

THE IMPORTANCE OF INSURANCE ACTIVITIES IN THE SERVICE SECTOR DEVELOPMENT

Azimjon Meliev

assistant, Department of Finance, Samarkand Institute of Economics and Service.

Abstract: *This paper discusses the issues of strengthening the rights of consumers protection within insurance services and other subjects of the insurance business, increasing insurance literacy and public confidence in insurance, ensuring openness and transparency of the insurance market, in particular, the development of long-term insurance.*

Keywords: *insurance, life insurance, endowment insurance, investment funds, guarantee fund.*

INTRODUCTION:

In the conditions of country modernization, the role of the insurance activity subjects in the development of small and private business, creation of favorable conditions for business entities should be significant. In other words, the process of further liberalization of the economy cannot be carried out without the development of the appropriate market infrastructure, that is, the banking and financial system, leasing, auditing, insurance, engineering and other structures.

According to statistics, more than 30 insurance companies are operating in our country today. The improvement of legislation related to the field is also helped by the analysis of achievements and shortcomings in this regard at large conferences, exhibitions, organized seminars and training sessions. In them, experts from our country and abroad exchange experience and opinions on issues related to industry news, network development prospects, increasing the importance of the insurance market in investing in the economy of our country, issues related to the development of the life insurance market, risks related to finance, entrepreneurship and banking activities in our country are discussed.

The beginning of the formation of the domestic insurance market should be considered the fact of real demonopolization of insurance activities and, as a consequence of this, the rapid growth of the number of alternative insurance organizations. The state monopoly on insurance was liquidated by the adoption of the Decree of the President of the Republic of Uzbekistan "On the establishment of the State Joint-Stock Insurance Company "Uzagrosugurta" No. 125 dated February 25, 1997. In accordance with this decree, the State Joint Stock Insurance Company "Uzagrosugurta" was created on the basis of the then Main Directorate of State Insurance.

The legislative foundations for the formation of the insurance market in Uzbekistan are laid down in Chapter 52 of the Civil Code of the Republic of Uzbekistan. It determines the legal status of participants in civil transactions, the basis for the emergence and procedure for the exercise of property rights and other real rights, rights to the results of intellectual activity, regulates contractual and other obligations, as well as other property and related personal non-property relations. Contradictions arise with the Law "On Insurance Activities" - personal and property insurance versus life insurance and general insurance, this entails legal consequences related to the nature of the liability insurance contract, the conclusion, validity and execution of the insurance contract (definition of property



interest in the liability insurance contract , list of risks, established insurance amount, fact of occurrence of an insured event, qualification of the legal fact of an insured event, procedures for settling losses and making insurance payments).

A number of works have also been carried out in the field of establishing international relations [3]. Close cooperation with foreign insurance and reinsurance companies has been established in matters such as further development of reinsurance activity, its adaptation to world standards. In particular, there are relations with reinsurance companies and brokers of developed countries such as Russia, China, South Korea, India, Great Britain, and Germany.

One of the main tasks of the insurance company is to provide financial support to the population in case of damage to their health or property due to an accident. Considering the client's appeal regarding the insurance incident as soon as possible and paying the insurance coverage on time determines the authority of the insurer. In the republic, in accordance with the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan "On measures for state regulation of insurance activities" No. 286 dated July 8, 1998 (lost force on December 31, 2019), the functions of the state body that control the activities of insurance organizations in the territory of the Republic of Uzbekistan were assigned to the Ministry of Finance. To implement these functions, the State Inspectorate for Insurance Supervision was created under the ministry in order to ensure the protection of the rights and legitimate interests of all insurance relations.

At that moment, the State Inspectorate for Insurance Supervision carried out work to create a regulatory framework aimed at protecting the rights and interests of policyholders, further developing the insurance industry, and monitoring compliance by professional participants in the insurance market with legislation on insurance activities. Thus, the inspection established requirements for the solvency of insurers, the procedure for the formation and placement of insurance reserves, the procedure for checking the activities of insurance organizations, etc. However, despite the significant growth rates of the main performance indicators of insurance organizations for 1998-2001. there was a need to bring the national insurance market into line with the requirements of a market economy, create conditions for the development of an insurance services market that meets international standards, improve the professionalism of national insurers, regulate relations related to insurance activities and the functioning of the insurance market regulation system that helps protect the interests of all insurance entities.

At this period, the capitalization of insurance companies remained at a low level, a mechanism for licensing insurance activities had not yet been introduced, the Law "On Insurance" in force at that time did not regulate the relationships of all participants in the insurance market, and did not effectively protect the interests of professional participants and other subjects of the insurance market of the republic , did not stipulate specific elements of insurance activities, in particular the organization and liquidation of insurance companies. In order to solve the above objective problems that impede the further development of the insurance market, the government of the republic has taken a number of effective measures.

In particular, on April 5, 2002, the legislative body (Oliy Majlis) of the country adopted a new Law "On Insurance Activities", which came into force on May 28, 2002 instead of the Law "On Insurance" of May 6, 1993 (repealed on February 25, 2022). As of today, the Law of the Republic of Uzbekistan "On Insurance Activities" dated November 23, 2021 No. LRU-730 [1] is in direct force.

2007 became another significant stage in the further reform and development of the domestic insurance market. Thus, the Resolution of the President of the Republic of Uzbekistan No. PP-618 dated April 10, 2007 "On measures for further reform and development of the insurance services market" was adopted and the Program for Reform and Development of the Insurance Market of the



Republic of Uzbekistan was approved, which is aimed at solving a number of existing objective reasons hindering development insurance market:

- relatively low level of demand for insurance services due to insufficient transparency of the insurance market, low quality of offered insurance services and lack of incentives for accumulative types of life insurance;
- low level of development of the insurance market infrastructure, especially life insurance companies;
- the practical absence of a legislative framework for compulsory types of insurance that corresponds to international practice (car liability insurance, employer liability insurance, earthquake home insurance) and the insufficient implementation of international standards for the regulation and supervision of insurance activities.

The republic has recently been undergoing colossal reforms in all sectors of the economy. The insurance industry is one of the key factors in the development of business and the economy as a whole. In addition, the provision of insurance services to the population and individuals is one of the priorities of this sector. The main objective of state policy in the field of insurance is the formation and improvement of the legislative framework for insurance activities, forms and methods of supervision over it. The policy of regulation of insurance activities pursued by the Government of the country creates all the necessary conditions for the dynamic development of the insurance market and ensures a high level of creative processes in its development. These measures are key factors in the formation of a modern, full-fledged and competitive insurance market. The goal of state policy in the field of insurance is the formation of an insurance system capable of effectively protecting the property interests of citizens, legal entities and the state in the event of insured events. Adopted on August 2, 2019, Resolution of the President of the Republic of Uzbekistan No. PP-4412 “On measures to reform and ensure the accelerated development of the insurance market of the Republic of Uzbekistan” plays an important role in the development of the insurance market. The resolution defined the main directions for the development of the insurance market and approved the “Road Map” for the accelerated development of the insurance market of the Republic of Uzbekistan for 2019-2023 and target indicators for the accelerated development of the insurance market of the Republic of Uzbekistan for 2019-2023 [2].

In recent years, the activities of insurance organizations have observed a faster growth rate in terms of types of voluntary insurance, which indicates the real development of insurance and an increase in the level of confidence in the services of insurance companies. Thus, as of January 1, 2023, the number of insurance organizations was 42, of which 8 organizations are engaged in life insurance. As a result of the measures taken to increase the authorized capital, during 2022 the total authorized capital of insurance organizations increased by 18.5% and amounted to 1,884.11 billion soums. At the end of 2022, the investment portfolio of insurers increased by 26.8% and amounted to 4.75 trillion soums. Most of the investments came from bank deposits, which increased by 31.2% during the period under review and amounted to 2.90 trillion soums.

Investments in securities at the end of 2022 increased by 17.5% and amounted to 1297.92 billion soums or 27.1% of all investments of insurance organizations.

During 2022, general insurance premiums collected by insurers increased by 67.0% and amounted to 6.23 trillion soums. At the same time, in the period under review, life insurance premiums increased by 112.6% and amounted to 1,524.68 billion soums. In particular, premiums from voluntary types of insurance increased by 76.89% and amounted to 5.71 trillion soums or 91.68% (in 2021: 86.54%) of all collected premiums of insurance organizations. At the same time, during the period



under review, premiums from compulsory types of insurance services increased by 3.18% and amounted to 518.04 billion soums [4].

At the end of 2022, there was a corresponding increase in insurance payments to insurance premiums. Thus, during the period under review, insurance payments increased by 110.3% and amounted to 2,596.93 billion soums. Of these, 90.67% falls on the share of insurance payments for voluntary types of insurance, amounting to 2,354.78 billion soums.

Despite a fairly wide branch network of insurance organizations, the main business is still concentrated in the capital region. At the same time, 71.34% of collected premiums at the end of 2022 accounted for the city of Tashkent and the Tashkent region [4].

Currently, the service sector is important not only in a particular country, but also in the entire world economy. Development of the service sector is one of the priority directions of the economy of Uzbekistan. By the decree of the President of the Republic of Uzbekistan on February 7, 2017, five priority areas of the Action Strategy for the Development of the Republic of Uzbekistan in 2017-2021 were adopted. This document actually became a "road map" for systemic reforms in all aspects of society. Today, services and services are one of the important sectors of the national economy. Positive results were achieved due to the implementation of the state support policy and the promotion of the development of the service sector in the republic.

The special importance of the service sector and the need to increase its share in the GDP in terms of the formation of a socially oriented market economy in Uzbekistan is determined by a number of conditions, including the fact that the expansion and development of the service sector contributes to sustainable economic growth and increasing the competitiveness of the national economy (especially in the case of high economic growth of services in technology networks). In 2022, insurance penetration was highest in the United States, where the value of insurance premiums was nearly 12 percent of GDP. Insurance penetration rate is used as an indicator of the development of the insurance sector within a country and is calculated as the ratio of total insurance premiums to gross domestic product for a given year. Meanwhile, insurance penetration in Taiwan was 11.4 in 2022. Thus, the value of insurance premiums written in Taiwan that year amounted to more than one-tenth of its GDP [5].

Development of the service sector, population employment helps to solve issues at national and regional levels. The presence of regions with high labor capacity (according to 2017 data, 9.4 percent of the republic's population in Andijan region, 8.3 percent in Namangan percent, in Fergana - 11.4 percent, in Kashkadarya - 9.8 percent) requires efficient use of labor resources. With work the increase in the number of employees in the service sector requires. At this point, it would be appropriate to emphasize that the insurance activity in our country is not formed at the level of demand, and its formation and development, as well as research on a scientific basis, is a matter of significant socio-economic importance. In particular, the expanding freedom of economic entities, their adoption of new types of product production (performance of work, service) increases the need for research and improvement of the scientific and theoretical basis of risk transfer in insurance activity. Trade unions and associations of insurers, insurance brokers, and actuaries play an important role in the development of insurance work.

References

1. Law of the Republic of Uzbekistan "On insurance activities", dated 23.11.2021 г. № LRU-730
2. Resolution of the President of the Republic of Uzbekistan "On measures to reform and ensure accelerated development of the insurance market of the Republic of Uzbekistan", dated 02.08.2019 No. PP-4412



3. Alieva, S. S. . . , & Meliyev, A. M. . . (2022). Insurance Relations Arising on the Basis of Insurance Contract. *Academic Journal of Digital Economics and Stability*, 15, 184–189
4. Rating agency “Ahbor-Reyting”. <https://ahbor-reyting.uz/ru/service>
5. THE STATISTICS PORTAL. https://translated.turbopages.org/proxy_u/en-ru.ru.66ce75f0-65754750-bdeb2ddf-74722d776562/https/www.statista.com/statistics/381174/insurance-penetration-in-selected-countries-worldwide/

