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Directions for Ensuring Financial Stability of Insurance Companies

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ABSTRACT

The insurance portfolio plays an important role in the activities of any insurance company. Creating a balanced, stable and effective insurance portfolio is a priority for the insurance company. Its principles and functions, theoretical foundations are some of the most pressing issues that researchers are always focused on. In this article we tried to describe in detail what insurance companies should pay attention to when developing an optimal insurance portfolio

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INTRODUCTION

In the modern market conditions of the Republic of Uzbekistan, the insurance portfolio plays an important role in stabilizing the financial activities of insurance companies. Understanding the nature of the insurance portfolio and ensuring its balanced form remains relevant today. The insurance portfolio is the basis for determining the entire activity of the insurance company and its financial stability. Insurance portfolio means the actual number of insured objects or existing insurance contracts in a certain area. The financial stability of the insurance portfolio means the 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 occurrence of insurance payments, fluctuations in insurance coverage, changes in the amount of insurance sums. Currently, the level of coverage of insurance services is not very high, the coverage is mainly carried out at the expense of compulsory insurance types, which is explained by low insurance culture and high insurance tariffs. It is natural that the ability to manage the insurance portfolio and ensure its balance is of great importance for the further development of the insurance services market of Uzbekistan.

LITERATURE ANALYSIS

In order to more clearly determine the role and place of the insurance portfolio in the insurance business, it is necessary to consider the methodology of researching operations related to the insurance portfolio. In insurance sciences, the term "Insurance portfolio" has been given different rates by economists in different periods. Including

Reitman defines this concept as follows: "Insurance portfolio is the real number of insured objects or insurance contracts in a certain region or company." Rubin offers the following definition: "Insurance portfolio is the total volume of insurance transactions, characterized by the overall activity of an insurance company".[1] According to Yashina's definition, "Insurance portfolio is the value of insurance risks accepted for insurance with a set of financial instruments that ensure the financial stability of the insurance company based on the principles of equivalence, balanced and efficiency".[2] Ryazentsev mentions in his scientific research that the insurance portfolio is the volume of insured risks and insurance obligations under the total contracts of the insurance company. Insured objects and valid contracts within the region, city, district make up the insurance portfolio. The ratio of the objects and contracts included in it in the region represents how the types of insurance have developed in each region.[3]

Sobirov puts forward the tariff, that is, the term insurance portfolio is also used in another sense - as the total amount of insurance contributions collected in the territory. As a result of his research, Jigas forms the following conclusion, an insurance portfolio is a set of insurance contracts characterized by a certain insurance amount. In fact, it is the obligation of the insurance company to the insured.[4]

Creating a stable insurance portfolio is one of the important goals of an insurance company. The level of responsibility of the insurance company under the accepted insurance contracts should correspond to its financial capabilities. In order 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. Insurance portfolio (insurance portfolio) is a generalized description of the activities of an insurance company for the development of insurance during a certain period of time (on a certain date).[5]

Despite many differences, many researchers emphasize that their views on the essence of the insurance portfolio are the same, that is, the quantitative indicator of the insurance portfolio is the insurance contract. Chaldaeva cites the tariff, which means that the insurance company undertakes the obligation to compensate the damage if the insured pays for the insurance service in advance.[6]

And Efimov rates the Insurance portfolio according to its schedule, that is, the insurance portfolio is the responsibility of the insurance company or reinsurance company for all existing insurance or reinsurance contracts. The actual number of insured objects or the number of signed contracts in the current activity of the insurance company.[7] In the scientific work of Sangyong Hana and others, the practice of placing insurance reserves in the USA is analyzed, including: the conservative approach to placing insurance reserves in the United States of America is important. The reason is that the insurance reserves being invested must follow the principles of transparency. Otherwise, the regulatory authorities will judge these investments as harmful for shareholders and policyholders. Taking these into account, the investment activities of insurance companies are strictly regulated.[8]

RESEARCH METHODOLOGY

In the article, the empirical literature analysis, the scientific views and approaches of scientists of different eras about the insurance portfolio were analyzed, the comparative and comparative analysis of the change dynamics of the insurance portfolio over the years, and conclusions and suggestions were developed using methods such as comparison.

ANALYSIS AND RESULTS

In the theory of insurance science, the main principles of insurance portfolio formation are presented (although in practice, due to various economic, legal and other factors, they are not always implemented), they are as follows[9]:

1. The principle of reasonable adequacy. The size of the insurance portfolio depends on the number of insurance contracts and insurance objects, as well as the total amount of the insurance sum. Insurance is based on the laws of large numbers, so this quantitative descriptive feature will have qualitative features. Adequacy here means the following: the more homogeneous insured objects in the insurance portfolio, the more accurate information the insurance company has about the probability of an event occurring.

2. The principle of homogeneity. The criteria for assessing the uniformity of the insurance portfolio are the sum insured and the volume of risks. The need for this assessment is explained by the law of selection. In order to assess the uniformity, in the theory of insurance, it is possible to use the amount of spread (dispersion) of the insurance amount, which reflects the shares of the maximum and minimum insurance amounts in insurance contracts.

3. The principle of equality. Equity of the insurance portfolio is considered as the ratio of new contracts and expiring contracts. It is very important for an insurance company to achieve a balanced portfolio position, where the flow of new contracts should at least compensate for the expiring insurance contracts, but the insurance should also be relevant to the sum insured, term and amount of risk.

4. The principle of diversification. Compliance with this principle allows you to avoid the effect of accumulation (accumulation) of risks. Adherence to this principle consists in reducing the probability of occurrence of events that affect the balance of the portfolio, that is, a large number of one type of insured objects, as a result of collection (accumulation) of risks. It is important to ensure the balance of the portfolio by region. Adherence to these principles allows the insurance company to form a rational and comprehensively balanced insurance portfolio. Functions of the insurance portfolio of insurance companies are presented in Table 1.

Table 1. Insurance portfolio function

Function	The essence
The function of choosing insurance services	The insurance company has the right to choose the type of portfolio that meets the requirements of the insured in providing the quality and types of insurance services.

Diversification function of insurance services	The insurance portfolio is formed in a structural form
Account function	The number of contracts, the amount of insurance premiums, the sum insured, the duration of the insurance and the probability of damage are determined.
Analytical function	The planned and actual performance of the insurance portfolio is compared with the level of profitability and riskiness: proposals and recommendations are developed.
Investment function	It ensures an increase in the income of the insurance company and a decrease in the rates for the insured.
"New" portfolio optimization function	Optimizing the new portfolio based on profitability and risk indicators.

In general, summarizing the opinions about the functions of the insurance portfolio can be concluded that the purpose of all opinions is to create an effective insurance portfolio; achieving an alternative balance between profitability and risk level, that is, all this serves as a factor that ensures the financial stability of the insurance portfolio. The need to classify the types and forms of the insurance portfolio depends on its formation, which is determined by the specific volume of this type of insurance, which optimally combines the risk and profitability of the insurance type, thereby determining the type and form of the insurance portfolio. An aggressive type of insurance portfolio is characterized by a high level of risk and profitability, as well as low financial stability and consists of risks of an individual and specific nature.

The type of conservative insurance portfolio is characterized by a low level of riskiness and a stable low return, and it also consists of universal and classic risks with high stability. A diversified or mixed type of insurance portfolio includes (combines) mixed, that is, individual and universal risks with medium risk level and medium profitability, as well as medium financial stability. (Table 2) We consider the most important indicators of the insurance portfolio of the insurance company, which allow to increase the efficiency of insurance operations in a timely manner during the reporting period.

Table 2. Insurance portfolio breakdown

Types of insurance portfolio	Risk level	Insurance portfolio	Description of insurance portfolio forms
Aggressive	High	forms	High risk, high return, low financial stability
Conservative	Low	Special	Stable, low income, low risk
Diversified	Medium	Classic	Moderately stable, moderately profitable

1. The number of objects insured in the portfolio. During the reporting period, it is necessary to constantly monitor the changes in these indicators and determine the number of objects insured under the contracts. If the number of insurance objects in the insurance portfolio is more than a thousand, then a large number of laws will be implemented and all subsequent calculations will be reliable.

2. Konshin coefficient. Using this indicator, the financial stability of insurance operations is evaluated. The lower the value of the coefficient, the higher the financial stability of insurance operations and, therefore, the financial reliability of the insurance company.

3. Balance coefficient. This indicator describes the ratio of the number of expired insurance contracts to the current contracts as of the reporting date. On the basis of the coefficient, it is possible to draw a conclusion about the development stage of the type of insurance performed by the insurance company, that is, its growth or decline.[10]

CONCLUSIONS AND SUGGESTIONS

Thus, we can draw the following conclusions. In modern conditions, the importance of forming a balanced insurance portfolio is increasing as one of the most important factors of ensuring financial stability. However, in the local literature, the insurance portfolio is considered only in this direction, that is, from the point of view of the factors affecting the financial stability of the insurance company. Today, the quality and structure of the insurance portfolio of national insurance companies is not optimal, so they adjust these indicators depending on the market conditions, their financial and organizational capabilities. Analysis of the work of many economists shows that there is currently no separate systematic approach to insurance portfolio management.

In order for theory not to lag behind practice, it is necessary to develop a comprehensive system for evaluating the performance of the insurance portfolio and determining its optimal structure. This problem is relevant in ensuring the developing insurance market and economic stability of the country. Thus, it is important to conduct further research in this area and fill the theoretical gaps. It should be noted that despite the existing problems and technical difficulties in the formation of the insurance portfolio, national insurance companies are achieving the formation of a balanced insurance portfolio.

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