Mechanism of Financing Investment Activities of Insurance Companies

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Abstract
The article describes the formation of the financial potential of insurance companies, authorized capital and sources of their replenishment. The dynamics of changes in the investment portfolio of insurance companies is analyzed. The impact of investment facilities on insurance companies in the country has been assessed. The article also lists several factors that affect the low investment performance of insurance companies. Opinions and forecasts of foreign experts on the development of the world insurance market are given. There are tools that affect the financial stability of insurance companies and, conversely, serious risks and the obligations of insurance companies in this regard. Suggestions and practical recommendations for improving the financial stability of insurance companies have been formed.

Keywords: Insurance, insurance market, financial services, insurance premium, insurance companies, financial potential, balance sheet liabilities, investment portfolio, insurance reserves, investment efficiency, insurance liabilities.

Introduction
Insurance has been an important factor influencing the economy as an integral part of financial relations at the stages of gradual development of human history. The insurance market is a key segment of the economy of any country, and at the same time directly serves its development. At the same time, it should be noted that insurance activity is a social phenomenon, which is formed in a unique way and is widely used, and is a factor of stability. As far as we know, insurance premiums paid by legal entities or individuals, as well as funds formed from other funds of the insured, in the event of a certain event, provide these persons with insurance coverage in accordance with the insurance contract. [1]

Although the Uzbek insurance market does not occupy a significant place in the world insurance market, it is characterized by a tradition of rapid and sustainable development. Insurance is one of the most important institutions for the development of investment in the financial services market and is a factor in financing the economy of the country as a whole.

References
The issues of investment activity and financial stability of insurance companies were discussed by foreign and Uzbek scientists. Bland, Yu.B. Rubin, N.N. Nikulina, S.V.Berezina, V.A. Sherbakov, O.I.Rusakova, B. Grishenko, I.Kh. Abdurakhmanov, B.B. Ashrafkhanov, M.A. Mirsodiqov, S.A.Umarov, X.M. Shennayev, A.S.Nurullayev, K.M. Kuldashev has been studied by others.

Research methodology
In the process of research, the methods of logical thinking, statistical and comparative analysis were used in the study of statistical data and theories on the subject. For statistical analysis, data from the State Inspectorate for Insurance Supervision to the Ministry of Finance were used.

Analysis and results
The financial potential of insurance companies is formed on the basis of their own funds and the source of borrowed funds (insurance reserves) of the company's assets. In this sense, the financial resources of insurance companies determine their financial potential. The authorized
capital of insurance companies is formed during their state registration. The charter was the main financial resource for capital insurance companies at the time of commencement of operations. Charter capital is replenished from various sources. If it is initially included by the founders, then it is replenished from the company's income and other sources.

Figure 1. Dynamics of the authorized capital of total insurance companies billion soums

The borrowed funds of insurance companies are accrued from insurance premiums in the form of income (as an insurance reserve), accounts payable for bank loans, salaries, taxes and other mandatory payments. It is called "Liabilities" in the second part of the balance sheet liabilities. In addition, advances received from buyers and customers, projected income, expense and payment reserves, provisions for doubtful debts and other short-term liabilities are also reflected in this section.

The main source of income and expenditures of the insurance organization is the formation of the financial potential and resources of insurance companies [3]. Its financial result is calculated on the basis of income and expenses of insurance companies.

The investment activity of insurance companies has undergone positive changes in recent years. This is because the premiums collected in the insurance market are directed to effective investment activities.

Figure 2. Dynamics of changes in the investment portfolio of insurance companies (in billion soums)

1 www.mf.uz. Prepared by the author on the basis of information provided by the State Inspectorate for Insurance Supervision to the Ministry of Finance.
2 Prepared by the author on the basis of information provided by the Ministry of Finance of the Republic of Uzbekistan.
By the end of 2020, the investment portfolio of insurance companies has grown significantly. During the period under review, according to the Ministry of Finance of the Republic of Uzbekistan, the volume of investments of insurance companies this year amounted to 2711.9 billion soums (Figure 2.2).

An increase in the capital and income of insurance companies will allow them to form insurance reserves and increase investment. Insurance companies base their investment activities on the principles of profitability, return, diversification and liquidity in accordance with the system of allocation of insurance reserves. The analysis shows that the most reliable investment objects for insurance companies are still bank deposits and securities.

The largest share of investments in 2018 fell to the share of securities and bank deposits. Investments of insurance companies in deposits increased by 54.0% and amounted to 1034.3 billion soums. Investments in securities amounted to 706.6 billion soums, which is 10.0% higher than in 2017. As a result, the volume of securities in total investments increased by 2.1 percentage points and amounted to 43.4%. The share of deposits increased by 0.2 percentage points and amounted to 45.2%.

Currently, the reasons for the lag behind the investment activities of insurance companies are, firstly, the underdevelopment of the insurance industry in Uzbekistan, and secondly, the inefficiency of the use of insurance reserves. The level of income of insurance companies from investment activities is lower than the inflation rate in the country or only covers the inflation rate.

The low efficiency of investment activities of insurance companies can be attributed to several factors:

1. High profitability of insurance activity. On the one hand, this is good for insurance companies, but on the other hand, it is bad. This is due to the fact that the income from insurance activities is higher, which in turn requires higher insurance rates. The high level of insurance rates can be considered as low competition in the insurance industry;

2. Low level of profitability of investment operations.

There are several reasons for this. The first reason is that part of the benefiting assets of insurance companies is in the charter capital of other legal entities, and the assets of the other legal entity are in the charter capital of another third party, and as a result, the charter capital of insurance companies. These are only paper assets that are not profitable for the insurance company. The second reason is that insurance companies do not have qualified personnel to invest in the stock market. In addition, the underdevelopment of the stock market in Uzbekistan and the fact that insurance companies are not interested in developing their investment activities. This is due to the fact that insurance activity has a higher level of profitability than investment activity. For this reason, companies have a superficial approach to investment activities.

The process of globalization of the economy has created favorable conditions for rapid development on a global scale. In the second decade of the 21st century, the interdependence of the economies of a number of countries with a tradition of rapid development has increased the importance of the overall economic space. In particular, the development of existing economic structures in the context of the exchange of information and technology, the international integration of productive forces has created favorable conditions for the acceleration of economic development and served its development as a significant economic category. The process of globalization of the world insurance market has become one of the main directions in its development. In the particular, the following five years of the XXI century are marked by the following traditions: an increase in the concentration of insurance capitalization, in the process of which the coverage of the global insurance market is expanding due to the merger or merger of many national insurance companies in the event of a merger of insurers and reinsurers. At the international level, the integration of insurance, banking and financial capital has contributed to
the formation of transnational insurance companies. The study of risks has also become an important factor in the management of insurance risk, and the role of the Internet, a new mechanism for selling insurance services to consumers in an unstable market environment, is growing. The activation of foreign insurers, first of all due to the sharp increase in their number, affected the markets of Europe, Latin America and Asia, and the International Association for Insurance Supervision, led by the World Trade Organization, began to operate. In the first decades of the XXI century, in the context of the global financial and economic crisis, a number of countries have a tradition of reducing insurance premiums. In particular, if we evaluate the insurance market by region, the volume of insurance premiums in the European insurance market - 39.6%; In the North American and Asian markets, it was 30.4%. National insurance markets are characterized by the fact that they provide different levels of insurance services and a wide range of insurance coverage. The prospects for the development of the world insurance market this year are traditionally expected to improve compared to 2017. It should be noted that the tradition of European and American economic development is being revived. The growth rates in the insurance markets of Asia and Latin America are stable. At the same time, insurance companies in a number of countries have unresolved issues. For example, low return on investment, the complexity of regulating insurance markets, and so on. According to foreign experts, the world insurance market is expected to grow steadily, while the real GDP of the United States is expected to grow slightly faster than the eurozone and the United Kingdom. It should be noted that the tradition of European and American economic development is being revived. The growth rates in the insurance markets of Asia and Latin America are stable. At the same time, insurance companies in a number of countries have unresolved issues. For example, low return on investment, the complexity of regulating insurance markets, and so on. According to foreign experts, the world insurance market is expected to grow steadily, while the real GDP of the United States is expected to grow slightly faster than the eurozone and the United Kingdom. In a number of regions, according to the annual survey of the Swiss RE Group, the volume of insurance premiums is expected to increase according to the global analysis of the insurance market.

Economic growth in emerging markets is projected at 8-9%, leading to an increase in demand for general insurance products. At the same time, there are a number of problems in the life insurance sector, which are often attributed to low interest rates. However, over the past two years, the global market has seen a 4% increase in life insurance premiums, a trend that is typical of emerging markets. Developing countries' gross domestic product is projected to grow by about 5% over the next two years, which is better than the current 4%. According to a number of foreign experts, despite the increase in global indicators, the uncertainty of economic and trade policies has led to a decline in US insurance activity. It should be noted that the main problems of the global economy are as follows:

- Decline in economic growth in China:
- Fall in market prices;
- Rising exchange rates in the stock markets Forex (English Foreign Exchange).

The problems may threaten to prove that the basic predictions have been proven, but they do not affect the rate of growth. Improving economic forecasts and expected changes in monetary policy could increase the profitability of government debt in the United States and the United Kingdom. When we get acquainted with the investment activities of foreign insurance companies, the fact that the free funds are invested several times more than the investments of insurance companies in our country, not only increases the efficiency of investment activities, but also increases the efficiency of investment activities. For the above reasons, the country's insurance companies are attracting financial services offered by banks to invest their funds. This, in turn, reduces the level of income efficiency.

The creation of an effective national insurance system in the country requires the development of
measures and their gradual implementation in order to raise the quality of the insurance services market to a new level.

The current stage of development of Uzbekistan and the strategic documents adopted to deepen the reforms envisaged provide for the active use of the internal potential of the republic and its own investment opportunities.

The role and importance of insurance tariffs in the effective organization of the finances of insurance companies is also very important. The insurance rate has a direct impact on the financial stability of the insured. This can be explained by the fact that operating in a competitive environment requires insurance companies to constantly change their tariff policy. In most cases, insurance companies unreasonably reduce tariffs to attract customers. Undoubtedly, this poses a serious threat to the financial stability of insurers. Financial stability is an important financial characteristic that reflects the ability of an insurance company to meet its obligations in a timely manner. The volume of insurance liabilities is one of the main indicators of the financial condition of insurance companies. Insurance obligations are different from obligations in other types of economic activity. The insurance organization has external (insurance and non-insurance) and internal (owners, employees and others) obligations. The most important obligation is the unconditional insurance obligation, because it reflects the insurance protection of police owners and is much larger than other obligations in terms of the amount of insurance obligations. There are also some shortcomings in the procedure for the formation of insurance reserves of insurance companies. Unearned premiums, reserves for reported but not eliminated, committed but not reported losses are compulsorily formed by insurance companies. However, due to the fluctuations of losses of insurance companies, the insurance reserve is carried out on a voluntary basis. Harmful fluctuations in insurance companies are constant. In the context of the global financial and economic crisis, the damage is even greater. The voluntary formation of losses may worsen the financial stability of insurance companies during the reporting period when the amount of losses increases. This is because this type of reserve may not be formed by insurance companies. In order to ensure the financial stability of insurance companies in the period of increasing losses, it is proposed to establish a compulsory establishment of an insurance reserve for losses. The implementation of this proposal will increase the effectiveness of the mechanism of state regulation of the financial stability of insurance companies.

In addition, with the permission of the state insurance control, the founders are allowed to lend in the amount not exceeding 30% of the authorized capital. In such cases, the ability to control the loan is limited. This is because the founders can take advantage of their position and put pressure on insurance companies. It is necessary to ban lending to the founders in order to eliminate such unfortunate situations. Implementation of this proposal will strengthen the financial stability of insurance companies.

One of the main ways to ensure the financial stability of insurance companies in the insurance market of Uzbekistan is the use of reinsurance mechanisms. Unfortunately, reinsurance activity in the insurance market of the republic is not developed to the required level. In the insurance market of Uzbekistan, 6 insurance companies provide reinsurance services in a specialized manner.

With the exception of the Republic of Uzbekistan, the amount of obligation imposed on a foreign insurance company is not required to exceed 95% under each insurance contract. At present, some insurance companies re-insure a large part of their insurance obligations, ie more than 80%, to foreign reinsurance companies. At the same time, insurance premiums are paid in soums, but reinsurance premiums are paid in foreign currency.

In this regard, it is proposed to introduce as a rule that the amount of obligation imposed on a foreign insurance company outside the Republic of Uzbekistan should not exceed 50% of each insurance contract.

I believe that the implementation of the above proposals will increase the financial stability of
insurance companies.

Insurance reflects all the processes and changes in the economy. For this reason, a state-owned insurance company will have to take into account the priorities of the country's economy when determining its strategy. The company's marketing strategy to achieve high performance is based on the mobilization of forces and the concentration of internal resources in the provision of insurance services in the priority segments of the insured. From this point of view, increasing the efficiency of the use of financial resources of insurance companies in Uzbekistan is the basis for sustainable and reliable development of the economy, strengthening social protection of the population, insurance of property of citizens and businesses. Creation of a modern insurance industry to the state:

- reducing the burden on the state budget to cover unforeseen costs of a natural and man-made nature;
- solution of some problems of social security through insurance on the basis of market economy trends (payment of pension funds, disability or death of a breadwinner, unemployment benefits, medical expenses);
- allows to attract deposits of the population and the organizations in the national economy on a long-term basis.

Due to the fact that our country pays great attention to the development and further liberalization of the insurance market, the insurance market of our country is developing dynamically, and the volume of insurance transactions in this market is constantly growing. Insurance companies play a very important role in the economy of our country. Today, insurance companies of our country are proving to be important employers. Also, the number of employees and agents of insurance companies is growing. With the high level of training of insurance agents and insurance companies, there is a growing demand for underwriters. In addition, as a social party, we can say that the development of the infrastructure of the insurance market in our country is accelerating.

Insurance companies of our country are actively involved in the exchange of positive experiences with foreign partners, establishing mutually beneficial relations with insurance companies of near and far abroad. In the insurance market of our country, along with the positives, there are also problems. Among them are the slow growth of small business and entrepreneurship, the low average income and pensions of the majority of the population, the low GDP per capita. occurs. Due to the fact that the activities of insurance companies are limited and the purpose of each chosen alternative is not clear, there are interdependent tasks that require appropriate decisions.

Conclusions and suggestions.

The country is pursuing a step-by-step and consistent policy in the field of deepening reforms in the economy. Today, access to high-quality investment services requires a radical change in investment policy and investment processes.

In the context of market economy relations, the insurance industry plays an important role. Today, various insurance companies are investing in the financial market. It is known that in a market economy, the turnover of enterprises is important. This is because finding the optimal way of turnover will ultimately lead to the profitability of the enterprise.

The turnover of insurance companies leads to the formation of income during the year. These are mainly deposit interest, loan interest, dividends on securities and other income. These revenues cover the costs of operating, reinsurance, preventive measures, reducing the cost of insurance services. The gradual transition of the insurance industry to market relations and the rapid development of the economy of such industries require the correct and rational use of investments.

It is known from the experience of countries with developed market economies that the
investment complex consists of several elements, the main of which are as follows; investment policy, investment climate, investment activity, capital investments, investment stages and others. Each of these elements has its own direction in a market economy.

The development of the country's insurance market is closely linked with the expansion of direct investment of insurance companies. At present, the following factors hinder the improvement of investment activities of insurance companies:

1. Incomplete development of the existing securities market in the country;
2. The impact of inflation on the economy;
3. Narrow scope of investment activities of insurance companies;
4. The need to develop the activities of associations of insurers engaged in solving problems in the implementation of insurance activities;
5. Development and expansion of compulsory insurance, as the voluntary insurance market will not actively develop without the introduction of compulsory insurance;
6. Lack of reliable instruments for long-term placement of insurance reserves;
7. Lack of open electronic or other information about investment objects.

An insurance company’s investment portfolio system must ensure its financial stability, and it is usually determined by insurance control standards. It defines the procedure for placement of temporarily vacant funds of insurance reserves.

One of the main goals of insurance companies in the management of investment activities is to achieve efficiency by managing the correct and rational use of their investment activities. To do this, the investment program of the insurance company must meet the following requirements:

- The stability of the investment portfolio of the insurance company must be ensured. Through the reliability of the developed investment program, the stability and competitiveness of the insurance company will increase;
- Ensuring a profitable and reliable direction of investment is one of the main goals of the insurance company.

In order to effectively direct the investment portfolio, it is necessary to pay attention to the following:

- Probability of occurrence of the insured event and fulfillment of the payment obligation;
- Probability of loss of insurance reserves at investment risk.

Determining the probability of an insured event in the investment program of an insurance company depends on the nature of its activities. Because the insurance company undertakes to cover accidental damage to life, health or property of individuals and legal entities in accordance with the terms of the insurance contract. Therefore, the probability of fulfillment of payment obligations is one of the main factors when planning an investment.

The nature of the probability of turnover of investment activity is based on a certain period of time from the receipt of the insured's contributions to the insurer's account until they are paid in the form of insurance coverage. In addition, the insurer forms reserve funds from funds that have not been used for many years.

Insurance companies are the transfer company in carrying out reinsurance transactions and withhold reinsurance premiums. All of the above factors ultimately constitute "free funds" in insurance companies, which can be used commercially, not for insurance. These funds are invested in the placement of funds for the purpose of obtaining shares and other securities, as well as a certain amount of interest.
Based on the above, the following proposals have been developed to increase the financial stability of insurance companies through investments:

1. Development of the secondary market to further enhance the role of insurance companies in the investment market.
2. Formation of electronic banks, i.e., data in electronic form. This allows insurance companies to choose the objects of investment of idle funds.
3. Suggestions for training specialists.
4. Granting tax benefits. Use of address apply the results.
5. Introduce as an experiment the practice of lending (in court, loan capital, financial assistance, etc.) to regular customers of insurance companies in stages and apply positive results.

References

1. Article 3 of the Law of the Republic of Uzbekistan from April 5, 2002 "About insurance activity".