relations, in particular institutional structures that can ensure the creation of a full-fledged insurance market.

The lack of proper legal regulation in the activities of many corporatized insurance companies for a long time has led to the emergence of negative aspects due, on the one hand, to excessive commercialization, and, on the other hand, to higher rates for types of insurance, the absence of any control over the use of funds. There have been cases when insurance companies take on many types of insurance without ensuring the financial stability of operations and quality of services. Quite often a number of insurance organizations carried out non-insurance activities.

Today, the insurance market is witnessing a rapid growth in operations in such non-traditional types as insurance of risks, loans, and exchange transactions. It should be noted that in domestic practice, such operations are not leading in the insurance portfolio, and a number of types (such as credit insurance) are not carried out at all. The development of such types of insurance is explained, on the one hand, by the growth of intermediary - commercial activity with a decline in production, which required appropriate insurance coverage, and on the other, by the desire to shift to insurance those functions that are not the subject of

insurance (protection against commercial risk) [2]. It must be admitted that new insurance entities are often ready to conclude contracts against any risks, without thinking about their essence and possible losses.

It will be hoped that after a certain time the main types (along with personal insurance) will become traditional: insurance, property, civil liability, technical risks.

Along with the negative consequences of the development of insurance, it should be borne in mind that the new insurance market in our country began to form only about 15 years ago. In fact, in the complete absence of a legislative framework, it became controlled. There was a positive shift in a number of areas of insurance activities. At the end of 2017, the insurance market of Uzbekistan grew by 34%. An outstripping growth rate is observed in the types of voluntary insurance, which indicates the real development of insurance and an increase in the level of confidence in the services of insurance companies.

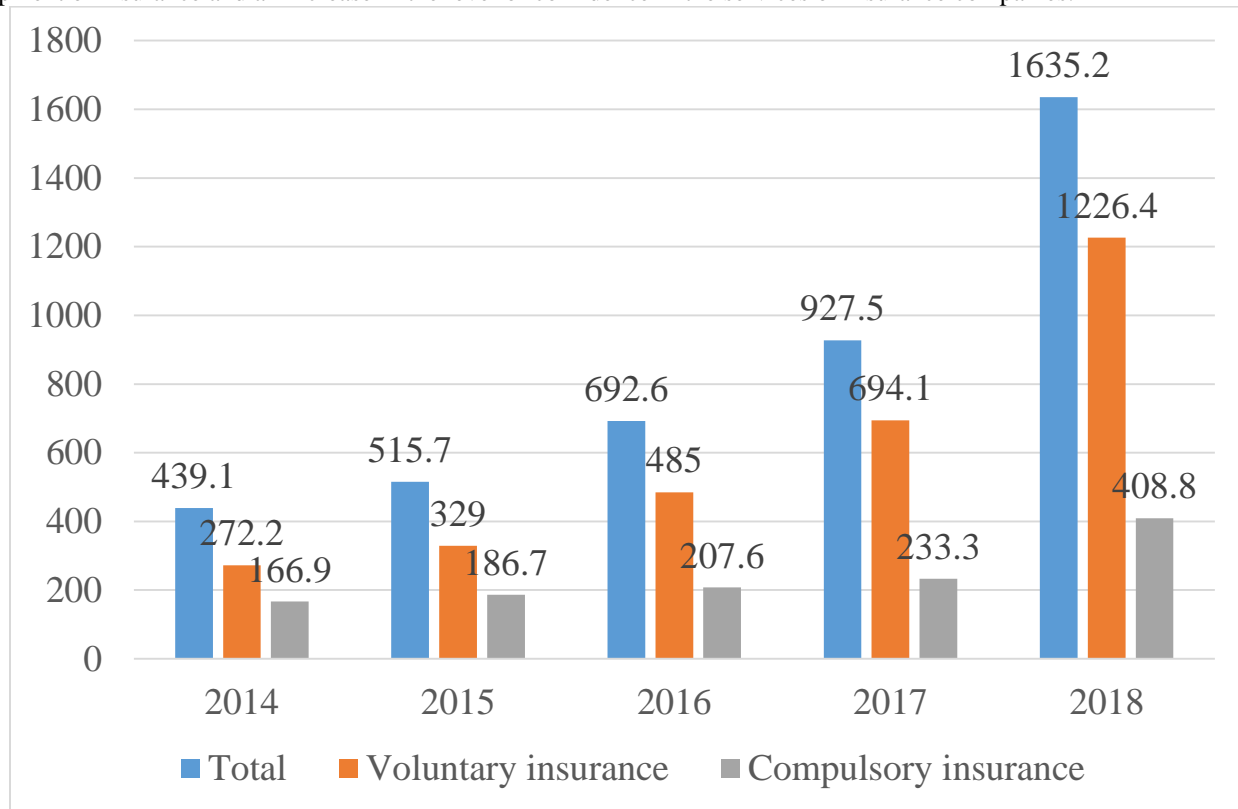


Figure: 1. Dynamics of the volume of insurance premiums, billion soums [3]

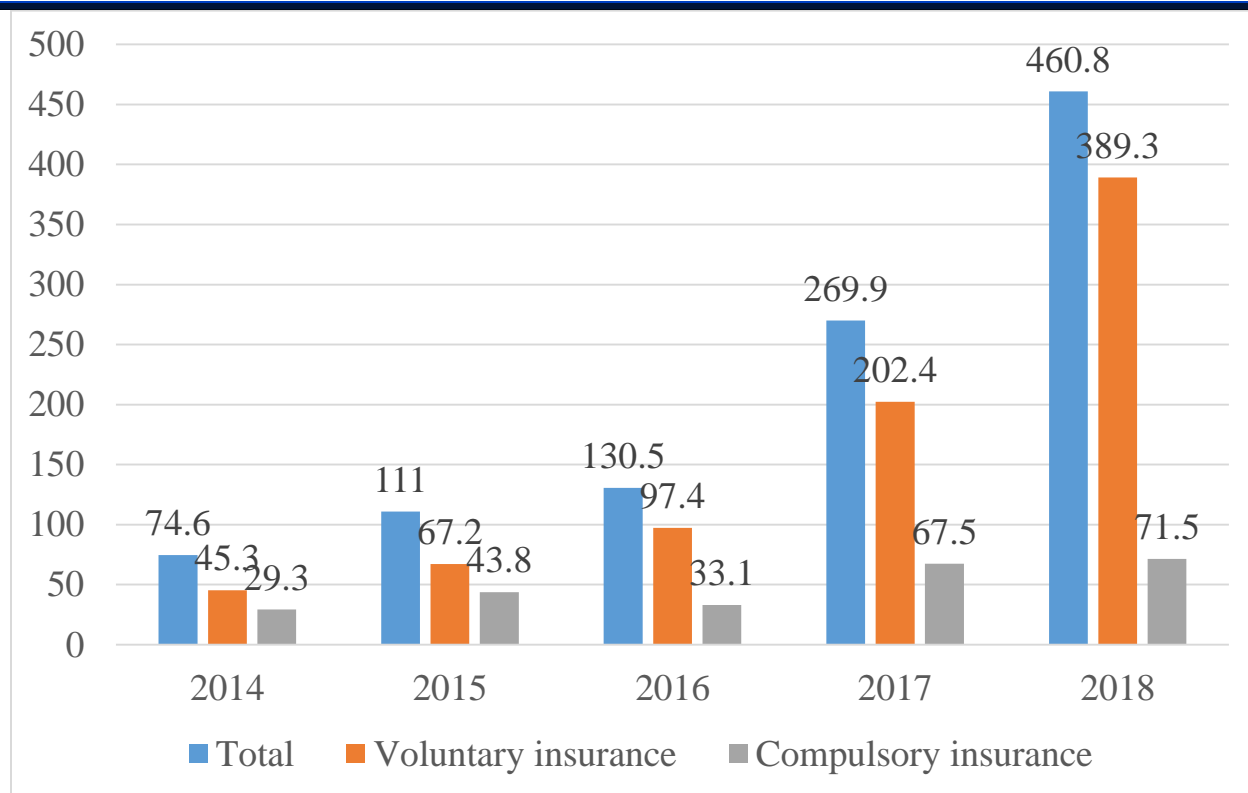


Figure: 2. Dynamics of the volume of insurance payments, billion soums [3]

Adoption of the Law of the Republic of Uzbekistan "On Insurance" in 2002. was opportunity now to streamline the activities of insurance companies, contributed to the improvement of relations between insurers and a better provision of insurance services to both the public and legal entities.

As a result of the measures taken in accordance with the Law of the Republic of Uzbekistan "On Insurance", there have been noticeable shifts, both in the activities of insurance organizations, and in the share of their participation in the creation of a common insurance fund. The desire of insurance organizations is certainly aimed at ensuring that they are secure in case of unforeseen circumstances.

In the future, as the economic base of production strengthens and inflation slows down, and the economy recovers, insurance interests will to a greater extent reflect the economic interests of the entire society. This wish is especially true for alternative insurance companies.

The insurance market is a redistribution of financial resources and satisfaction of the needs of individuals and legal entities in ensuring the stability of their financial position. The market economy has significantly expanded the scope of the use of insurance as a system that makes it possible to provide protection from material interests at the expense of the insured and some other sources. Also, the interest of individuals and legal entities in the use of insurance as a tool to ensure the stability of their financial position has significantly increased. This is also associated with a change in the function of the state in property relations, as more and more property is transferred from the state to private ownership. Therefore, the owner, not having a reliable guarantee of protection from the state, is forced to look for other methods of protection, among which the most effective is insurance.

To ensure the financial stability of the activities of insurance organizations, it is necessary to create a reinsurance system. It is especially necessary for numerous relatively small entities with a small volume of transactions, as well as for companies that insure objects for very high insured amounts. Securing your risks by reinsurance allows you to reduce the required amount of equity capital. It is important to attract foreign capital, which leads to the need to create a system of insurance coverage for their activities. In this regard, the question arises about strengthening the domestic market for foreign insurers, which will make it possible to mobilize additional sources of investment in the economy.

This also causes the need for new types of insurance: for example, insurance of loans, loss of profits, exchange risks, non-payment risk, other types of commercial risk insurance, civil liability insurance, new types of personal insurance. These types of insurance are well known in the world practice; some are also typical for our economy. Therefore, we need to clearly delineate the scope of the use of insurance, without entrusting it with tasks that are not inherent in it, so that there are trends in the use of insurance to cover the households, which are usually regulated by other methods (for example, commercial risk).

Currently, there is an acute issue of the feasibility of creating a single union of insurers, which would make it possible to combine efforts to meet and solve urgent problems. This primarily concerns the development of the insurance conditions, method of calculation of tariff rates on different types of insurance and etc. An important function of such an alliance should be the ability to represent the interests of insurers before government bodies. It is quite realistic to create a press organ, which would publish reviews of insurance activities, achieved results, balance sheets of insurance organizations, etc., and raised problems that require urgent solutions. Of course, with the help of the union of insurers, it would be possible to more successfully and efficiently solve many issues, including the training of insurance workers.

Formation of a full-fledged insurance market will take a number of years, not to mention talking about the current, let alone create competition insurance market is premature. The degree of its development requires a lot of time for a more even distribution of insurance services across territories [4]. But in a number of places there are already signs of a struggle for clientele: the provision of non-traditional types of services, the development of more attractive insurance conditions, a decrease in tariff rates and an increase in the amount of compensation.

Requests of potential consumers are determined in the insurance market on the basis of promptly developed insurance conditions acceptable to them, which contributes to a noticeable increase in the receipt of payments. Despite the huge potential for development, the insurance market is still using them very modestly. For their effective implementation, it is necessary to do a lot of additional work to create a legal framework for insurance. The current legislation does not fully meet the needs of the insurance market. On the basis of the fundamental legislative acts, appropriate recommendations, instructions and other normative documents should be developed, primarily through the insurance supervision service. This will make it possible to give, where necessary, specific recommendations to insurance companies to strengthen their solvency.

It is necessary to develop legislative acts on the investment activities of insurers, mutual insurance and reinsurance companies. It should be borne in mind that purely reinsurance subjects are still counted in units. Insurers usually share responsibility for especially large risks with each other or with banks, which does not solve the problem of optimizing liability, not to mention further development of a truly immense insurance field.

For insurers and reinsurers there is a great need for auxiliary market structures, which are currently at the stage of formation. We are talking about intermediary, consulting and brokerage firms. Meanwhile, as it is clear from foreign practice, it is broker intermediary organizations that provide policyholders with acceptable types and conditions of insurance services by searching and offering the appropriate insurance institution. They advise policyholders on the best form in the form of insurance coverage, help to resolve all issues with the insurance company, including reviewing claims under existing contracts, etc.

The foreign insurance business is increasingly looking at the untapped potential of the domestic market. Apparently, this interest will grow. Already, some insurance organizations are concluding agreements on the reinsurance of their risks with large foreign partners. It is clear that large companies, having, as a rule, incomparably great experience and capital, in the event of a wide entry into the domestic market, will create serious competition for our insurers, which may lead to an outflow of foreign exchange funds abroad. Therefore, before the creation of a national competitive insurance market, it is necessary to admit foreign insurers to the domestic insurance market with great caution.

Conclusion

The issues of taxation of insurance activities are also awaiting their decision. Particularly acute is the question of changing the current procedure in our country, in accordance with which taxes are levied on the entire amount of profit (income) of an insurance organization. But this does not take into account the specifics of the relationship between the insurer and policyholders. After all, most of this profit (income) (insurance payments and premiums), usually before the end of each calendar year or tariff period, must be returned to the policyholders in the form of payments of insurance compensation and insurance amounts. Therefore, you should tax the profits of insurance organizations, taking into account the returned payments.

It is also important that the state, with the help of appropriate levers (taxation, provision of certain benefits, use of indexation), exert the necessary influence on the modernization of insurance. It is no secret that insurance entities are not engaged in industrial insurance, in which market-oriented enterprises are objectively interested. It is in such cases that the regulatory role of the state in relation to insurance and an increase in its role in economic processes will manifest itself.

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