

## Using the Experience of Developed Countries in the Formation of a Positive Image of the National Insurance Market of Uzbekistan

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### **Abstract:**

In this scientific article, a number of issues were considered in order to develop the insurance market of our country, including such measures as the digitalization of the insurance industry, the organization of the solvency of insurance companies based on the international standard Solvency II. The article gives examples of the experience of a number of developed and developing countries, such as the USA, Russia, Kazakhstan, China, and gives several recommendations for creating a positive image of the national insurance market of Uzbekistan.

**Keywords:** insurance market, digitalization, solvency, Solvency II, IAIS, globalization.

Organization of insurance activities in the Decree of the President of the Republic of Uzbekistan dated August 2, 2019 No. PQ -4412 "On measures to reform the insurance market of the Republic of Uzbekistan and ensure its advanced development." the use of modern information technologies in the field of regulation and regulation, the active introduction and development of electronic types of insurance services are defined as one of the main directions of reform and rapid development of the insurance market of our republic. [1]

Electronic types of insurance services are one of the forms of Internet insurance or digital insurance technologies in the modern language. Before analyzing the state of use of electronic types of insurance services in the insurance market of Uzbekistan, it is useful to study the work carried out in foreign countries in this direction. According to information technology specialist A. Akhmedov, the first electronic types of insurance were introduced in the USA, which dates back to 1994 [2]. Interestingly, the first insurance agencies on the Internet were not created by insurance companies, but by insurance brokers. The American brokerage company " EindMyinsurance " created its website on the Internet in 1994. Later, the insurance companies Progressive, ElektricInsuranceCompany and Allstate also created their websites on the network and provided customers with electronic provided insurance services.

In the Russian Federation, which occupies an important place in the foreign economic activity of the Republic of Uzbekistan, special attention is paid to the use of digital technologies in the provision of insurance services. This is also evident from the following evidence. In 2012-2016, sales of electronic insurance policies in the Russian insurance market increased by 72.0% to 5.5 billion rubles. amounted to rub. For 9 months of 2017, \$20.5 billion was paid out through the provision of e-insurance services. rubles of insurance premiums [3].

In Kazakhstan, the Internet is also effectively used in the provision of insurance services. In this country, July 2, 2018 is an important step in the application of digital technologies in the insurance market of the Republic of Kazakhstan. The fact is that in accordance with this law, from January 1, 2019, it was established that compulsory insurance of civil liability of vehicle owners in the country will be carried out only in electronic form [4].

It should be noted that much attention is paid to the development of e-insurance as one of the forms of digital technologies in our country. For example, on the website of the insurance company "Guarantee" there is the following information: "Do you want to issue an insurance policy in 5 minutes without leaving your home? Applying through [www.kafolat.uz](http://www.kafolat.uz)", "Insurance services through a mobile application" [5].

In 2019, the Uzbekinvest insurance company put into practice the project "insurance.uz", specializing in the provision of online insurance services. Consumers of insurance products will be able to purchase the insurance products they are interested in online on this website [6]. At present, this company not only provides online insurance services, but also effectively uses the online system to recover losses caused by insured events.

Digital ecosystems are emerging that unite a complex of citizens, organizations and products on a digital platform. For example, Ping An (China) has such a digital ecosystem platform, which has provided more than 500.0 million online customers with banking, health care, smart city and housing services in the past five years. The company has created 11 new digital platforms serving various industries and increased the number of insurance agents to 1.4 million [7].

Based on the experience of developed countries, insurance companies operating in the insurance market of the Republic of Uzbekistan are trying to organize their business processes based on the use of the simplest forms of digital technologies. Most insurance companies sell some insurance services through their official websites and mobile applications running on the Android platform. For example, the insurance company "Gross insurance", operating in the private sector of the insurance market of the republic, through its website [www.gross.uz](http://www.gross.uz) offers customers compulsory civil liability insurance of vehicle owners, real estate insurance, has introduced a system of online sales of insurance services, such as car insurance (hull insurance), medical insurance and travel insurance [8]. The convenience of the system for the client lies in the fact that, firstly, he can issue an insurance policy at a convenient time for him and in a few minutes, and secondly, he can pay the insurance premium paid to the insurance company as a service fee from home through existing payment systems, such as the Payme system, or he can do this from his office. The human factor is almost not involved in this process. This is the main goal of introducing digital technologies into all spheres of social and economic life.

At the same time, a number of problems in the application of digital technologies in the insurance sector of the Republic of Uzbekistan were also highlighted. In particular, computers and software currently available in insurance companies, as well as servers with the ability to receive, store and process large amounts of data, do not meet the demand. Secondly, online insurance services used by insurance companies are not based on digital platforms. In addition, a unified electronic database for registration of insurance contracts has not been developed at the country level. Conditions for purchasing individual insurance services via the Internet are not always sufficient.

In order to introduce digital technologies into insurance activities, provide electronic insurance services to customers, and strengthen the legal framework for work in this area, the following proposals have been developed.

- In order to equip insurance companies with modern equipment and devices capable of working on the basis of digital technologies, and to finance the costs associated with the transfer of insurance activities to a digital platform, international financial organizations and investments from foreign states will be provided with impartial technical assistance, attractiveness in appearance;

- based on the nature of the work of insurance companies, the creation of modern software products, the creation of start-up companies with the possibility of developing innovative ideas for the digitalization of insurance activities, the creation of a single electronic database for registering insurance contracts of a nationwide database;
- effective organization of insurance activities based on digital technologies, taking measures to ensure the reliable storage and protection of information related to insurance organizations and policyholders, the purchase of insurance services via the global Internet to create opportunities and conditions for legal entities and individuals;
- sale and issuance of electronic policies for additional and compulsory types of insurance, including compulsory civil liability insurance of vehicle owners, through the official website of insurance organizations on the global Internet.

Not only the state, but also a large number of consumers of insurance products are interested in the solid solvency of an insurance company. It should be recognized that in many countries, in particular, in the insurance practice of Uzbekistan, the assessment of the solvency of insurance organizations and the establishment of appropriate standards are determined by the decision of the Council of the European Economic Community (formerly the European Union) of July 24, 1973 73/239 / EEC (First Directive Council of July 24, 1973 "On the harmonization of laws, rules and administrative regulations concerning the organization and implementation of direct insurance activities, except for life insurance"). insurance) is carried out on the basis of the first Directive [9].

The calculation of the solvency margin for life insurance is based on the Council of the Council of the European Union of March 5, 1979 "On the harmonization of laws, rules and administrative provisions relating to life insurance" 79/267 / EEC (First Council Directive of March 5, 1979 "On the harmonization of laws, ordinances and administrative provisions concerning the initiation and operation of direct life insurance activities") is calculated on the basis of the first Directive [10]. Both of these documents form the basis of the Solvency standard. I. \_ In the future, in accordance with Directives 88/357/EEC, 90/619/EEC, 92/49/EEC, 92/96/EEC of the Council of the European Economic Community, the methodology for calculating the solvency of insurance and reinsurance companies will be somewhat improved, but does not meet today's requirements.

A. Steikin also supports this opinion and writes: "Principles of Solvency I operated for almost 36 years until 2009, when the concept of Solvency was adopted by the directive of the European Union II. These principles provide for the use of only standard formulas for assessing capital regulation as a share of technical risks without taking into account market risks" [11]. However, when assessing the solvency of an insurance company, it is important to take into account all the risks that affect the company's activities, and accordingly form reserves.

As a result of the introduction in Uzbekistan of the international standard for the adequacy and solvency of insurers, Solvency II, focused on regulation based on a risk-based approach, any insurance company operating in the country will face unforeseen financial and economic problems. maintains its solvency at the level of demand, despite the occurrence of crises. This, in turn, meets the interests of the state and consumers of insurance products.

About the International Solvency Standard II, its composition and the problems that arose during its implementation, and their solution, there is a lot of foreign scientific and economic literature.

Allians Risk and Opportunity Report Group, one of the world's largest global insurance companies, the company is exposed to various risks within the insurance business and asset management, including market, credit, underwriting, business operating, strategic risks. To effectively manage

these risks, the company has implemented the Solvency standard II, based on a risk-based approach. Company-specific risks are measured based on the internal Solvency model II .

Solving Standard II defines the most important components of the regulation of the solvency of insurance companies.

The 1st component included a standard model and principles for assessing the requirements for the normative and actual amount of capital of an insurance company. The principles for assessing the assets and liabilities of an insurer to determine the effective amount of capital are reflected in the Solvency Directive II and are similar to the principles of International Financial Reporting Standards. For example, one of the important principles for assessing all assets and liabilities in the balance sheet in order to determine the effective amount of capital of the insurer is the assessment of fair value. An important principle for assessing insurance liability is the principle of the best estimate.

The quality assessment component (2) defines the following quality requirements for the organization of the most important business processes aimed at effectively building an insurer's risk management system:

- establishment of two control systems, including requirements for the structure of the management bodies of the insurance company and the functions of internal control and audit;
- creation of a risk management system;
- ensuring a qualified actuarial function;
- ensuring the integrity and transparency of information flows.

Component 3, presented in the figure, defines the requirements for openness and transparency of information and reporting of insurance companies, as well as the relationship between the insurance supervisory authority and the insurance company. This component differs in that it is aimed at increasing the openness and transparency of information of insurance companies both for the regulator of the insurance industry and for consumers of insurance products.

A strategy has been developed for the phased introduction of international standards in insurance activities, aimed at regulating the activities of insurance organizations based on a risk-based approach, in cooperation with the Ministry of Finance of the Republic of Uzbekistan with interested organizations, on the adequacy of capital and solvency of insurers who are instructed to develop a project and submit it to the Cabinet Ministers.

In order to fulfill this task, on July 17, 2020, the Ministry of Finance of the Republic of Uzbekistan published the “Strategy for the development of the insurance market of the Republic of Uzbekistan and international standards for capital adequacy and solvency of insurers for insurance activities in stages”, prepared a draft resolution of the Cabinet of Ministers “On approval of the implementation strategy” and posted it on the portal [www.regulation.gov.uz](http://www.regulation.gov.uz) [12]. This draft decision states that the Solvency mode II consists of the following three components:

Component 1. Determination of quantitative capital requirements;

Part 2. Corporate governance system;

3rd component. Disclosure and reporting requirements.

the following deadlines are set:

The development of requirements for component 1 will begin in 2020 and, based on the results of quantitative studies, will be completed approximately in 2021.

The period for developing requirements for the 2nd component is 2021-2022.

to the 3rd component is planned for 2023.

the Solvency standard in the insurance sector of Uzbekistan II, focused on regulation based on a risk-based approach, on capital adequacy and solvency of insurers, the interests of insurers will be effectively protected, the confidence of insurance companies in the insurance system will increase, the transparency and investment attractiveness of national insurance companies for national and foreign investors will increase, regulatory procedures and control of insurance companies will be harmonized with internationally recognized legal documents.

Also, as a result of the introduction of the standard, the level of insurance protection of potential objects will expand, the share of insurance premiums in GDP and the amount of insurance premiums per capita will increase significantly.

The processes of integration and globalization are intensifying on a global scale. Nobel laureate Joseph E. Stiglitz writes about globalization: "Globalization has become one of the most used terms of our time, and it embodies many complex economic, political, cultural, ideological and environmental forces" [13].

Globalization and integration affect the socio-economic development of each country in different ways. The International Monetary Fund believes that globalization does create great opportunities for the development of the whole world, but this process is uneven [14]. The fact is that some countries are integrating into the world economy faster than others, and in these countries there is a reduction in poverty along with economic growth.

The globalization of the economy, including the financial and credit system, has not left its influence on the development trends of the international insurance market. First of all, it should be noted that the process of globalization, on the one hand, affects the qualitative and quantitative indicators of the international insurance market, and on the other hand, the national insurance market. The entry of insurance companies in developed countries into the insurance markets of developing countries served to strengthen the competitive environment in the national insurance markets, as well as the introduction of new innovative, digital insurance products.

Create certain problems for insurance companies to work outside the jurisdictions in which they operate, to provide insurance services to consumers and their documentation. This situation, in turn, requires coordination of the activities of the insurance market regulatory authorities of the countries participating in the globalization process and harmonization of legal documents with international standards and norms.

One of the main problems of the participation of insurance companies in other markets in the context of globalization is that the activities of insurance companies in some developing countries do not follow generally accepted accounting principles ( GAAP ) [15]. As a result, insurance companies will not be able to prepare financial statements in accordance with international standards.

Accelerating the transition to international financial reporting standards in accordance with the Decree of the President of the Republic of Uzbekistan dated February 24, 2020 "On additional measures for the transition to international financial reporting standards" No. PQ -4611 in order to provide foreign investors with the necessary information space and expand access to international financial markets, as well as improve the system for training specialists in accounting and auditing in accordance with international standards, from January 1, 2021, joint-stock companies, commercial banks, insurance organizations and legal entities included in the category of large

taxpayers will organize accounting based on international financial reporting standards and with the end of 2021 prepare financial statements based on this international standard [16].

In 2008, the Ministry of Finance of the Republic of Uzbekistan became a member of the IAIS, which created great opportunities for the introduction of internationally recognized standards and norms in the insurance activities of our country. For information, it should be noted that "the main task of the International Association of Insurance Supervisors is to study international experience in the field of insurance supervision, develop standards and norms of insurance supervision, in addition, insurance supervision consists of issues of exchange of experience between national authorities" [17].

"Basic Principles of Insurance", developed by IAIS on October 1, 2011, today are the main standard and norm of insurance activity and its regulation at the international level. This document includes 26 principles relating to the regulation of insurance activities. It is necessary to dwell on the most important of them.

The fifth principle of the Fundamental Principles of Insurance is called "Competence of Persons" and in accordance with it, the owners of the insurer, as well as members of the Board of Directors responsible for exercising the control function in the insurance company, and executive management or Control authorities should require that they have the appropriate capabilities to fulfillment of the duties assigned to them. In fact, the stability of an insurance company and its successful activity in the market are largely determined by the level of knowledge and professional competence of the heads of higher bodies of the insurer (supervisory board, board of directors) and executive bodies. body.

Taking into account the decision of the Minister of Finance of the Republic of Uzbekistan dated April 30, 2013 "On approval of the regulation on qualification requirements for the head and chief accountant of the insurer, insurance broker and their individual divisions" Based on order No. 42 "Regulation on qualification requirements for the head and chief accountant of the insurer, insurance broker and their separate divisions" approved and approved by the Ministry of Justice of the Republic of Uzbekistan in 2013. Registered May 30th. under the number 2462. According to this Regulation, qualification requirements are established for the head and chief accountant of the insurer, but, as indicated in the fifth principle of the "Basic Principles of Insurance", in relation to the governing bodies of the insurance organization, in particular, to the owners, members of the Supervisory Board and the Board of Directors, professional there are no qualification requirements.

One of the important principles of the "Basic Principles of Insurance" approved by the IAIS is the requirements for the corporate governance system of insurance companies. It is indicated that the insurance regulatory body requires insurers to form and implement a corporate governance structure that can protect the interests of insured persons and ensure reasonable and prudent management of the insurance company. In the practice of insurance activities in developed countries, much attention is paid to the mechanism of corporate governance. For example, German corporate law, especially the Law on Insurance Supervision, defines the responsibility of the supervisory board and the executive body in the management of an insurance company [18].

In the "Basic principles of insurance" there is a separate standard for regulating the investment activities of insurers. In accordance with it, the requirements for the investment activity of an insurance company are established by the regulatory authority to ensure the solvency of the insurer by eliminating the risks that may arise in the course of investment activities.

The legislation on insurance activity, first of all, the Civil Code of the Republic of Uzbekistan, the Law "On insurance activity" and the legal documents developed on their basis, lag far behind

modern requirements for modernizing the economy. In the context of deepening the processes of globalization and integration of the Republic of Uzbekistan into the world economy, legislative documents relating to national insurance activities are not fully aligned with international standards and norms. Undoubtedly, this situation hinders the consistent development of insurance activities in the country.

national insurance legislation of Uzbekistan with international requirements, norms and standards, the solvency of insurance and reinsurance organizations will be strengthened, the confidence of the population, enterprises and organizations in the insurance system will increase. Also, the adaptation of national insurance legislation to international norms and standards will increase the openness and transparency of the activities of insurance and reinsurance companies, increase the efficiency of their cooperation with foreign companies, and lead to an expansion of the quality and volume of insurance services.

requires the gradual introduction of international standards and requirements for its constituent insurance activities. In this regard, it will be important to organize and implement insurance activities in our country, taking into account international standards and requirements recognized by the international insurance community and provided for in the "Basic Principles of Insurance" developed by the IAIS. Also, through the introduction of international standards, it is necessary to satisfy the demand of consumers for high-quality insurance products, moreover, it is necessary to ensure the access of insurance companies to international markets.

## Conclusion

The results of the study show that there are problems with the introduction of digital technologies in the insurance activities of our country. In particular, the requirements do not meet the insurers' computers and software, as well as servers capable of receiving, storing and processing large amounts of data. In addition, online insurance services used by insurance companies are not based on digital platforms. In addition, a unified electronic database for registration of insurance contracts has not been developed at the country level.

Equipping insurance companies with modern equipment and devices capable of operating on the basis of digital technologies, financing the costs associated with the transfer of insurance activities to a digital platform, providing impartial technical assistance to investments from international financial organizations and foreign states. It is desirable to attract externally. Based on the peculiarities of the work of insurers, the creation of start-up companies capable of creating modern software products, developing innovative ideas for the digitalization of insurance activities, and creating a single electronic database for registering insurance contracts throughout the country should be developed.

show that the established requirements for ensuring the solvency of insurers in Uzbekistan are not able to provide reliable protection of the interests of consumers of insurance products in any situation. For this reason, in the study, which was focused on regulation based on a risk-based approach, tested on the experience of the insurance activities of EU Member States, and then other countries, the international standard Solvency was used. II on capital adequacy and solvency of insurers A proposal has been developed that provides for a phased introduction into the insurance activities of Uzbekistan.

According to the results of the study, the processes of globalization and integration taking place at the world level require bringing all sectors of the economy, including insurance activities, into line with international standards and norms. The "Basic Principles of Insurance" developed by the IAIS

are recognized as the international standard for the organization and implementation of insurance activities and are used in developed and some developing countries of the world.

As part of the study, the application of the requirements of this standard in the insurance activities of Uzbekistan was carefully analyzed. The results of the analysis show that the norms set forth in the "Basic Principles of Insurance" are not fully reflected in the insurance activities of our country. With this in mind, specific proposals were developed in the research work to adapt the activities of national insurance to the requirements of this international standard.

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