



# WAYS TO ENSURE THE FINANCIAL STABILITY OF INSURANCE COMPANIES

**Bakhriev Dilshod Rizvonkulovich**

Independent student of the Academy of Banking and Finance of the Republic of Uzbekistan

Article history:		Abstract:
<b>Received:</b>	10 <sup>th</sup> January 2024	This article describes the proper organization and management of business processes in increasing the financial stability of insurance companies. The works of scientists who conducted research on business process management were studied. Also, the current state of the national insurance market was analyzed on the basis of important statistical indicators that determine the level of development of the market, compared with the insurance markets of foreign countries according to these indicators, and conclusions were made on this basis.
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## ENTER

Insurance is the main link of the country's financial system, it is able to ensure the continuity of economic reproduction in the event of natural disasters, accidents, risks in the production process and other unexpected events with a high risk of property losses, as well as providing social protection of the population, stabilizing the investment process in the economy. The insurance market in our country is developing rapidly and surpasses the growth indicators of many countries.

But increasing its role in the socio-economic development of the country is still an unsolved task. The President of the Republic of Uzbekistan, Shavkat Mirziyoev, in his Address to the Senate and the Legislative Chamber of the Oliy Majlis (2020): "Modern insurance services will be launched," it was acknowledged. This, of course, requires the development of a new, modernized insurance system of Uzbekistan in line with world standards, the introduction of new innovative insurance products.

By developing innovative insurance products by the insurance company, the company's competitiveness in the domestic and foreign insurance market is ensured. At the same time, the introduction of innovative technologies into the insurance company is directly related to the use of new methods of organizing innovative insurance business aimed at increasing the efficiency of the company's organizational and management activities.

## Literature review

The main directions of development of business processes in insurance activity are foreign scientists A. Kosenko, R. Brown, D. Cummins, S. Harrington, M. Hammer, J. Champy, W. Deming, T. Davenport, N.P. Nikolenko, L.M. In the scientific works of Rabiner, T.V. Kugusheva and others, some areas of improvement of

business processes in insurance activity were researched.

The analysis of world scientists in terms of the diversity of their views on business process shows that business processes are a set of logically interrelated actions performed as an integral part of the organization's activity, and its flow in the system is complex and changing.

According to the research conducted by economists of our country - T. Iminov, M. Mirsodikov, Kh. Sobirov, Kh. Shennaev, T. Baymurov, A. Nurullaev, I. Abdurakhmonov, U. Imomov, I. Kenjaev, S. Sherov and others in the developed and published scientific developments, some theoretical and practical aspects of business processes in insurance activity, in particular, the essence of business processes in this activity and the factors of their effective management, have not been systematically researched. This shows the relevance of in-depth research of business processes in insurance activities.

## RESEARCH METHODOLOGY

In the process of writing the article, methods of grouping, comparison, comparison, and synthesis were used.

### Analysis and results

Business processes in insurance activities (PQ-5265, 2021):

a) increase the quality and competitiveness of insurance services;

- to the life insurance network: life insurance for securing obligations, long-term voluntary pension insurance, life insurance with return of capital;

-general insurance network: expanding it by adding new insurance services such as health insurance.



b) establishing the provision of digital insurance services, including the rules for electronic sale and registration of all types (classes) of insurance, as well as mechanisms for checking their authenticity;

v) is becoming the main mechanism of the insurance market in terms of increasing the insurance culture in society and the population's trust in insurance.

Through business processes, the insurance organization implements effective relations with clients, insuring objects. Business processes in insurance activity are changing and are constantly being improved in the competitive economy. Business processes in the provision of insurance services and effective organization of insurance activity consist of certain components. Business processes cover aspects such as reliability and alternative of insurance service provision, optimal use of financial resources, proportionality of insurance protection to insurance payment and professional insurance service provision. Insurance services are one of the tools that protect the economy from various financial risks. However, the role of these services in the financial market of our country is not enough. For example, although the insurance premiums collected by insurance organizations have increased by 1.5 times compared to the same period of last year, the insurance income has reached 50,000 soums per capita. The share of this 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 that insurance services are not attractive enough. For example,

although 887 billion soums of insurance premiums were collected in the general insurance network in the last six months, the amount of insurance coverage paid to customers during this period corresponded to only 11% of the premium. In the world, this indicator is on average 50-60 percent. Strong competition in the insurance market forces the insurance company operating in this market to constantly work on itself, to conduct marketing research in order to maintain its position in the competition, to direct business processes in insurance activities, to learn and apply the experiences of advanced insurance companies in all aspects of the country and abroad, wide use of actuarial accounts in order to ensure the optimality of tariff rates, effective use of investment and other sources of income that allow to reduce tariff rates, in order to attract more potential policyholders and retain existing policyholders, to apply various forms of additional services and bonuses, insurance that pays more attention to the interests of the policyholder compels the development and implementation of contracts. (Khalikulova, 2020) The increase of insurance companies in the national market, which have made such actions the content of their activities, ultimately leads to an increase in the number of insured persons, a significant increase in collected insurance premiums, and an increase in trust in insurance companies among insured persons.

Today, the effective construction of the company's business processes is considered an important factor in increasing its competitiveness in the market.

The main business processes of the insurance company are as follows:



**Figure 1.**  
**Business processes of insurance companies (Abdurakhmanov, 2021)**

The main goal of business processes in insurance activities is to improve service delivery and increase its coverage.



As a result of the decisions taken by the Republic of Uzbekistan on measures to deepen, develop and reform the market of insurance services, by 2022, 41 organizations, including 8 life insurance, 33 are engaged in general insurance.

In particular, 7 insurance brokers and 5 actuarial organizations are operating in the insurance market.

Table 1

**The dynamics of changes in the main indicators of the development of the insurance market in the Republic of Uzbekistan (imda.uz)**

Indicators	Years				
	2018	2019	2020	2021	2022
<b>Number of insurance organizations, total</b>	30	36	40	42	41
<b>including:</b>					
<b>General insurance organizations</b>	24	29	32	34	33
<b>Life insurance organizations</b>	6	7	8	8	8
<b>Specialized brokers</b>	5	6	6	5	7
<b>Actuarial organizations</b>	4	4	5	5	5
<b>Insurance premiums (in billion, soums)</b>	1635,2	2313	2212	3733	6200
<b>Share of insurance premiums in GDP, %</b>	0,38	0,44	0,37	0,51	0,69
<b>Insurance payments (in billion, soums)</b>	460,8	813,5	732	1235	2600

Decision PQ-4412 of the President of the Republic of Uzbekistan dated August 2, 2019 "On measures to reform the insurance market of the Republic of Uzbekistan and ensure its rapid development" is of great importance in the development of the insurance sector.

The main directions of the development of the insurance market were determined by the decision.

In 2019-2022, the target indicators of the rapid development of the insurance market of the Republic of Uzbekistan were determined.

As a result of business processes in insurance activity, the dynamics of share indicators of the total volume of insurance premiums collected by insurance organizations that operated relatively stably in the market of insurance services of our country were developed and analyzed (Table 2).

Table 2

Information on insurance premiums in the field of general insurance in the insurance market of Uzbekistan (imda.uz)

Insurance companies	Insurance premiums, mln. soum		
	2020	2021	2022
<b>"Apex Insurance" JSC</b>	120 337	229 112	782 518
<b>"Uzbekinvest" EISK JSC</b>	262 869	385 385	930 534



<b>"Uz"Uzbekinvest" EISK JSC "Agroinsurance" JSC</b>	178 203	260 975	323 286
<b>"Uz" Uzbekinvest" EISK JSC "Agroinsurance" JSC</b>	149 363	223 071	315 509
<b>Gross Insurance Company JSC</b>	251 773	343 817	296 858
<b>"Alfa Invest Insurance Company" JSC</b>	97 295	156 314	301 867
<b>Other insurance companies</b>	819 506	1 397 032	1 721 698
<b>Total:</b>	<b>1 879 346</b>	<b>2 995 707</b>	<b>4 672 270</b>

The analysis of the dynamics of the share changes of the leading insurance organizations in terms of the volume of insurance premiums in the market of insurance services showed that during 2020-2022, the volume of insurance premiums in JSC "Apex insurance" was 120,337 million soums in 2020, and by 2022 this indicator will be 782,518 million soums. Up to soums, i.e. increased by more than 5 times soums.

In the "Uzbekinvest" JSC insurance company, the volume of insurance premiums was 262,869 million soums in 2020, and by 2022 it will increase to 930,534 million soums, a 3.5-fold increase.

We can analyze that the volume of total insurance premiums in the general insurance sector in the insurance market has significantly increased by 4,672,270 million soms in 2022. This indicates that the reforms implemented to reform the insurance market are bearing their results.

Also, 8 insurance companies are operating in the life insurance sector in the insurance market today, and they are also contributing to the development of the market with their activities in the insurance market.

While it is explained that the insurance organizations are achieving an effective result, in other respects, it shows the need to take measures to increase the efficiency of their activities, including improving their business processes. Insurance services are becoming more and more relevant today, when the processes of globalization are intensifying on a global scale, and mutual relations between countries are expanding in trade, tourism and other fields. This study is aimed at proving that the issue of creating a healthy competitive environment among insurance companies serves as an important factor in the expansion of the insurance industry, increasing the confidence of policyholders in insurance companies, and in turn reducing the price and increasing the quality of

insurance services, for this purpose, developing ways to create a healthy competitive environment.

Based on this, this study has the following goals: to determine the conditions for the formation of healthy competition;

determining the state of healthy competitive environment in developed countries;

It is to determine the level of competition in the national insurance market of Uzbekistan and the factors affecting it.

To achieve these goals, articles published in international journals and other sources aimed at creating strong and healthy competition in the insurance market were studied, and based on these sources and experiences, the current situation in the insurance market of Uzbekistan and the legislation affecting this situation were critically analyzed.

Various financial coefficients and statistical methods, logical and structural analysis, grouping, economic-statistical analysis, mutual and comparative comparison methods were effectively used in the analyzes carried out in order to achieve the set goal. As a result of the conducted analysis, the emergence and development of mutual competition between insurance companies offering insurance services in the insurance market, the factors leading to the strengthening of competition and especially healthy competition, as a result of which tariff rates decrease and the quality of services increase, the formation of additional services are based.

Based on the conducted research and conclusions, the author has developed suggestions for improving the existing legal framework to strengthen healthy competition in the national insurance market of Uzbekistan.

Having studied the insurance markets of foreign countries, the question of opening the domestic market



to a certain extent for the advanced insurance companies of foreign countries was put forward as one of the important factors of strengthening the competition in the national insurance market of Uzbekistan. As another important result, the proposal of large consumers of insurance services in the national market to organize a transparent competition in which all insurance companies have the opportunity to participate in the selection of insurance companies is one of the important achievements. It is known that an important factor that ensures the development of any industry at the level of demand is the formation of healthy competition in this industry.

The fact that this factor has been substantiated by many scientists of the world and has become popular among the people allows us to recognize that it is an axiom level factor that does not require proof. This situation applies equally to the insurance sector, and any country that wants to increase the volume and quality of insurance services should focus on this issue. Conclusions and suggestions

Strong competition in the insurance market requires the insurance company operating in this market to constantly work on itself, to conduct marketing research in order to maintain its position in the competition, to study and apply the experiences of advanced insurance companies inside and outside the country in all respects and to apply them to its activities, to ensure the optimality of tariff rates from actuarial accounts

In order to attract more potential policyholders and retain existing policyholders, it tries to apply various forms of additional services and bonuses, to develop and implement insurance contracts that take into account the interests of the policyholder more effectively.

The increase of insurance companies in the national market, which have made such actions the content of their activity, ultimately leads to an increase in the number of insured persons, a significant increase in collected insurance premiums, and an increase in trust among insured persons in insurance companies, thereby increasing the financial stability of insurance companies.

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