



DEVELOPMENT OF INSURANCE COMPANIES IN THE ECONOMIC CENTER OF THE COUNTRY

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Article history:	Abstract:
Received: 8 th May 2024 Accepted: 6 th June 2024	The main focus of this article is on the insurance sector and economic development of countries in transition; while some of them have already become members of the European Union, others are still in the access to the EU procedure. From the data collected by using an empirical method, it can be observed that the development of the insurance market has had a positive influence on economic growth. The importance of the insurance sector can be observed in the results of the displayed types of insurance in the period from 2020 to 2024. The confirmation of market development is also located in the laid and paid claims, which provide policyholders with security and confidence in insurance companies.

Keywords: Insurance, development, economic growth, countries in transition, insurance premium, claims.

INTRODUCTION

Economic development can not be viewed outside the context of the entire social development because the economy is one of the major subsystems of the social system, therefore the economic development is inseparable from the overall social development. S

The United Nations Development Program (UNDP), with the National Agency for Perspective Projects of the Republic of Uzbekistan and the Association of Professional Participants in the Insurance Market of Uzbekistan, conducted a training for insurance sector specialists on the topic "Climate and Disaster Risk Finance" with the involvement of an international expert.

The main goal of the training is to improve the skills of participants in the insurance market of Uzbekistan, both at the level of government and insurance companies, in "Climate and Disaster Risk Finance". Taking into account the importance of the training topic, due to the constant increase in risks associated with climate change and the occurrence of natural disasters, an international UNDP expert, Mr. Kamal Ahmed, who has extensive experience in improving the resilience of infrastructure to disasters, climate change and assessing fiscal risks in critical infrastructure. Over the course of two days, he taught fundamentals, financial management, mobilizing finance, prioritization and other areas of climate change and disaster risk.

The training was held on April 18–19, 2024 in Samarkand city with the participation of more than 35 participants representing the National Agency of Perspective Projects, the Ministry of Economy and Finance, the Ministry of Agriculture, the Association of Professional Participants of the Insurance Market, the

Center for Hydrometeorological Service, insurance companies and other agencies from the government and the private sector.

Moreover, as part of the training, a presentation on the topic "Climate finance and financing for disaster risk reduction" was prepared and demonstrated by the UNDP project "Enhancing Multi-Hazard Early Warning System to increase resilience of Uzbekistan communities to climate change-induced hazards", which also took an active part in the training.

LITERATURE REVIEW

Positive feedback was received from training participants on the conducted training, it was noted the relevance of the training topic and the knowledge gained with relevant examples based on international practice, an interesting and interactive method of presenting information. Financial education programmes should be tied to existing formal financial or non-financial products that most people can access and use, for example, by making them available when opening a bank account or buying crop inputs or construction materials.⁴⁵ • Best international practices should be shared with the Ministry of Finance, IMDA, sectoral ministries and agencies, state-owned enterprises, insurance companies and the public. • Building codes and compulsory insurance should be better elaborated and enforced within legal structures to allow for specific compulsory types of risk coverage, including third party liabilities, as well as property coverage especially around seismically active areas and those prone to floods, mudflows or drought. This is first of all determined by the active state policy according to which the insurance market is viewed by the state agencies as one of the key elements of the country's market infrastructure. It is worth noting that for the purpose of developing the insurance services market to



match the international standards, and stimulating active participation of legal and private entities in insurance, all sorts of favourable conditions, such as tax benefits and preferences have been created for the insurance companies and consumers in Uzbekistan. Currently 28 insurance companies, one reinsurance company, two insurance brokers and two assistance services are present in the insurance market of Uzbekistan. According to the results of 2007, insurance companies received over 72.3 billion soums in insurance premiums for voluntary and mandatory types of insurance. This exceeds the results of the previous year by 45.5%. In the past five years the insurance premiums collected by the insurance companies have grown 3.3 times. The role of insurance is particularly high in the context of economic reforms as it stimulates the development of business activity, improves the investment climate and plays a special part in provision of social protection to the population. At this time measures are being taken in the country to further stimulate the formation of a competitive market of insurance services, improvement and development of modern types of insurance, as well as enhancement of the quality of insurance activity. The Programme of Reform and Development of the Insurance Market of the Republic of Uzbekistan for 2007-2010 approved by the Presidential Resolution "On measures to further reform and develop the insurance services market" No. 618 of 10 April 2007 is likely to become one of the main factors in determining the development of insurance in Uzbekistan. Also, for the purpose of comprehensive use of the opportunities offered by insurance, efforts are being given to improve the legal framework for mandatory insurance. In particular, on 22 October this year the Law of the Republic of Uzbekistan "On mandatory insurance of civil liability of vehicle owners" will enter into force.

In the recent history of Serbia and neighboring countries, one of the largest floods occurred in May 2014. According to the official report on the assessment of the damage from the flood, which was adopted by the Government of the Republic of Serbia, the total damage and losses amounted to 1.53 billion euros, which is 4.5% of gross domestic product in 2013. According to data from 15 insurance companies - insurers, which provide insurance against this risk, total insurance premiums for a flood in 2014 amounted to 648 million, accounting for only 1.2% of the total life insurance premium. The number of reported claims from 15 May to 31 December 2014 was 3,299, and their amount was 38.8 million euros, representing 0.1% of gross domestic product and about 2.5% of the total estimated damage. A society's ability to absorb the risk

of inadequate levels of price insurance premiums, unforeseen claims and inadequate transfer of risk of coinsurance and reinsurance is measured by the ratio retention insurance premium and total capital.

MATERIALS AND METHODS

For companies engaged in non-life insurance, the premium in retention represents an approximation of the assumed risk and should be sufficient for the payment of damages and compensation from the insurance. Significant improvement in the work sector claim appraisal and settlement reflected in the possibility of electronic reporting of damage, simplifying and improving procedures in dealing with damage, thereby contributing to the efficient work of an insurance company in the interest of better service to its policyholders. The regional business organization, with most insurers, particularly reflected in a more efficient and faster work of appraisers, is the basic link in the chain of resolving damage claims. The new legislation, under the supervision of the National Bank of Serbia, has been introduced to improve the tracking of the resolution of the payment of claims for all insurance companies. Laid claims in the observed period are usually in motor liability insurance, auto insurance, and other property insurance. One should note the importance of consistent compliance with regulations in the area of compulsory traffic insurance - auto liability, particularly in terms of promptness in the payment of damages, the cost of insurance and the application of the bonus-malus system, through a unified information system for all insurers. Also, there are trainings and preparations for the implementation of the new methodological framework for risk management, because the adequate risk management is essential for the performance of the insurer, which is the essence of the new Directive Solvency II, according to which the consideration of requests from insurers is taken and all risks they are exposed to in their operations to their efficient management quantified. The planned application of the directive requirements is in accordance with the draft of the new Law on Insurance of Serbia's accession to the European Union.

RESULTS

Insurers lost entirely one of their most important revenue sources – overseas travel insurance – and were faced with a large number of returns on "travel" services. Market players who specialised in this type of insurance were particularly affected. Thanks to the research of A.M. Best [a rating agency which, unlike Standard & Poor's, Moody's and Fitch Ratings, works for a wide business sector and historically has focused exclusively on the insurance market (insurance companies)] who surveyed 450 insurers from 48



countries, "almost 90% of insurers hope that innovation can help them deal with system failures and 63% believe that ongoing investment in innovation can help them overcome business disruption and remain on track". Numerous bankruptcies, declining incomes, rising unemployment and a self-isolation regime have significantly affected the growing interest in insurance products by households, in particular in life and health insurance services. The pandemic and the prolonged "mask crisis" of 2020 will contribute to a positive trend in insurance performance, especially if insurance companies move towards innovative development. According to a study by RA A.M. Best, more than half of the insurers surveyed "allocated between 1 and 5% of their budgets to innovation, while 17% of insurers allocated more than 5%". Thanks to cloud computing, blockchain technology and artificial intelligence, the

insurance industry's value chain can be transformed. "According to analysts, the total blockchain technology market in the insurance market will grow from \$64.5 million in 2018 to \$1,393.8 billion by 2023 at a compound annual growth rate (CAGR) of 84.9%. The global blockchain market is projected to grow at an average CAGR of 80.2% over the same time period. Factors such as the growing number of fraudulent insurance claims and the growing need for transparent and reliable systems will contribute to the growth of the global technology market". More than 70% of the insurance market believes that the improvement of existing and the use of new digital technologies will increase the competitiveness of insurance companies and influence the diversification of the insurance portfolio.

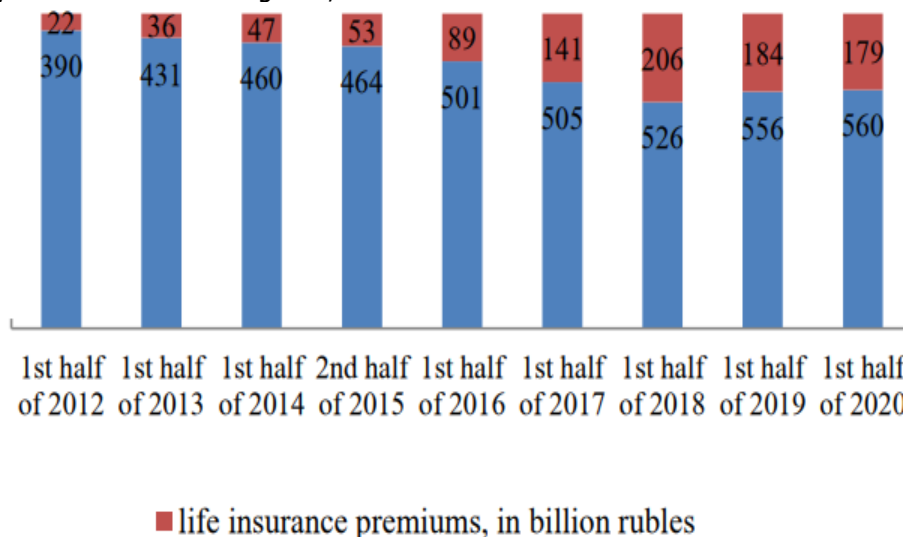


Fig. 1. Insurance market dynamics over the period 2012-2020 (Expert RA, 2020)

The rapid action of artificial intelligence in analysing the data required to conclude an insurance contract will enable insurers and households to better understand the nature of the risks of an insured event, so that risks can be minimised and a new insurance solution can be developed on this basis. The innovative application and development of IT systems will enable insurers to identify and prevent risks in real time.

CONCLUSION

Using the assessment of collected data, it is shown that the life and nonlife insurance, individually and collectively, contribute to economic growth in a sample of three countries in transition, where two have been the Member States of the European Union, in the period from 2010 to 2014. According to the present development of the results the insurance sector has the opportunity to promote economic growth. At the same

time, the functions of insurance companies by providing resources, risk management and allocation of resources, are an important segment for economic growth. The guidelines for work can present some suggestions for future policymakers insurance sector because in the future the insurance companies will assume the position of leading financial investors since they possess large amounts of capital to invest in different segments of the financial market. In any case, the key is to implement usefulness policy that will ensure institutional improvements to the promotion of competition, which contributes to increased efficiency, particularly in risk management and developing new products to ensure. In this regard, many countries deal with demographic challenges and problems in the social security system, which should implement incentive for stimulating an increasing participation of insurance



companies in the form of supplementary voluntary pension and health insurance. Due to the development of the insurance sector, it would be possible to contribute to economic growth, as well as to enable future research due to connectivity and data availability in the integration of an increasing number of countries in transition.

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