

Ways to Ensure the Financial Sustainability of Insurance Companies and Increase its Efficiency

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ABSTARCT

Insurance companies are one of the main links in the financial system, along with other financial institutions, in particular, banks, investment companies, leasing companies. A common feature of all financial institutions is that each of them is engaged in the formation and management of special funds. However, financial institutions differ in their areas of activity. The concept of financial stability is inextricably linked with the concept of "solvency". In order for an insurance company to unconditionally fulfill its obligations under the law or contracts, it must achieve a "solvency margin", an increase in assets relative to liabilities.

In analyzing the financial performance of insurance companies, the following two main aspects of the company's activities are distinguished. These are:

- Solvency of the insurance company;
- Financial stability.

Solvency of the insurer (reinsurer) - the ability of the insurer to fulfill its financial obligations in a timely and complete manner. The basis of solvency is the formation of the authorized capital, sufficient insurance reserves, as well as the availability of a reinsurance system.

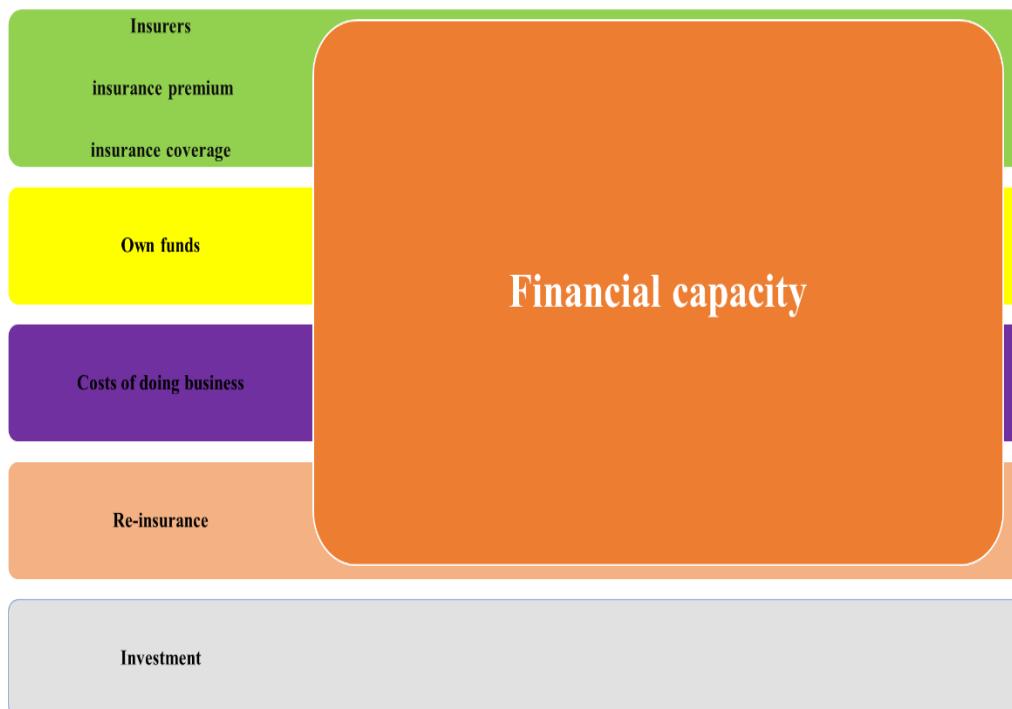
The financial stability rating of the insurance company is based on the information provided by the company, as well as on the basis of information obtained from open sources, which SAIPRO considers reliable. In addition, the following sources of information will be selected for the rating:

- Forms of financial calculations
- balance sheet;
- financial results report;

The formation of financial resources in insurance companies is associated with the following:

- Insurance as an important form of business activity specializes in financing the risks of participants in insurance relationships;
- In order to provide insurance protection, special monetary funds are formed, which are based on the transfer of risks;

The main and only financial source for the formation of own funds in the process of establishing an insurance company is the authorized capital. The insurer must have a certain amount of its own funds in the manner prescribed by the competent state body. Article 12 of the Law of the Republic of Uzbekistan "On Insurance Activity" sets certain requirements for the charter capital of insurers. The Cabinet of Ministers of the Republic of Uzbekistan determine the minimum amount of the charter capital of insurers. At least 90% of the charter capital of the insurer is formed from the funds of the founders (participants).



The use of loans, mortgages and other borrowed funds to form the charter capital of the insurer is not allowed. The charter capital of the insurer must be paid by the founders of the insurer before the license is obtained. It should be noted that a large part of the financial resources of the insurer is formed at the expense of borrowed funds. A significant part of the insurance premiums paid by the insured in return for the provision of insurance services by the insurer is kept in the insurance reserves. In turn, the money in the reserve is used to cover losses caused by the insured event. Also, a certain part of the received insurance premiums is used to finance the insurer's office expenses. Article 6 of the Law of the Republic of Uzbekistan "On Insurance Activity" states that insurers can carry out investment activities in the manner and under the conditions established by a specially authorized state body. The income of the insurer from investment activities is the basis of its financial stability and one of the main factors that meet the cash needs of the economy.

The main source of additional capital formation in insurance organizations is the following

- Monetary funds received as a result of revaluation of fixed assets;
- Emission income from the placement of shares;
- positive and negative differences arising on the exchange rate as a result of the transfer of the founders' contribution to the authorized fund of the insurer in foreign currency.

It is no secret to anyone that the role of investments in each network of the economy plays a special role. In the last years, we can see that large investments are also being made for the economy of our country. In order to ensure financial stability of insurance companies, it is necessary to place their assets on the basis of the above-mentioned principles of return, liquidity, diversification and usefulness. In this process, it is forced to comply with the following basic conditions:

Management of investment and associated risks - confirmation of the investment policy, in which the main directions of investment activity are indicated, if necessary, the involvement of investment consultants, reliable managers of investment assets and other professional participants of the securities market in the organization of investment activities, the analysis of investment objects and the assessment of the income received, etc;

Ensuring transparency and confidentiality of information - disclosure of information in accordance with the requirements of the legislation, reporting annually before the founders on the implemented investments, the use of services and confidential information by the employees of the insurer (reinsurer) and members of the management bodies in accordance with the investment policy of the insurer. In the formation of financial resources of insurance organizations, insurance premiums arising from legal entities and individuals occupy an important place. Insurance premiums are calculated on the basis of the tariff rate established by the insurance organization for types of voluntary insurance. Tariff rates on types of compulsory insurance are determined by the government in the order established by legislative acts. The size of the insurance premium should be sufficient for the following:

- To cover claims expected during the insurance period;
- Formation of insurance reserves;
- cover the expenses of the insurance company;
- To provide a certain level of profit volume.

The cost of the insurance service, like all prices in the conditions of the market economy, fluctuates due to supply and demand. The lower limit of the cost of the insurance service is equal to the difference in insurance premiums and insurance coverage received under contracts, with the addition of the costs of the insurance company. No insurance company at the lower limit of the price of the insurance service does not earn. And the upper limit of the cost of insurance services is formed due to the level of demand for insurance services in the market.

Information on the collection of insurance premiums in the regions of the Republic of Uzbekistan for 2018/2019

INFORMATION ON COLLECTION OF INSURANCE PREMIUMS BY REGION (at the end of 2019)

billion soums

No	Region	for 2018	for 2019	Change in%
1	Republic of Karakalpakstan	44,2	48,7	110,3
2	Andijan region	73,3	82,3	112,3
3	Bukhara region	65,5	80,6	123,0
4	Jizzakh region	35,9	59,0	164,5
5	Kashkadarya region	55,5	76,8	138,4
6	Navoi region	51,2	69,3	135,5
7	Namangan region	61,1	92,2	150,9
8	Samarkand region	71,0	82,8	116,6
9	Surkhandarya region.	45,9	62,8	136,8
10	Syrdarya region	24,4	40,8	167,2
11	Tashkent region	113,7	170,4	149,8
12	Fergana region	89,9	124,0	138,0
13	Khorezm region	53,4	68,6	128,7
14	Tashkent	850,3	1 255,5	147,7
Total for the Republic		1 635,2	2 313,9	141,5

Considering the data in the table below illustrates the analysis of insurance premiums by regions between 2018 and 2019. It shows that the funds attracted by the national insurance market in 2019 increased by 141.5% or 2313.9 billion soums. the amount of insurance premiums collected.

The city of Tashkent, Tashkent region, Samarkand region, Andijan region, as well as Kashkadarya region are leading in the collection of insurance premiums. The main reason for this is that most insurance companies have branches in these districts, so their insurance portfolios are very high. It is no exaggeration to say that the districts of these regions of the Republic are more organized than the districts of other regions.

At the same time, from year to year in the insurance market, insurance companies collect large amounts of insurance premiums, and as a result of the accumulation of large amounts of free funds at their disposal, their opportunities for investment activities are expanding.

The initial stage of the formation of financial resources in insurance organizations begins with the transfer of the Constituent contributions to the charter fund of the newly formed insurance organization by the founders. Since the activities of insurance organizations are radically different from the activities of other economic entities, the formation of financial resources also has its own peculiarity. As a rule, the movement of financial resources in insurance organizations begins with the arrival of insurance premiums in the account of the insurer on the basis of an insurance contract between the insurer and the insured. Part of the resulting insurance premiums can be re-insured based on the financial opportunity of the insurance company. A large part of the insurance premiums is kept in reserve until the end of the contract period. A certain part of the financial resources that come to the insurer's account as an insurance premium is spent to finance the insurer's operating expenses. It is also considered as the source of the formation of a fund designed to finance warning events, in which the management and control function of financial resources in insurance organizations is entrusted with the purpose of establishing a separate unit. This division deals with the effective organization, coordination and control of the flow of financial resources across the company. We propose to exclude the income of insurers from their investment activities from the taxable base. Truly, at present, tax benefits are given to the income received by insurance companies in the form of dividends on their operations in the securities market. It is also necessary to introduce this privilege to the income received by other investment objects.

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