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FINANCIAL STABILITY OF THE INSURANCE MARKET OF DEVELOPED COUNTRIES AND SPECIFIC FEATURES OF ITS PROVISION

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Abstract

This article analyzes the financial stability of the insurance market of developed countries, studies the scientific and theoretical views of foreign and domestic economists on the development of the insurance market and ensuring the financial stability of insurance companies. It also covers the mechanisms used in the development of the insurance market of developed countries and the specific features of the insurance market of foreign countries. In addition, having studied the financial stability of the insurance market of foreign countries, practical conclusions and theoretical recommendations are formulated for its application to insurance companies of Uzbekistan.

Keywords: Financial stability, insurance mechanisms, insurance products, insurance companies, insurance activities, ensuring stability, financial resources, investments, insurance market of developed countries.

Introduction

The fact that the innovative development of the insurance market in the process of globalization is taking place in the context of rapid changes means that theoretical and practical research of the activities of this institute is relevant. The insurance market is a key segment of the economy of any country and directly serves its prosperity. Therefore, insurance activity is a uniquely formed and widely used social phenomenon and is considered a factor of stability. Forecasting the development of the country's insurance market, in turn, has led to the need to study the directions of development of insurance activity as an institution for ensuring the protection of the interests of business entities and the population at a guaranteed level.

In foreign countries, extensive research is being conducted on the development of the insurance market infrastructure, ensuring the financial stability of insurance companies using scientific approaches and econometric instruments, and increasing the efficiency of companies based on the characteristics of the industry and sector. Today, it is relevant to conduct research aimed at assessing the effectiveness of insurance companies through multiplicative coefficients, determining the quantitative level of financial stability, and improving financial stability based on international standards and mechanisms. In our country, measures are being taken to further increase the importance of insurance companies in ensuring economic development, gradually increase their share in GDP, and further improve their participation in the securities market, as stipulated in the Regulation on "Investment Activities of Insurers and Reinsurers". Also, the introduction of modern insurance services through diversification of insurance services and the effective organization of active participation of the population in these processes are of great importance in ensuring the financial stability of insurance companies.

Review of relevant literature

According to T.A. Fyodorova: “The result of investment activities has a significant impact on the profit of an insurance company. At the same time, the profit from investment in some types of insurance can be a source of replenishment for insurance reserves needed to cover losses” [1].

The activity of placing financial resources of insurance organizations is one of the areas with a high level of risk. Russian researcher I.T. Balabanova defines risk as follows: “risk is an action based on the risk of losses and relying on luck” [2].

It is worth quoting the following words of the famous Russian scientist N.B. Grishenko: “Insurance is an independent and specific area of modern economic reality, the principles of its emergence, operation and development are reflected in economic theories and views” [3].

Russian researcher T.A. Merebashvili concludes in his research: “the combination of the concepts of commercial and mutual assistance in insurance allows us to conclude that, by its nature, commercial insurance must simultaneously have a mutual assistance nature, and mutual insurance must simultaneously embody commercial features, otherwise it is not insurance” [4].

According to the definition of K.R. McConnell and S.L. Bruler, the insurance market is an economic mechanism that combines the interests of the insured and the insurer related to insurance services [5].

In the research of the foreign scientist M.G. Zhigas, “An insurance portfolio is a set of insurance contracts characterized by a certain insurance amount. In fact, it is an obligation of the insurance company to the insured. Creating a stable insurance portfolio is one of the important goals of an insurance company. The level of liability of the insurance company under the concluded insurance contracts should correspond to its financial capabilities. To ensure the financial stability of the insurance company, it is recommended to form an insurance portfolio with a large number of insurance contracts and a low level of liability [6].

According to Vasiliev G. V., people have come together to meet all the misfortunes of life, and when economic and material damage is caused, not property, but an economic person helps in friendly mutual assistance [7].

N.G. Ishenko Supervision of the activities of insurance and reinsurance intermediaries - insurance agents and insurance brokers has a special place in the insurance law of the European Union. Insurance intermediaries, on the one hand, enter into insurance relations with the final consumers of insurance services - the insured, and on the other hand, they do not assume obligations and are not liable for the payment of insurance benefits [8].

Research Methodology

The article uses scientific observation, a systematic approach and research methods such as induction and deduction, comparison, graphing. Based on the analysis of existing methods and

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approaches in the insurance market, proposals and recommendations have been developed to ensure the financial stability of insurance activities in Uzbekistan.

Analysis and Discussion of the Results

An analysis of the literature devoted to the study of the problem of financial stability of an insurance organization allows us to determine that the starting point in determining the essence of financial stability is solvency - “the ability of an insurance company to timely fulfill its monetary obligations, which are based on law or contract”.

It should be noted that one of the main external factors affecting the financial stability of insurance companies is the legal framework for regulating this system in the country. It is precisely the excellent development of legal and regulatory documents regulating the activities of the insurance market that ensures the effective operation of companies based on the implementation of strategic projects, making optimal decisions, and achieving financial stability.

In general, summarizing the ideas about the functions of the insurance portfolio, it can be concluded that the goal of all ideas is to create an effective insurance portfolio; achieving an alternative balance between profitability and risk level, that is, all of these serve as factors ensuring the financial stability of the insurance portfolio.

Before covering the analysis of the main indicators assessing the financial stability of insurance companies - ratios and coefficients, it is advisable to cover the factors affecting it and their main aspects in assessing financial stability. Factors affecting the financial stability of insurance companies can be divided into external (uncontrollable) and internal (controllable) factors in accordance with the general approach (Figure 1)

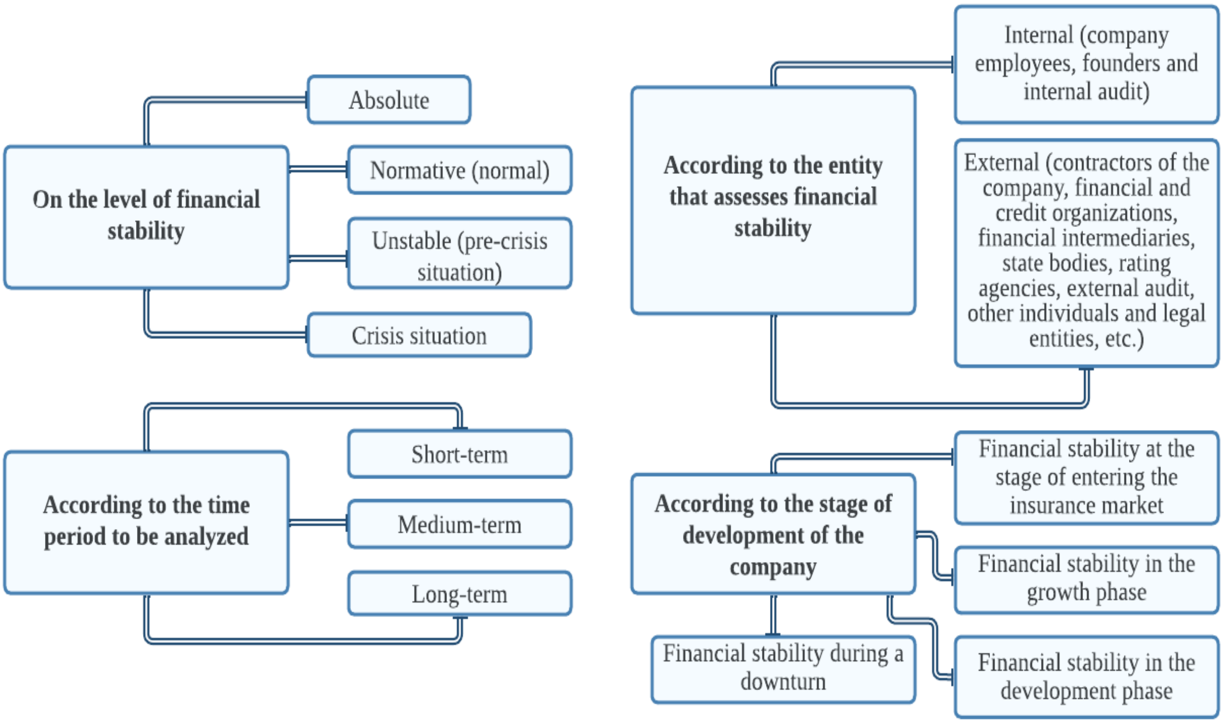

Figure 1. Classification of types and characteristics of financial stability of insurance companies [9]

In the insurance market of developed countries, the United States and European countries are actively supporting technological innovations in the insurance market. Artificial intelligence, big data (Big Data) and blockchain technologies are widely used in these countries. These technologies allow insurance companies to effectively manage large volumes of data, analyze customer behavior and provide personalized insurance products [10].

In the UK, digital insurance platforms and AI-based robo-advisors are helping to improve the quality of service in the insurance sector. These solutions allow customers to quickly obtain information about insurance products, get advice on insurance policies and, if necessary, quickly and easily file claims [11].

The growth of mobile technologies in the Indian insurance market is noteworthy. Providing insurance services through mobile applications plays an important role in providing insurance products to a wide segment of the population. In various regions of India, a large portion of the population is first introduced to and uses insurance through mobile apps [12].

In China, a country with comprehensive development, the life insurance industry is growing and introducing a variety of insurance products. These offerings cover critical illness and medical expenses targeted at specific consumer segments. Life insurance policies are constantly being improved with clear and detailed coverage specifications, competitive market dynamics, and regulatory requirements. Annual life insurance premiums were 3.4 trillion yuan ($530 billion) in 2022, up from 1 trillion yuan ($161 billion) in 2012 [13].

World experience shows that the privatization of state property, the steady development of entrepreneurial activity indicates an increase in the demand for insurance in compensation for losses associated with production activities and the interests of citizens, an increase in income by attracting free funds for investment through the involvement of new insurance objects and entities in insurance relations.

In developed countries of the world, the activities of insurers are manifested in various organizational forms, namely, joint-stock companies; state and mixed insurance organizations; private entrepreneurship and associations; cooperative insurance organizations; joint ventures; auto insurers in parallel forms. In different countries, various organizational and legal forms are used in practice when creating insurance companies. Joint-stock companies operate in the USA and Germany, mutual insurance companies in France, and insurance associations in Great Britain.

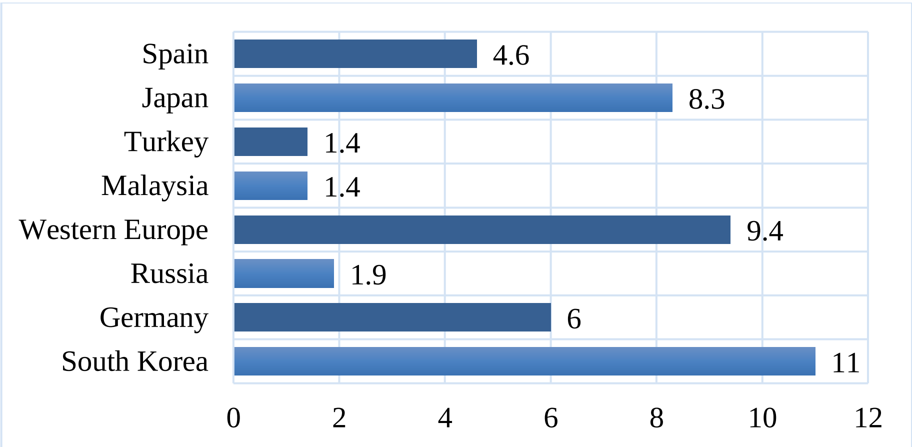

Figure 2. Share of the insurance market in GDP of developed countries (as of 2023) [14]

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The share of the insurance sector in the gross domestic product of our country is only 0.4 percent. For comparison, this figure is 11 percent in South Korea, 6 percent in Germany, and 1.5 percent in Russia. One of the main reasons for this is the lack of attractiveness of insurance services. For example, although 887 billion soums of insurance premiums were collected in the general insurance network over the past six months, the amount of insurance coverage paid to clients during this period amounted to only 11 percent of the premium. In the world, this figure is on average 50-60 percent. Strong competition in the insurance market forces insurance companies operating in this market to constantly work on themselves, conduct marketing research to maintain their competitive position, study the experience of advanced insurance companies in all respects inside and outside the country and apply it to their activities, widely use actuarial calculations to ensure optimal tariff rates, effectively use investment and other sources of income that allow reducing tariff rates, use various types of additional services and bonuses in order to attract more potential policyholders and retain existing policyholders, and develop and implement insurance contracts that take into account the interests of the policyholder more. The increase in the number of insurance companies in the national market that have made such actions the content of their activities will ultimately lead to an increase in the number of insured persons, a significant increase in the amount of insurance premiums collected, and an increase in trust in insurance companies among insured persons. Today, with the intensification of globalization processes in the world and the expansion of mutual relations between countries in trade, tourism, and other areas, insurance services are becoming increasingly relevant.

Table 1 Structure of the insurance market of the Republic of Uzbekistan [15]

Insurance market structure	31.12.2022	31.12.2023	Change (+/-)
Number of insurance organizations	41	38	-7,3 %
including life insurance	8	7	12,5 %
Total authorized capital of insurance organizations (in million soums)	1 884 111	2 298 572	+22,0%
Number of insurance brokers	7	8	+14,3%
Number of actuaries	5	5	0%
Number of insurance agents	9 155	4 736	-48,3%
including legal entities	2 625	1 711	-34,8%
Number of insurance organizations that are members of the Payment Guarantee Fund	25	26	+4,0%

The basis of any economy depends on its sustainable development. In this case, the effective use of insurance institutions becomes important. In this regard, ensuring the stability of insurance companies is even more important. One of the main factors ensuring the financial stability of an insurance company is the insurance portfolio. Understanding the essence of the insurance portfolio and ensuring its balanced form remains relevant today. The insurance portfolio is the basis that determines the entire activity of an insurance company and its financial stability. The insurance portfolio is understood as the actual number of insured objects in a certain territory or existing insurance contracts. The financial stability of the insurance portfolio is understood as a constant balance between the risks assumed and the profitability of the portfolio. The size, quality, composition and dynamics of the insurance portfolio determine the profitability of insurance operations, the receipt of insurance payments, fluctuations in insurance coverage, and changes in the volume of insurance amounts.

Conclusions and Recommendations

Based on the experience of developed countries, the following suggestions and recommendations have been formulated to further improve the insurance market of Uzbekistan and increase its financial stability:

1. Attracting foreign insurance providers can bring much-needed experience, advanced products, and capital to the Uzbek market. The government should create a favorable environment for foreign direct investment in the insurance sector, focusing on the development of life insurance. This may include offering tax incentives, regulatory benefits, or joint ventures with local firms.
2. Public-private partnerships play a crucial role in strengthening insurance. The government should cooperate with private insurers and international organizations to develop innovative products in the insurance market, provide subsidies or tax breaks for low-income families, and introduce joint initiatives aimed at promoting financial inclusion.
3. It is necessary to conduct comprehensive information and propaganda work among the population, explaining the importance of insurance services. This can help form a positive attitude of citizens towards insurance and increase demand for insurance.
4. It is necessary to simplify insurance services and expand their use by introducing digital technologies and online services. This will increase access to insurance for each segment of the population. Also, insurance companies can improve interaction with customers, automate processes and quickly analyze data by creating or updating modern IT infrastructure and databases. This requires updating software, using cloud computing services and integrating systems based on artificial intelligence.
5. In the process of assessing the financial stability of an insurance company, in addition to the adequacy of insurance reserves, the probability that these reserves will be sufficient to meet obligations in the long term should be characterized by an indicator of the likelihood that these reserves will be sufficient to meet obligations in the long term. Naturally, these factors should be taken into account when assessing financial stability. In other words, the more unsatisfactory the financial viability of companies in terms of the amount of insurance reserves, the higher the probability of bankruptcy of the company.
6. In order to fully use extensive and intensive ways of developing the insurance market, ensure a clear and transparent information environment, and increase the efficiency of compulsory insurance, it is necessary to improve state policy in this area, develop the insurance law system, significantly change the composition of the insurance portfolio in favor of personal insurance, further develop the infrastructure of the insurance network, and provide guarantees for the protection of policyholders, etc.

Based on the above scientific proposals and recommendations, their in-depth study, analysis, and justified implementation into practice will yield results in the near future. Thus, by further improving the insurance market in the country, their financial stability will be ensured.

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