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ANALYSIS OF PRIORITY DIRECTIONS OF INVESTMENT POLICY OF JOINT STOCK COMPANIES (IN THE EXAMPLE OF INSURANCE COMPANIES)

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Abstract

This article describes the importance of insurance companies in the development of the national economy. In recent years, practical data on insurance operations carried out by insurance companies have been analyzed. In the practice of foreign countries, the priority areas of development of investment activity by insurance companies were researched. Conclusions and proposals for improving the activities of insurance companies have been formulated.

Keywords Insurance company, investment activity, financial stability, capital, financial strategy, crisis, efficiency, financial instruments, corporate management, insurance premium.

INTRODUCTION

As a result of fundamental reforms implemented in the development of economic sectors in our country, directions such as the introduction of modern corporate management mechanisms, development of integration into the international world market, introduction of innovative methods of management in the spheres of activity are developing in them. In particular, the development of the insurance system, in particular, the further formation of the competitive market of insurance services, the development of modern types of insurance activities and the improvement of their quality, the increase of the level of capitalization and the provision of financial stability of insurers, the expansion of their regional networks, as well as the improvement of the methods of regulation of insurance are the priority directions in the reform of the insurance market.

The Resolution of the President of the Republic of Uzbekistan dated August 2, 2019 No. 4412 "On measures to reform the insurance market of the

Republic of Uzbekistan and ensure its rapid development", the active development of financial services aimed at ensuring stable growth of the economy, increasing the quality and level of life of the population, and strengthening the role of the insurance market in the republic and widespread use of insurance tools is defined as one of the main priorities [1]. The financial stability and solvency of insurance companies are important in protecting the interests of policyholders, as well as in ensuring their reliability and high rating. Although several scientific studies on the development of insurance companies have been carried out in our country in recent years, the scientific and practical problems of ensuring financial stability by diversifying the investment opportunities of insurance companies have not been sufficiently studied. It should be noted that although many achievements are being made in the international practice of insurance companies in making investment decisions, econometric evaluation of the economic efficiency of investment projects, defining its main

parameters, and applying statistical models, it can be noted that these processes are not sufficiently developed in the practice of insurance companies operating in our country.

Review of literature

The importance of insurance companies in the development of the national economy, the scientific basis of the improvement of the investment activity of insurance companies, and the analysis of the actual situation are being conducted by domestic and foreign economists.

In the modern international economy, insurance is a strategic object of the national economy. The insurance market provides the main part of investments, covers losses in the state budget and plays an important role in cost optimization. Another important aspect of the insurance mechanism is the protection of social interests through the development of the national economy, that is, it guarantees the population in solving various problems of society [2]. Insurance is a system of relations to protect the property interests of these persons in the event of a certain event (insurance event) at the expense of funds formed from insurance premiums (premiums) paid by legal entities and individuals [3]. Several economists have given their conclusions and suggestions about the positive results of using advertising and marketing services at a high level in the development of the insurance market [4]. In our country, special attention is being paid to the development of the insurance sector, more precisely, commercial-based insurance, based on the principle of "The State as the Chief Reformer", which is one of the main principles of development, and for this purpose, several privileges and preferences are in effect that provides for the development of this sector. Comparing these benefits and preferences with the CIS countries, more opportunities have been created in our country [5]. Insurance is one of the most important components of the financial sector of the economy, it acts as a protection against various risks and helps the stable development of the banking system by reducing the risk of uncertainty at a certain time. At the modern stage of economic development, cooperation between banks and

insurance companies has begun to change for the better. This is explained by the fact that it belongs to the areas of banking business activity with a high level of risk, and insurance is considered the most important way to protect against various risks and unexpected situations [6]. In recent years, both the banking and insurance segments of the financial market have seen rapid growth in the banking and insurance business, as compared to the retail services sector. In this context, it should be noted that banks and insurance companies cooperate, create new products and services, and help the development of not only their business but also the entire financial sector of the state economy [7].

The share of the insurance market in the GDP is growing as the results of the conducted research are gradually introduced into the national economy. However, it can be noted that in comparison with international practice, this indicator lags behind other countries with developing economies. From this point of view, conducting scientific-fundamental research in this direction is of urgent importance.

RESEARCH METHODOLOGY

Logical and structural analysis, grouping, mutual and comparative comparison methods were effectively used during the scientific research.

ANALYSIS AND RESULTS

The purpose of the state policy in the field of insurance is to create an insurance system capable of effectively protecting the property interests of citizens, legal entities and the state in the event of insurance events. The main task of the state policy in the field of insurance is the formation and improvement of the legal basis of insurance activity, forms and methods of its control. The changes taking place in the socio-economic life of our republic increase the importance of the development of the insurance market, which is considered an important segment of the financial market. It should be noted that the improvement of the processes of economic and financial integration in our country requires the implementation of necessary measures to ensure and prevent risks that may arise in the activities of joint-stock companies.

It can also be seen from the analysis data that in recent years, large-scale reforms have been implemented in terms of diversification of the types of insurance services provided by insurance companies, the introduction of innovative approaches to the provision of insurance services to citizens and legal entities, effective use of international best practices in the improvement of insurance practice.

By the end of 2022, the total volume of insurance premiums tends to increase compared to previous

years and amounted to 6213.6 billion soms. Considering that this figure was 439.1 billion soms in 2014, we can note that it has increased by 14.5 times during the analyzed period (Fig. 1). Also, if we continue our thoughts on the results of the analyzed period, it should be noted that if the amount of insurance payments was 2601.4 billion soms, this indicator has increased by 35 times compared to 2014.

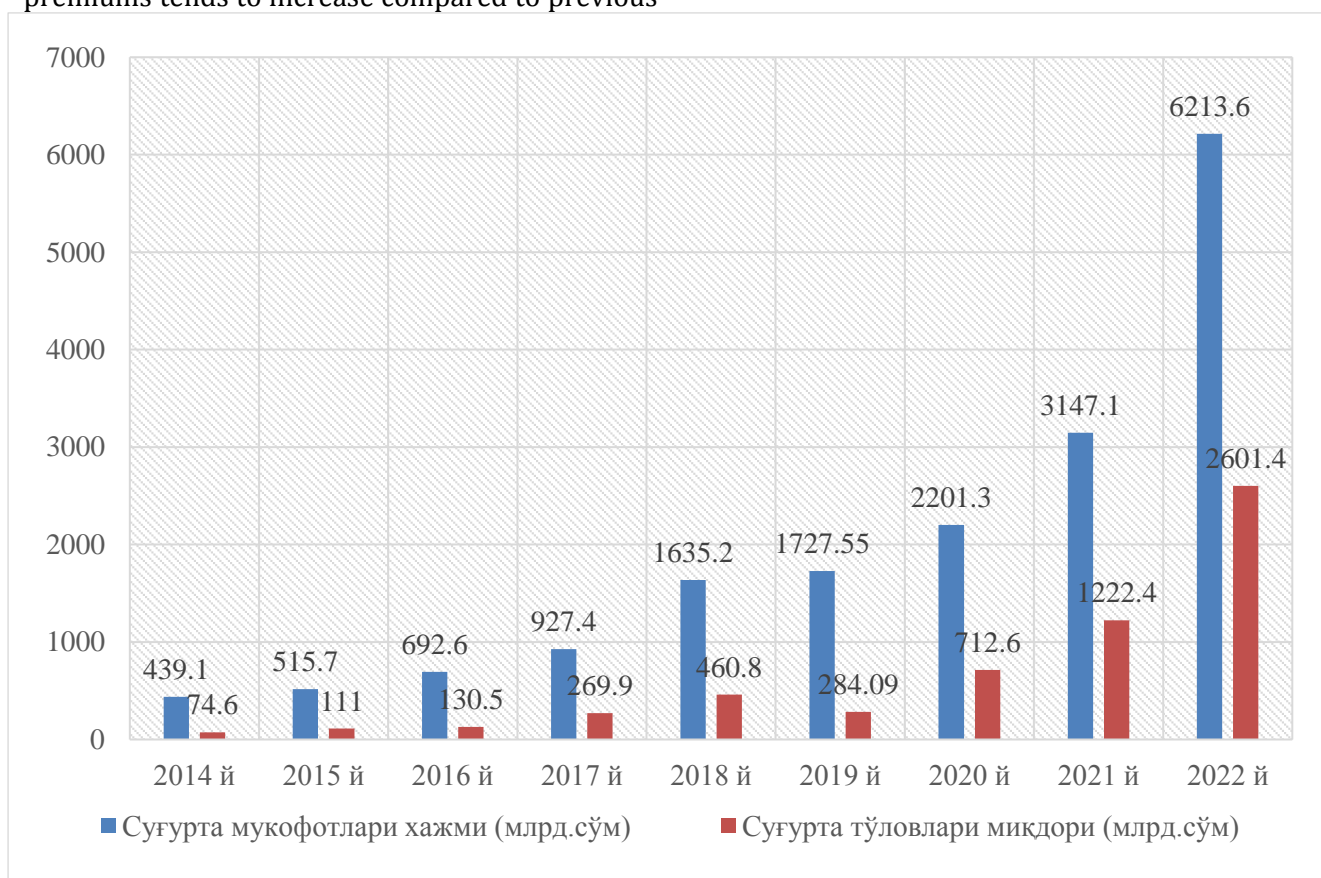


Figure 1. Growth dynamics of health insurance payments and health insurance payments (billion soms) [8]

One of the main reasons for the sharp increase in the amount of insurance payments since 2017 is the increase in payments for the type of life insurance. This, in turn, shows that insurance companies regularly fulfill their obligations to customers. Insurance obligations by insurance companies have tended to increase in line with

insurance contracts. The role of investment activities in ensuring the financial stability of insurance companies is of great importance.

In recent years, the number of insurance companies in our country has increased, as well as their investment opportunities and potential in the capital market. The financial stability of insurance

companies allows them to ensure the continuity of their activity in any conditions, to prevent risks regarding obligations to the insured, and to realize additional investment opportunities. Various problems related to ensuring the financial stability of insurance companies are prevented through the level of profitability, capital adequacy, liquidity ratio and the amount of reserves created by insurance companies.

According to the results of 2022, a total of 41 insurance companies are operating in the Republic, of which 8 are specialized in life insurance. Their

total charter capital in 2021 will be 1589.8 billion. amounted to 1884.1 billion soums, by the end of 2022 it increased by 18.5%. Also, the participation of insurance companies in the capital market has a special place, and in the following years, the participation of insurance companies in the securities market tends to increase. If in 2021 the number of insurance brokers was 5, by the end of 2022 their number has increased to 2. By the end of 2022, the volume of total investments of insurers increased by 26.8% compared to the same period last year and reached 4751.7 billion soums (Table 1).

1 Table

Investment activity of insurers [9]

№	Indicator name	2021 year		2022 year		change, %
		billion soums	in % of total	billion soums	in % of total	
1	Total investments, including:	3746,6	100	4751,7	100	+26,8
2	Deposits	2208,5	58,9	2896,6	61,0	+31,2
3	Securities	1095,9	29,3	1287,9	27,1	+17,5
4	Loans	47,4	1,3	60,7	1,3	+28,1
5	Real estate	247,3	6,6	358,9	7,6	+45,1
6	Participation in the charter fund of organizations	142,2	3,8	118,2	2,5	-16,9
7	Other investments	5,1	0,1	29,2	0,6	+471,1

The number of structural structures in the regions increased by 1.5 times compared to 2017 and reached almost 2 thousand, and stable jobs were created for 15.4 thousand employees and insurance agents in all regions. Insurance companies in Uzbekistan offer more than 110 types

of insurance products in various directions.

From the data in Table 1, it can be seen that the main areas of investment are related to deposits and real estate. If we analyze both directions, during the analyzed period, the volume of investments in deposits increased by 31.1%, and

the volume of investments related to real estate increased by 45.1%. As one of the important aspects, it can be noted that in 2022, the volume of other investments has increased by 5 times compared to the previous year, which is considered to be an increase in the diversification of investment activities by insurance companies. The volume of investment in securities in 2021 will be 1095.9 billion. amounted to soums, this figure will increase by 17.5% by 2022, or 1287.9 billion soums. amounting to soum indicates the increasing participation of insurance companies in the securities market. The ability to collect financial cash flows and direct them to the development of the economy makes insurance companies a powerful institutional investor.

In developed countries, insurance company asset placement standards, maximum and minimum quotas of insurance reserves, and a list of assets covering insurance reserves have been developed. The developed standards are regulated depending on the level of development of the economy, the state of financial markets, and national traditions. Investment directions of insurance companies are determined separately for the life insurance industry and other general insurance networks.

In the European Union, the United Kingdom and the United States, the responsibility for regulating the insurance market is to some extent divided between national, local and regional authorities.

Each state in the United States has independent insurance regulators. EU countries have their regulatory bodies but follow directives that are common to each of them. Characteristics of foreign experience in the formation of investment policies of insurance companies are presented in Table 2 below.

There are two approaches (schools) in state regulation of investment policy in foreign countries, which are reflected in the state's role in investment activity and participation (influence) in setting tariff rates. The first approach is the American school, which means that the main activity can be harmful, but such losses can be compensated by the income from the investment activity. The second is the approach of the European school, in which the main net insurance activity, apart from the investment activity, must be profitable.

As observed in the practice of insurance portfolios, long-term investment gives more profit compared to medium and short-term investments. Long-term investments, such as real estate, medium- and short-term investments include stocks, bonds, bank deposits, and temporary free funds in a company account. However, it should be taken into account that long-term investments bring a lot of income, while medium- and short-term investments are considered liquid when the need to fulfill payment obligations arises.

2-Table

Features of state control of investment activities of insurance companies in foreign countries [10]

States	Features of formation of investment policy of insurance companies
USA	<ol style="list-style-type: none"> 1. A certain part of the income is invested in the territory of the state. 2. Investment conditions are established in the prescribed manner. 3. The average composition of assets is determined.

	4. Insurance companies provide investment loans to industrial enterprises for a period of 15-20 years.
Great Britain	<p>1. The law on placement of reserves of insurance companies shall apply.</p> <p>2. Investing principles apply (safety, profitability, liquidity, diversification, etc.).</p> <p>3. Placement forms and restrictions on them are established.</p> <p>4. Assets are transferred to trust management.</p>
Germany	<p>1. The law on placement of reserves of insurance companies shall apply.</p> <p>2. Investing principles apply (safety, profitability, liquidity, diversification, etc.).</p> <p>3. Placement forms and restrictions on them are established.</p> <p>4. Assets are transferred to trust management.</p>

Taking into account the experiences of developed countries, measures to further improve insurance activities in Uzbekistan are creating the necessary conditions for the rapid development of the insurance market. In our country, the state has been performing the task of the main reformer in ensuring that the activities of insurance companies can meet international requirements and become a competitive industry. The adoption of several regulatory documents related to insurance activities in our country serves to increase the quality of insurance services and increase the confidence of the population in insurance services.

CONCLUSION

The increase in investment income allows the insurance company to confidently revise its tariff policy aimed at attracting customers and more actively developing the insurance industry, conquering the insurance market, while providing

the necessary reserves. Investment income allows insurance companies to discount reserves, provide value for their assumed liabilities, and increase depositors' funds in the form of savings and insurance "accumulators". The amount of investment income depends on the reliability and efficiency of the investment of funds, the balanced investment policy of the insurance company, as well as the period of investment of funds.

One of the main tasks of the insurer in the organization of activities is the correct risk assessment. It can be seen that as a result of the change in the external economic environment, first of, insurance companies should be able to set an example in the effective organization of the risk management mechanism. Continuing our thoughts on the relevance of risk management in insurance companies, today insurance companies are focusing on specific areas of insurance activity, for example, investment, operational, financial, etc. It

is necessary to develop separate regulatory and legal documents on risk management.

Using insurance as a mechanism for managing investment risks has the following advantages: firstly, insurance is considered an effective risk management tool, allowing to carry out basic steps such as risk identification (identification), analysis and assessment, as well as compensation for damage caused by risk; second, the cheapness and convenience of insurance compared to other risk management methods; and the third is the widespread introduction of modern information technologies, digitization of the insurance market, increasing consumer confidence, as well as the level of insurance culture, consistent alignment of the national insurance market with international standards, which will lead to an increase in efficiency in the field.

At the same time, due to the creation of new jobs in the regions, the level of competition in the market, and the increase in the reliability of doing business, not only the field of insurance services, but also related industries will further develop, and the opportunities for investing in various fields will expand.

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