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Improving Cost Accounting in Insurance Companies

Khalikov Talibjon Luptullaevich [1]

Annotation: Insurance organizations are the most important economic agents of the modern economy, ensuring the dynamism and safety of its development. Therefore, the quality and efficiency of their work, including accounting of income and expenses, are an important factor in economic development. The insurance process is the most important tool in managing risks that continuously arise in all spheres of human life and the state as a whole.

Key words: Insurance organizations, cost accounting, insurance process, financial result of an insurance organization.

Introduction. Insurance is not just a source of financial resources, but also provides people with guarantees, which in an era of change is an important factor in ensuring stability in society. Since 2017, insurers have switched to a new chart of accounts and began to apply new generation industry standards. These industry accounting standards cover many aspects of the insurance business: revenues and expenses, reporting, liabilities, etc. The main reason for reforming accounting is a clearer reflection of the specifics of insurance and investment activities in insurance organizations. Previously, accounting in insurance organizations was carried out according to the rules and accounts of commercial organizations, which does not correspond to the specifics of insurance activities. These changes in the accounting policies of insurance organizations, the difficulties and problems of the transition to a new chart of accounts and new accounting standards contributed to the choice of the topic of the article. In view of the fact that the financial result of an insurance organization is determined on the basis of the formation of expenses, this direction in the accounting policy is assumed to be the most preferable.

The object of the study is the accounting of insurance organizations in the context of the transition to new rules and accounting standards.

The subject of the study is the organization of accounting of expenses of an insurance organization.

The purpose of the study is to develop recommendations for adaptation of an insurance company in the face of changes in industry standards and the chart of accounts.

The target orientation of the research is determined by the formulation and solution of the following tasks:

- study the regulatory legal acts of the Republic of Uzbekistan regarding accounting of income and expenses of the insurance company;
- substantiate the theoretical foundations of accounting and tax accounting of expenses of an insurance organization;
- study the dynamics of the insurance company's expenses over the past 3 years;
- conduct a comparative analysis of the old and new, in force since 2017, chart of accounts for accounting in insurance;
- Identify problems in adapting the accounting of expenses of an insurance organization in connection with a change in the chart of accounts.

[1] assistant at the department of "Accounting and Auditing in Other Industries", Samarkand Institute of Economics and Service

Literature review.

Within the framework of the analysis of the theoretical foundations of accounting, such research areas as the fundamentals of accounting, document flow, reporting in insurance organizations, accounting in insurance, etc. were studied (Vorobyeva I.P. Insurance [1], Shaposhnikova I.V. Accounting and reporting in insurance organizations [2], Koltakova I.A. Features of reforming accounting for insurance activities [3]).

Research methods. The following research methods were used: comparison method, analytical method, modeling.

Main part.

The expenses of insurance organizations in the Tax Code include the following expenses incurred in carrying out insurance activities (Figure 1):

1) the amount of contributions to insurance reserves formed on the basis of insurance legislation;
2) insurance payments under insurance, coinsurance and reinsurance contracts. For the purposes of this chapter, insurance payments include payments of annuities, pensions and other payments provided for by the terms of the insurance contract;
3) the amount of insurance premiums (contributions) for risks transferred to reinsurance. The provisions of this subparagraph apply to reinsurance agreements concluded by Russian insurance organizations with domestic and foreign reinsurers and brokers;
4) remuneration and bonuses under reinsurance contracts;
5) the amount of interest on depot premiums for risks transferred to reinsurance;
6) remuneration to the co-insurer under co-insurance agreements;
7) return of part of the insurance premiums (contributions), as well as redemption amounts under insurance, co-insurance and reinsurance contracts in cases provided for by law and (or) the terms of the contract;
8) remuneration for the provision of services of an insurance agent and (or) insurance broker;
9) expenses for payment to organizations or individual individuals for services provided by them related to insurance activities
10) Other expenses directly related to insurance activities.

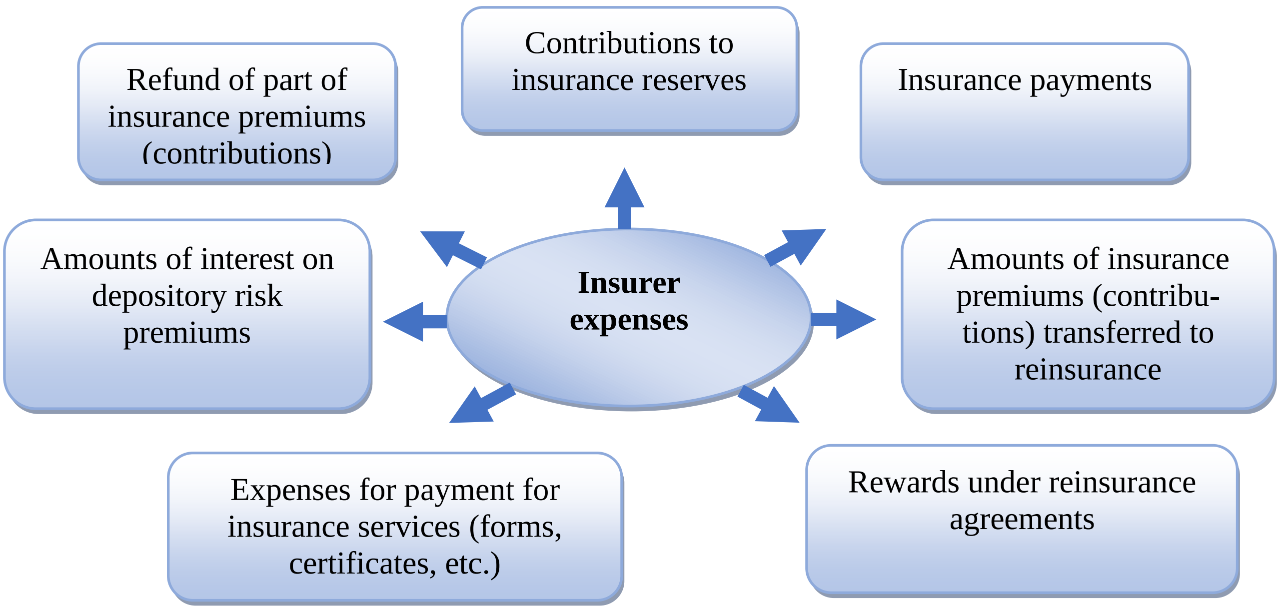

Figure 1. Insurer expenses in the Tax Code.

Justified expenses mean economically justified expenses, the assessment of which is expressed in monetary form. Any expenses are recognized as expenses, provided that they are incurred to carry out activities aimed at generating income.

That is, in order to recognize an expense in tax accounting, the following conditions must be met:

- costs are justified;
- costs are documented;
- Expenses incurred to carry out activities aimed at generating income.

We will also focus on direct and indirect expenses in tax accounting.

Direct expenses, for example, include labor costs, the amount of accrued depreciation on fixed assets used in the production of goods, work, services and other expenses.

In accounting, expenses of an organization are recognized as a decrease in economic benefits as a result of the disposal of assets (cash, other property) and (or) the occurrence of liabilities, leading to a decrease in the capital of this organization, with the exception of a decrease in contributions by decision of participants (owners of property).

Analysis and results.

Payments under insurance contracts represent expenses incurred by the insurer in connection with the amounts paid to the policyholder, insured person, or beneficiary as a result of the occurrence of an insured event. Payments under insurance contracts include:

1) the amount of insurance compensation under insurance contracts paid in connection with the occurrence of an insured event;
2) the amount of payment for repairs (restoration) of property damaged as a result of an insured event, carried out in accordance with the terms of the contract on account of the insurance payment;
3) the amount of insurance payments to policyholders (beneficiaries, insured persons or their heirs) made on the basis of a court decision, with the exception of additional amounts of legal costs, compensation for moral damages, state duty expenses and others collected by the court from the insurer;
4) the amount of insurance payments to policyholders (beneficiaries, insured persons or their heirs) made at the end of the reporting period by a court decision without acceptance on the basis of a writ of execution, if it is impossible to identify the insurance contract and the insured event;
5) the amount of additional payments (insurance bonuses) under life insurance contracts providing for participation in the insurer's investment income;
6) redemption amounts paid under life insurance contracts in connection with the early termination of life insurance contracts;
7) amounts withheld from insurance compensation or from insurance amounts to pay off the insured's debt to pay the next insurance premium;
8) the amount of taxes withheld from insurance payments in cases established by the legislation of the Republic of Uzbekistan.

The insurer's loss adjustment costs are divided into direct and indirect costs (Figure 2).

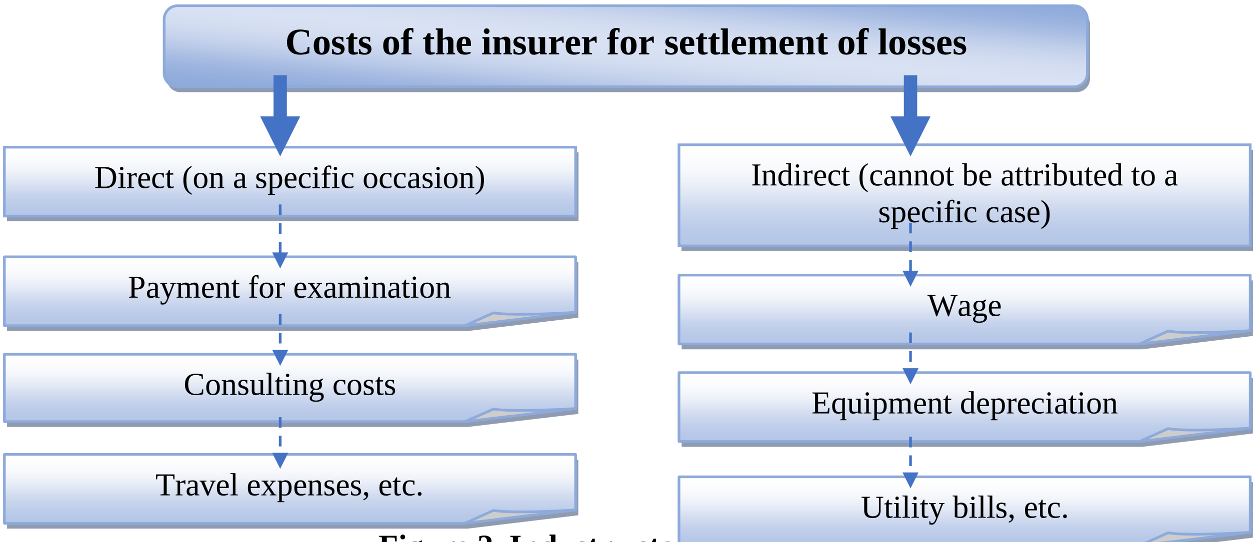

Figure 2. Industry standard insurer costs.

Direct costs are costs that relate to the settlement of specific losses under insurance and reinsurance contracts.

Such expenses may include:

- expenses for payment by the insurer for the services of experts (surveyors, emergency commissioners, other experts), expenses for negotiations (expenses for telephone conversations, organizing meetings with policyholders and relevant experts, travel expenses) and others;
- compensation to the policyholder for expenses incurred in order to reduce the amount of losses when following the instructions of the insurer upon the occurrence of an insured event;
- amounts collected by the court from the insurer in favor of the plaintiff (policyholder, insured, beneficiary) for compensation of legal costs, moral damages and other amounts paid by the insurer related to the loss settlement process, other legal expenses.

Indirect costs are expenses that cannot be attributed to a specific loss. Such expenses may include wages for employees directly involved in the settlement of losses, depreciation of the insurer's property used in carrying out claims settlement activities, and others.

Acquisition costs under insurance contracts are divided into direct and indirect (Figure 3).

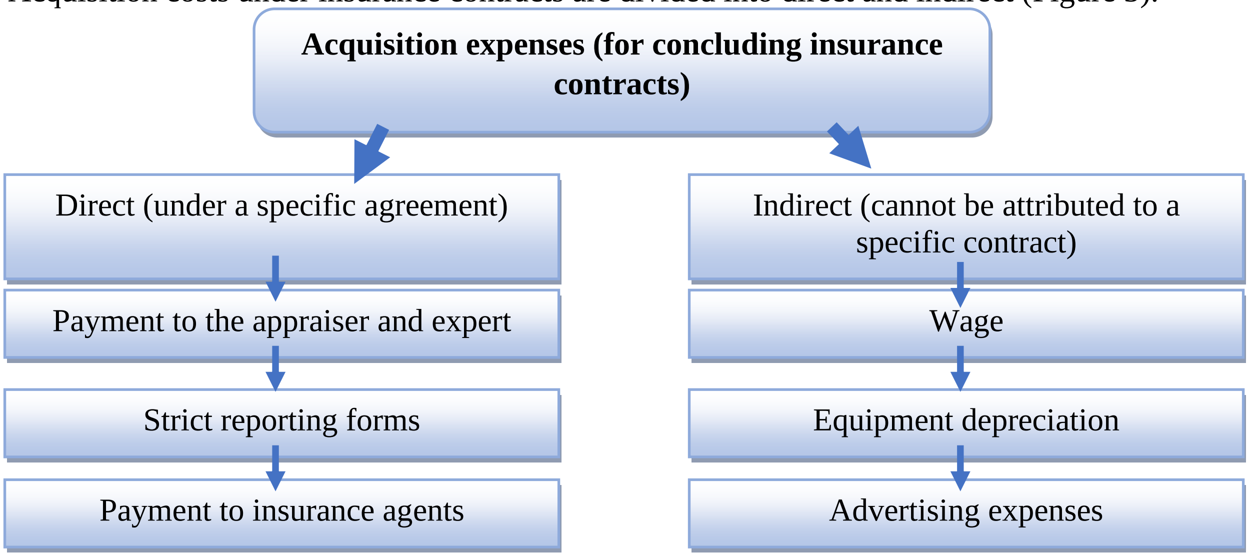

Figure 3. Industry standard insurer acquisition costs.

Direct costs are variable costs that the insurer incurs when concluding or renewing specific insurance contracts.

Indirect costs are variable costs that are aimed at obtaining or renewing insurance contracts, while they are difficult to attribute to specific insurance contracts, but they are associated with the promotion or promotion of sales of a specific product. The relationship between indirect costs and the growth of revenue (insurance premium) for such products can be established.

Examples of direct acquisition costs under insurance contracts are:

- remuneration to insurance agents for concluding insurance contracts;
- remuneration to insurance brokers and other intermediaries for concluding insurance contracts;
- expenses for conducting pre-insurance examination;
- expenses for conducting examinations of individuals before concluding personal insurance contracts;
- expenses for purchasing strict reporting forms;
- other similar expenses.

Examples of indirect acquisition costs under insurance contracts are:

- expenses for advertising and promotions, the purpose of which is to advertise specific insurance products of the insurer;
- labor costs and related expenses associated with the payment of insurance contributions to state extra-budgetary funds in relation to employees entering into insurance contracts;
- operating expenses for processing insurance contracts (entering contracts into accounting databases, preparing accompanying documents, courier delivery of contracts, etc.);
- other expenses aimed at concluding or renewing insurance contracts.

Direct and indirect acquisition costs under insurance contracts may include costs for attracting new members to a mutual insurance company (remuneration to other intermediaries for concluding insurance contracts).

Conclusion:

Direct acquisition costs under insurance contracts are considered in the presence of contractual relations with intermediaries or other events leading to the emergence of obligations to pay remuneration, and even if the amount of remuneration can be reliably determined. The date of recognition of direct acquisition costs under insurance contracts must correspond to the date of recognition of the insurance premium under certain insurance contracts. If there is uncertainty about whether an insurance contract will be entered into, direct acquisition costs are recognized on the date those costs are incurred.

Indirect acquisition costs under insurance contracts are recognized when the costs are considered to have already been incurred. The procedure for reflecting indirect acquisition costs under insurance contracts is determined in the accounting policies of the insurer. It is allowed to capitalize acquisition costs under insurance contracts and recognize certain expenses as they are amortized. Insurance expenses are also reflected in accounting according to their symbols and are posted to the appropriate accounts.

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