

THE ESSENCE OF INSURANCE AND THE MECHANISM OF IMPLEMENTATION OF PROPERTY INSURANCE AT THE PRESENT STAGE

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Abstract

The article is devoted to the essence of insurance and the mechanism of realization of property insurance at the present stage of economic development. Insurance is an important element of the functioning of the financial system of the state, capable of ensuring the continuity of social reproduction, depending on the negative consequences of natural disasters, accidents, natural and industrial disasters and other unforeseen events that cause high risks of property loss, as well as guarantee social protection of the population and stabilize the process of investing in the economy. In the process of forming a market infrastructure, aspects of economic activity insurance acquire special importance. Insurance affects the development and improvement of investment opportunities, as well as the increase in the welfare of the nation. Successful development of the insurance market is impossible without precise regulation and deliberate legislative acts defining the organization and activities of insurers. The insurance market in our country is developing quite dynamically and is able to outpace the growth rates in most of the leading countries. With the use of civilized forms, Russian insurance uses insurance products that are not only not inferior to foreign analogues, but also often look preferable by many criteria. There are many types of insurance in Uzbekistan at the present stage. To date, property insurance in Uzbekistan is an insurance industry in which the object of insurance relations are property interests and property in various forms (for example, buildings, structures, equipment, and so on). The property insurance market in our country is developing quite rapidly and if there are no major turning points in society in the future, then after a while insurance can become one of the main factors protecting the interests of citizens and legal entities that own any property.

Keywords: acquisition, insurance contract, income, property, property interest, liability, insurance, policyholder, insurer, insurance activity, insurance interest, insurance premium, insurance franchise, insurance market, insurance products, subrogation.

Introduction

In the Constitution of the Republic of Uzbekistan, human rights are recognized as the highest value, according to which the State, first of all, serves the interests of a person and protects his rights. The effective solution of economic and social issues existing in society, in turn, implies the creation of material and other guarantees for ensuring and realizing human rights. Insurance is a legal and practical mechanism for these guarantees, and, first of all, it manifests itself in the implementation of commercial and entrepreneurial activities characteristic of a market economy, in creating opportunities for entering into market relations without risk and preventing the corresponding risks. In this regard, it is no secret that during this period, "further development of the financial market of the Republic of Uzbekistan, expansion of the coverage



of the population with high-quality financial services, support for the activities of insurance organizations, as well as protection of the rights and legitimate interests of consumers in this area is becoming more and more in demand" [1].

In modern society, with the development of a market economy, insurance plays an important and multifaceted role. The basis of insurance is based on redistributive processes for the unification of economic risks with subsequent options for their return. When an adverse event occurs, there is a need to protect yourself, which creates a need for insurance, and the possibility of covering damage from a person seeking insurance protection provokes insurance interest. In this regard, there is a need for insurance services that an insurance company is able to provide, pursuing its interests – obtaining income from insurance activities.

The main reason for the emergence of insurance interests is the risky nature of public production. If there is a probability of an adverse event, then under this condition the economic entity carries out its activities at a loss, and if the losses are significant, then the entity becomes financially insolvent. In this situation, there is a need to create a system of financial guarantees that will be able to provide compensation for damage in the event of accidents, fires, natural disasters and other unforeseen events that can affect the production processes from the negative side [1, p. 78].

Literature Review

Of course, "insurance" as a phenomenon did not appear yesterday or today, but, as noted by economists T. Malikov and H. Shennaev, it is known from history that even at the early stages of human development there were relations related to insurance. In the primitive communal system, those who lived life in the form of a tribe created food reserves to avoid unpredictable, diverse events.

Some, however, perceived such unpleasant phenomena as floods and droughts that occurred as a curse of God. For some reason, there is no doubt that reserves were created to compensate for those losses that were noticed when events unrelated to the will of a person, in a word, were unexpected and unpredictable at that time [2]. According to the Russian scientist M. Ivanov, during the reign of King Hammurabi, who ruled the Babylonian state in 1792-1750 BC, the members of the trade caravan had mutual consent before setting off [3]. According to this agreement, if the property of any member of the caravan was lost, stolen or looted by pirates, this damage was compensated by the members of the caravan. However, several thousand years have passed since the time when the civilization of mankind began, and to the present day. However, the formation of reserves to compensate for losses incurred as a result of various events, which are one of the fundamental, scientifically based principles of insurance, remains today.

According to U. Turgunov, N. Beknozov, the issues of special insurance arose in some states in the Middle Ages. The transport service of a smaller industry, the development of international trade by the XVIII century. expanded the range and scale of such services in European countries. Of course, if in the first periods ships and cargo were mainly insured, then later mandatory insurance of passengers and crew members was introduced. This sphere has expanded, insurance services of various types of economic activity, people of different spheres have begun to appear [4]. Some sources note that the first written insurance contract in England



was concluded in the XIV century, when a fire insurance society was first established in Russia in 1827, in Italy in 1393, each notary averaged an insurance policy with 80 clients per week, and finally, in 1466, Venice adopted Maritime Insurance Code [5]. One can even trace in the legal literature the existence of points of view that the work on codification of the right to insurance in the Russian state began in 1879 [6]. The term "insurance", i.e. "insurance", which comes from English, means "in" (inside) and "sure" (hope, reliable) – "in safe hands". This means that the insured object is reliably protected, which means there is nothing to worry about [7].

It is known that even in the Republic of Uzbekistan today, as one of the necessary elements of the production infrastructure, insurance occupies a special place in ensuring the continuity of ongoing economic reforms and protecting the population from unpleasant events, moving step by step towards building a just society, a strong democratic rule of law based on equality of all segments of society.

As U. Aitbayev correctly noted, the insurance market provides material assistance in the preservation of almost all forms of ownership from natural disasters, compensation for damage caused to people as a result of various natural disasters [8].

Thus, M. Yusupov believes that "insurance, as an economic category consisting of accounting for contributions from interested organizations and citizens, means the emergence of a monetary fund under the management of a special organization (insurer) and a form of distribution" [9], E. Khodzhiev explains that "insurance means the provision of compensation for damage that may be caused by paying a membership fee to a special institution" [10]. A.T. Umarov put forward the idea that "insurance is the protection of one's interests by paying the insurance ceiling (insurance money) to these persons in accordance with the insurance contract in the event of a certain insured event from the account of funds formed from insurance premiums paid by legal entities and individuals" [11], and M. Yuldoshev and Y. Tursunov believes that "insurance is an entrepreneurial activity aimed at protecting the interests of the insured person by fully or partially reimbursing him at the expense of previously paid insurance premiums, which replaces the material damage caused in the event of an insured event stipulated by the contract between the insurer and the insured person" [12]. "Insurance is a means of protecting an enterprise and the population from harm, a source of investment in the economy, as well as the basis of stability and financial security of society" - this is how Russian scientists L.N. Klochenko and K.I. Pylov [13].

As can be seen from the sources, there are different approaches to the concept of "insurance". If some of them imply that policyholders are a special "fund" formed on the basis of such contributions, then in some of them one can see a "means of protection" from losses, in others – a "form of formation and distribution of a monetary fund" in the management of a special organization (insurer) or "economic relations" or "civil law relations" related to compensation for damages.

Analysis

Of course, it is worth noting that insurance is a complex and universal concept that corresponds in its essence and in essence to both the economic and legal categories. But, revealing its essence as a legal category, it is desirable to draw appropriate scientific conclusions, having



studied the experience of both practical needs and developed countries about how true the definitions given in the legislation of Uzbekistan are, since in art. 3 of the Law of the Republic of Uzbekistan "On Insurance Activity" stipulates that "Insurance is the protection of the interests of legal entities or individuals by paying them insurance compensation (insurance amount) in accordance with the insurance contract at the expense of monetary funds formed from insurance premiums paid by them, as well as other means of the insurer, upon the occurrence of a certain event (insured event)" [14]. Before analyzing the opinions of economists and lawyers, it is also necessary to provide definitions given in the national legislation of foreign countries.

Insurance, as an economic category, is a system of economic relations that imply the creation of forms and methods of forming trust funds of funds, using them to compensate for damage in various risky events and to assist citizens in the event of unforeseen life events. Insurance acts, on the one hand, as an activity that generates income, and on the other hand, as a means of protecting business and people's well-being [15, p.168].

Income from insurance activities, from investments that have the status of temporarily available funds in objects of non-productive and industrial spheres of activity, bank deposits and other means of profitability - all these act as sources of profit of the insurance organization. Insurance, as an economic category, performs certain functions, which are presented in Figure 1 [16, p. 241].

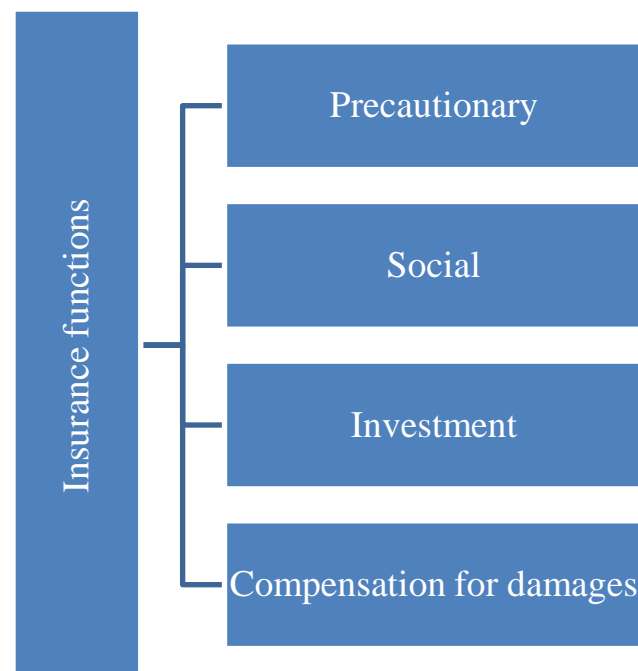


Figure 1 – Insurance functions

Under the function of compensation for damage, the right to compensation for damage is assumed only for legal entities and individuals who are participants in the formation of the insurance fund. Insurance reimburses a significant part of losses in the event of an adverse event, for example, fire, natural disaster, man-made disasters and other events. Insurance performs a social function in solving social problems. This function manifests itself in



providing assistance to insured persons in case of disability, disability, death, illness and other accidents [17, p. 32].

The insurance company finances the costs of treatment, rehabilitation process, and in case of death pays a certain amount to close relatives. Payments for lost or damaged property act as a stabilizer of the material level of insured objects. Also, the social function is performed by pension insurance services, medical care and accumulation of funds.

The investment function in insurance means that insurance companies, with the help of accumulated reserves, participate in the development of the national economy. Insurance companies created by commercial banks specializing in raising funds in the short term differ in that they have the opportunity to use the accumulated funds for a long period (that is, 10 or more years). This opportunity is provided mainly for companies that are engaged in life insurance.

The periodic receipt of funds and the long-term obligations under concluded insurance contracts make it possible for insurance companies to accumulate funds in special purpose funds and become a permanent source of financing for business and, consequently, the state [18, p. 298]. The investment function is also manifested in the fact that insurers have the opportunity to offer programs to protect the property interests of investors from future losses [19, p. 864; 7]. Also, insurance companies can act as a guarantor for the temporary execution of contracts concluded by the investor in various directions, in addition, they can regulate the movement of financial flows, while reducing the possibility of negative effects of natural phenomena and emergencies.

Thus, insurance companies provide an opportunity for investors to carry out their activities with the least risks and at the same time make the work more in demand and popular, contribute to the growth of investment volumes in all areas of the economy. The possibility of reducing the financial losses of market participants from all kinds of emergencies is characterized by a preventive function. This function is implemented in several directions, namely, it has the probability of forming reserves of preventive measures and assumes the requirement of insurance companies from insured persons to carry out some measures that are aimed at reducing the likelihood of adverse events [1, p. 81].

Reserves from preventive measures are formed as a result of the transfer of part of the funds from the received insurance premiums (contributions) to the special purpose fund for the purpose of accumulation in the future period. Carrying out such events significantly reduces the risk of adverse events, also reduces the likelihood of financial losses of the insurance company for compensation of losses in insurance cases. Having defined the functions of insurance, we can say that as a result of the development of market relations and the economic system as a whole, the tasks and role of insurance are significantly expanded. The role of insurance is presented as a mechanism for regulating reproductive processes. Insurance becomes a kind of a tool that continuously ensures the stability of the progressive movement of society's production, achieving results and protecting the interests of business and the welfare of mankind.

Considering the category of insurance as a method of insurance protection, it is necessary to identify some essential features [8, p. 472]:



- losses from accidental adverse events are the reason for the objective necessity of insurance, and the purpose of insurance is to compensate for these losses. Therefore, insurance at its core always has accidental adverse events that cause losses;
- compensation for damage is carried out between insurance participants, with a certain layout;
- compensation of damage is provided by means of formation at the expense of contributions of participants of the insurance fund and its use for compensation of damage. Therefore, by redistributing the funds of insurance participants, compensation for damage is equalized.

The redistribution of funds occurs between the boundaries of the insurance fund when a participant makes a contribution to the fund, and payments from it are received only by those persons who have a need for these funds when an adverse event occurs [9, p. 156].

Thus, the signs of insurance determine the main points in the relations of subjects in the implementation of insurance activities – these are relations due to compensation for the adverse damage caused by equalizing it between insurance participants, through the formation and use of a trust fund [10-16].

With the development of market relations, the economic system of the state is changing, hence the role of insurance in order to meet modern requirements for the stable development of production in society, also remaining in demand as a means of protecting the property interests of citizens and businesses [17, p. 230].

Let's define the main participants of insurance relations. The policyholder is a natural capable person or a legal entity that has concluded an insurance contract with the insurer and pays him a certain amount (insurance premium, premium) for the transfer of responsibility for carrying a certain risk [18, p. 67].

An insurer is a legal entity established in accordance with the legislation of the Republic of Uzbekistan to carry out insurance, reinsurance, and mutual insurance operations and has received a license to conduct insurance activities [19].

Since the topic of research in our article is property insurance, we will focus on it in more detail. Property insurance in the economic aspect includes the organization of a special insurance fund designed to compensate for damage to its participants, which appeared as a result of the occurrence of an adverse event. The policyholders may be not only the owners of the property, but also other legal entities, individuals who are responsible for its safety.

Property insurance includes the following components [20]:

- a) civil liability insurance, where the objects are property interests that are related to the obligation to compensate other persons for the damage caused;
- b) property insurance, where the objects are property interests that are related to the possession, use, disposal of property;
- c) business risk insurance, where the object is property interests, which are directly related to the implementation of entrepreneurial activities.

Under the property insurance contract, the insurer is obliged, upon the occurrence of an adverse event, to compensate the policyholder for losses within the amount specified in the contract caused to their insured property interests. The property insurance contract differs from other insurance contracts in that it consists in the compensatory nature of the insurance coverage.



The policyholder buys a guarantee of compensation for real losses incurred by him, which have a certain material assessment [5, p. 299].

Property insurance is intended to cover the risks of death, damage or partial loss of the insured property, for the risks of civil liability in the event of damage to life, health, property to third parties and for the risks of losses from private activities, including the risk of non-receipt of expected income [21, p. 134]. The basis of the organization of property insurance is the concept of compensation, assuming that the purpose of providing insurance protection is that the policyholder is returned, after the occurrence of an insured event, to the same financial position in which he was before the occurrence of the insured event. The concept of compensation on the part of the policyholder does not imply any gain. The insurer has the opportunity only to compensate for the damage caused to the insured objects.

Long-term practice in property insurance has developed general rules for providing insurance protection, which are expressed by the following principles [22, p. 318]:

1. The principle of insurance interest is represented by the fact that an object in property insurance can be insured either in favor of the policyholder, or in favor of the beneficiary, who has a legally justified interest in the safety of property;
2. The principle of insurance franchise that is, through the system of insurance franchises, the policyholder's own participation in compensation for damage is realized. A deductible is a fixed amount of damage that is not subject to compensation under the insurance contract. By means of a deductible, the minimum limit of liability of the insurer is established.
3. In the practice of insurance, unconditional and conditional deductibles are used. When establishing a conditional deductible, if the damage is within the limits of the deductible, the insurer does not pay insurance compensation, and if the damage exceeds the deductible, it covers the losses in full. When an unconditional franchise is established in the contract, the insurance indemnity is always reduced by the amount of the franchise [23, p. 17];
4. The principle of concluding several contracts, that is, several insurance contracts can be concluded with respect to the same object. Thus, the term "double insurance" appears – it is insurance of the same property (property interests) from the same risks and at the same time from several insurers for the total amount of insurance that exceeds the insured value the insured object. It is not legally prohibited to insure the same risk in different insurance organizations, but with the condition that the total amount of insurance under all contracts should not exceed the insured value. If the insurance amount is inflated before signing the next insurance contract, it must be reduced taking into account the insured value, otherwise the contract is considered unprofitable [5, p. 299];
5. The principle of subrogation distinguishes another important definition in insurance activity. Subrogation is the transfer to the insurer of the rights of the policyholder to compensation for damage that has paid the insurance indemnity. The insurer's right to subrogation includes the right to file a recourse claim against the person responsible for the losses that were reimbursed by the insurer. As a result of subrogation, the insurer replaces the policyholder in his claim rights. In addition, the subrogation includes the right to dispose of the affected property for which insurance compensation has been paid [24, p. 202].



In conclusion, we note that insurance is a paid service that is provided by the insurer to the policyholder. The payment for the service provided is the insurance premium of the policyholder, which must be paid to the insurer under the contract. Having considered property insurance, we can say that it implies insurance against possible losses and consists in the organization of a special insurance fund designed to compensate its participants for damage resulting from the occurrence of an adverse event. The issues of improving property insurance become of particular importance as the insurance market strengthens. The creation of private property, separate non-state business entities and the resolution of private entrepreneurship caused the emergence of new property interests, the formation of a commercial insurance market and the expansion of objective solvent demand for insurance.

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