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Ensuring the Financial Stability of Insurance Companies in the Republic of Uzbekistan

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Abstract: Extensive research and studies are being conducted to establish directions for ensuring the financial stability of insurance companies in international practice. The foundation of these studies focuses on describing the factors directly related to the financial stability of insurance companies, which are divided into microeconomic and macroeconomic factors. Microeconomic factors are associated with the insurance companies' activities in insurance, investment, and other areas, while macroeconomic factors comprise internal and external economic elements within the industry. Despite these considerations, research aimed at ensuring the financial stability of insurance organizations remains one of the key issues in contemporary international practice. This article analyzes the financial stability of insurance companies, the factors influencing it, and the financial state of the insurance market in Uzbekistan.

Key words: Financial stability, insurance companies, insurance market, general insurance, life insurance, total capital.

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Introduction. Implementing extensive reforms to ensure the financial stability of insurance companies in Uzbekistan remains one of today's pressing issues. In particular, increasing the volume of insurance, leasing, and other financial services has been identified as a priority task, achieved through the introduction of new types and improvement of quality. This signifies the crucial role of ensuring the financial stability of insurance companies.

In the increasingly competitive environment of the insurance market, insurance companies strive to develop methods aimed at ensuring their financial stability. Often, this involves creating cash flow models, which have proven to be more effective in many cases.

Managing and analyzing financial flows, which integrate the movement of cash and capital within insurance companies, has become increasingly important in today's context of growing shortages. The activities of modern companies in the market are influenced by numerous internal and external factors, necessitating that insurance companies continuously assess their current and future financial situations.

Analysis of trends in the financial flows of insurance companies shows that there has been a progression from simple methods (such as analyzing accounting reports) to more complex methods (involving the development of various models and schemes). These diverse research methods can be categorized into two parts:

1. **Classical Method**: This method is based on accounting data and is referred to as financial coefficient analysis, focusing primarily on the composition of the balance sheet.
2. **Modern Method**: This approach is directed towards developing formal descriptions based on cash flow movement and forecasts (using economic-mathematical models and graphical schemes).

While this approach is not normative, it allows for a more accurate analysis of the company's past and future financial status.

Basic part. The regulation policy for insurance activities implemented by the government of Uzbekistan creates all necessary conditions for the stable development of the insurance market, which continues to evolve dynamically.

The aim of the state policy in the insurance sector is to create a system that effectively protects the property interests of citizens, legal entities, and the state in the event of various types of insurance incidents. The primary task of the government in this field is to develop legal documents that have not yet been created for insurance activities, improve existing ones, and oversee their implementation in practice.

Changes occurring in the country's economic and political life necessitate the further development of the insurance sector, which is an integral part of the financial system. There is no doubt that the future development of the country's insurance market will play an increasingly important role in ensuring the stability of the economy. This is because the government's efforts to comprehensively develop and expand entrepreneurship and create conditions for every family to engage in entrepreneurial activities are proving effective, which, in turn, leads to an increase in various levels of business-related risks. The role of insurance in timely compensating for property losses associated with these risks is invaluable. In a market environment, each entity must independently take care of its health and activities.

In 2023, despite a decrease in the number of companies operating in the insurance market, the growth rate of the national insurance market was notably higher compared to previous years. A total of 38 insurance organizations operated in 2023, with 31 in the general insurance sector and 7 in the life insurance sector.

In 2023, the national insurance market grew by 29.3% compared to 2022, with the total volume of collected insurance premiums reaching 8,059.7 billion soums.

1.1-table The Dynamics of Growth in the Number of Insurance Companies and Their Branches [1]

Indicator Name	2022		2023		Percentage Increase or Decrease in 2023 Compared to 2022	
	General insurance	Life insurance	General insurance	Life insurance		
Number of Insurance Companies	41	8	38	7	-7,3	-12,5
Number of Branches of Insurance	1967		1910		-2,9	

[1] https://napp.uz/uz/pages/statistics-and-analysis-for-im-. developed by the author based on website data.

Companies			

From the data in Table 1.1, it is evident that in the insurance market, the number of companies in both the general and life insurance sectors significantly decreased in 2023 compared to the previous year. This situation stems from various factors, including companies not being profitable or suffering substantial losses, increased market competition making it difficult to compete successfully with other firms, issues related to non-compliance with financial and insurance regulations or penalties, loss of customer trust in the company, and general economic problems or market decline. Therefore, it is crucial to continuously analyze the financial results of companies and develop strategies for areas with declining indicators in order to foster market development, create a competitive environment, and maintain financial stability.

Table 1.2 Dynamics of Growth in Insurance Premiums Accumulated in the Uzbekistan Insurance Market by Year (in billion soums)

Indicator name	2022	2023	Percentage Increase or Decrease in 2023 Compared to 2022
General insurance	4 707,0	7 737,2	64,4
Life insurance	1 524,6	322,0	-78,8
Total	6 231,7	8 059,7	29,3

From the data in Table 1.2, it is clear that there was a significant increase of 64.4% in the general insurance sector of the insurance market compared to the previous year, with insurance premiums reaching 7,737.2 billion soums. This contributes to the financial stability of the companies operating in the insurance market. The growth of insurance premiums is also crucial for market competition. The premiums set by competitors shape the strategies of insurance companies and enable them to adapt to changing market conditions in the long term.

However, we cannot say that there has been a positive change in the life insurance sector. In this area, the market premiums sharply declined, reaching -78.7% compared to the previous year, amounting to 322 billion soums in 2023. This indicates that the situation in life insurance is not favorable, reflecting a decrease in the financial stability of the companies involved.

It is known that as competition in the insurance market intensifies, the price of services tends to decrease—a law of the market. Statistical data shows that in 2023, while the volume of insurance premiums in our country increased by 64.4% compared to 2022, the liabilities taken on by insurance companies during this period also rose by 11.3%. This suggests that activities in the insurance market are slowing down.

The government's adoption of numerous laws and decisions aimed at developing entrepreneurial activities, along with the creation of favorable conditions for this growth, has resulted in a sharp increase in the number of entrepreneurs. Commercial banks are providing various types of loans and microloans, and conditions are being created for entrepreneurs to purchase various transport and production equipment through leasing. As a result, there is a growing demand for insurance services as a guarantee for these services provided by credit and leasing organizations, leading to an increase in both voluntary and mandatory insurance premiums. This, in turn, contributes to the rise in the total amount of accumulated insurance premiums. However, it is important to emphasize that such opportunities are not permanent, they represent a temporary situation that our insurers should not forget. Our country has a population of over 37 million, which continues to grow each year. However, a large portion of this population, excluding those covered by mandatory insurance services, is not provided with other types of insurance services and has a limited understanding of insurance.

To change this situation, it is necessary to enhance competition among insurance organizations, increase the variety of insurance services (currently, there are only 105 types in our country, while over 2,000 types exist globally), implement various bonuses and incentives, intensify advertising activities, and, to foster competition, somewhat open the market to foreign insurance companies.

The overall growth of the statutory capital of insurance companies in the market will lead to an expansion of the range of insurance services offered. This can be observed in the data presented in the table below (see Table 1.3).

1.3-table Dynamics of Growth in the Total Statutory Capital of Insurance Companies in Uzbekistan by Year (in billion soums)

Indicators name	2022	2023	Percentage Increase or Decrease in 2023 Compared to 2022
Number of Insurance Companies (units)	41	38	-7,3
Total Statutory Capital	1 884	2 299	80,9
Statutory Capital per Company	45,9	60,5	14,6

Analyzing the data from Table 1.3 shows that the number of insurance companies decreased by three in 2023. This can be attributed to the government's increase in the minimum amounts of statutory capital in 2022, as well as the cancellation of licenses for some insurance companies. However, the total statutory capital has increased due to this rise in minimum amounts, with an 80.9% increase in 2023 compared to 2022. This figure cannot be considered a high growth rate, indicating that insurance companies are only meeting the established minimum capital requirements.

The insurance reserves of these companies are formed from the premiums collected and represent temporarily mobilized funds. These funds serve as a financial resource for the investment activities, which constitute the second source of income for insurance companies, contributing to the growth of their private capital and positively impacting their financial stability by enabling lower premium rates in a competitive environment.

Conclusion.The distribution of insurance services across the country's regions reflects the level of engagement of enterprises, organizations, and the population with insurance services. In 2023, there were 31 companies operating in the general insurance sector, indicating that a significant portion of insurance services is provided by five companies. This suggests that most national insurance companies are small, which increases the likelihood of many companies facing economic difficulties during extraordinary situations or economic hardships.

As a result of the research, the following conclusions were reached regarding the financial stability of insurance organizations:

1. Analysis of the financial stability of the national insurance market and the companies operating within it shows that their financial stability and solvency are at the lower limit of established norms. Considering the probability of catastrophic events, the likelihood of critical situations arising based on the volume of obligations taken on is relatively high.
2. A very small proportion (2-3%) of the insurable risks in the country are actually insured, and given the rapid increase in this figure (with insurance premiums growing by 64.4% in 2023 compared to 2022), there is a high likelihood that the current financial capabilities of insurance companies will be insufficient.
3. The analysis indicates that while the volume of insurance premiums is rapidly increasing year by year, its share in GDP remains low. The diversity of insurance services offered is also

inadequate, and the lack of trust in insurance companies results in many potential clients being uninsured.

Based on the analyses and research conducted, the following recommendations were developed:

- Ensure that the equivalency condition is met for each type of insurance for the company to operate steadily.
- Continuously analyze the company's statutory capital, private capital, free assets, insurance reserves, and insurance portfolios.
- Improve the rating assessment instruments for the financial stability of insurance companies based on global practices, and publish the rating indicators in a clear format for the public.
- Conduct consistent studies of the economic and financial activities of insurance organizations, providing assessments of their performance, with a particular focus on developing actuarial activities.

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