



Prospects for the Development of Investment Activities of Insurance Organizations

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ABSTRACT

The relevance of the research topic lies in the need to improve the efficiency of the investment activities of national insurance organizations, since, taking into account world experience, investment activities should provide the main income of insurance companies, which will allow, in a significant way, to regularly increase equity capital and improve financial condition, and in general, provide the possibility of developing the national insurance market and having a positive impact on the development of the national economy.

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Insurance activity has a number of specific features, and one of them is that insurers have temporarily unencumbered funds at their disposal for a certain period of time, which can be invested in order to generate income.

Investment income is an additional source of profit for the insurer. As a result, the income rate included in the tariff rate structure is reduced, and, consequently, the tariff is reduced by this amount, in which

both insurers and policyholders are equally interested.

The insurance business functions successfully provided that the investment activity of insurance companies is generated in different areas of the market. Insurers are constantly dependent on the current situation on the market. This forces the insurer to conduct a competent, and most importantly, cautious investment policy. Accordingly, reliability, profitability, diversification and liquidity are the main criteria for an effective investment policy of an insurance company. Thus, the topic raised is always relevant for insurance organizations, given the modern dynamically developing money and financial market.

The insurance market of Uzbekistan, despite its "solid age" comparable to the sovereign age of the country, is still at the initial stages of its development. At the same time, the banking sector, despite the difficulties of the crisis period, has achieved impressive results and plays an important role in the country's economy.

In developed countries, the insurance sector is one of the three largest sources of investment in their economies. These are the state, pension funds and insurance companies. Banks are not marked in this row. Therefore, it is extremely important for us to develop the domestic insurance business in order to receive an independent source of long-term private investment in the economy in the future. The large capacity of the insurance market is a boon for the economy of any country, as it plays a stabilizing role, both as a source of financing losses and as a source of huge investment resources.

Nevertheless, the growth of assets and equity of the insurance market could show much better results and this is hindered by three main problems of the insurance market:

1. High acquisition costs (commission fees), which do not allow insurance companies to increase insurance reserves. From my point of view, this is due to the high corruption of the voluntary insurance market.
2. Extremely high level of cross-border reinsurance for voluntary insurance classes. On the one hand, problems in the field of reinsurance are associated with partially uncontrolled withdrawal of funds abroad. On the other hand, when limiting reinsurance, the insufficient capitalization of the insurance companies themselves and their inability to hold large risks affects.
3. Almost complete lack of competition in the insurance market in terms of insurance through bank windows. Banks and financial and industrial groups have created subsidiary insurance companies, thereby excluding access to their clients by other insurance companies, pursuing exclusively their own economic interests in order for the client to leave as much of his money as possible within their group. This is quite a sound and justified action if there is competition. When it is not there, it causes great harm to the qualitative development of the insurance sector.

Despite the above problems and their high relevance, it is necessary to pay tribute to the Agency for the Development of the Insurance Market of Uzbekistan in terms of regulation and making especially recent changes to domestic legislation, in particular, the development and implementation of a new version of the Law on Insurance Activities, the adoption of the Decree of the President of the Republic of Uzbekistan No. PP-5265 "On additional measures to digitalize the insurance market and the development of the life insurance sector", increased requirements for the capitalization of insurance companies, the principles of insurance mediation have been substantially revised. We believe that all these measures will lead to long-term growth, reasonable concentration and increased transparency of insurance companies as full-fledged players in the financial market of Uzbekistan.

In accordance with the Regulations on the Investment activity of the insurer and reinsurer, the objects of the investment activity of the insurer (reinsurer) are:

- government securities of the Republic of Uzbekistan and foreign states;
- bank certificates (certificates of deposit);
- movable and immovable property;
- equity participation in the authorized capital of legal entities;
- securities, in accordance with the legislation of the Republic of Uzbekistan;
- loans (financial assistance) to leasing organizations;
- other objects of investment activity that do not contradict the legislation.

In order to ensure financial stability, the insurer (reinsurer) is obliged to place its assets on the principles of repayment, liquidity, diversification and profitability.

The insurer (reinsurer) is obliged to comply with the following basic conditions when carrying out investment activities:

1. competent management of investments and related risks;
 2. ensuring information transparency and confidentiality.
1. Competent management of investments and related risks is provided by the insurer (reinsurer) by:
 - approval of the investment policy, which specifies the main areas of investment activity of the insurer (reinsurer);
 - analysis of investment objects and periodic evaluation of the received profitability, etc
 2. Ensuring information transparency and confidentiality is carried out by:
 - disclosure of information in accordance with legal requirements;
 - annual report to the founders on the investments made.

In accordance with the investment policy developed by each company, all employees are required to be responsible for the most efficient use of the company's capital and liquid resources. All employees are encouraged to propose strategies to improve the efficiency and effectiveness of the deployment and use of these resources.

The first line of defense (= "Finance") is the maintenance and effective management of the company's investment portfolio, the development and implementation of effective controls, credit risk management, including counterparty default risk and diversification.

The second line of defense (= "Risk Management") is the monitoring of the investment portfolio and risk profile, including development risk, analysis and control of the investment plan and the operation of management tools, the development of internal control and risk management systems.

The third line of defense (= Internal Audit). The internal audit will independently verify and question the effectiveness of the control system implemented through the First Line of Protection and the supervision of compliance with the requirements of the Second Line of Protection.

In due course, the internal audit service will assess whether there are weaknesses in the bank's internal control environment that need to be addressed.

The following are the basic principles that are included in the investment plan on the example of insurance companies:

- Deposits should be kept only in institutions approved by the Investment Plan;
- Placement should be carried out only if the receiving bank or institution meets regulatory requirements, which is confirmed by prudential indicators;
- All purchased fixed income securities must have a local credit rating (if any);
- All foreign fixed income securities purchased must have an international credit rating of at least one recognized rating agency. The minimum acceptable international rating is BBB;
- Placement is carried out only if the receiving bank or institution does not have serious reputational or legal problems or does not participate in any problematic or controversial transactions with assets that may negatively affect the company's investment portfolio.

The investment plan of companies should at least contain:

1. Basic assumptions and key considerations;
2. Capital and liquidity requirements;
3. Expected profitability;
4. Target distributions by asset classes, grouped by expiration date, profitability and degree of risk;
5. Confirmation of compliance with applicable laws and regulations.

Investments aimed at improving the quality of insurance services are recommended to be divided into 3 groups: investments in human resources; investments in infrastructure; investments in technologies and processes. An important feature that must be taken into account when assessing the economic efficiency of investments in improving the quality of customer service of insurance companies is that in most cases the achievement of the maximum positive effect in the existing structural units is constrained by the presence of a number of objective limitations, namely:

- retraining of employees leads to the separation of part of the staff from the workflow, which increases the burden on the rest of the employees and, accordingly, negatively affects the quality of services;
- the increase in the efficiency of employees of selling departments due to their training and advanced training leads to an increase in sales, but requires a corresponding increase in efficiency in the departments of insurance claims settlement;
- the growth of customer loyalty due to the improvement of the quality of service will manifest itself in the future, because most insurance contracts are concluded for a long time (usually for a year), and the effect of the changes is felt by customers in most cases only when they directly contact the insurer;
- retraining of employees, reorganization of the work of the insurer's office and modernization of the IT infrastructure in the current office in most cases require a consistent distribution in time and, accordingly, postpone the deadline for achieving maximum efficiency.

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