

The Role of Insurance Companies and Foreign Investment in National Economic Growth: Problems and Solutions

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Abstract

This article discusses the role of insurance in the economy of the countries and analyzes the insurance industry of the Republic of Uzbekistan.

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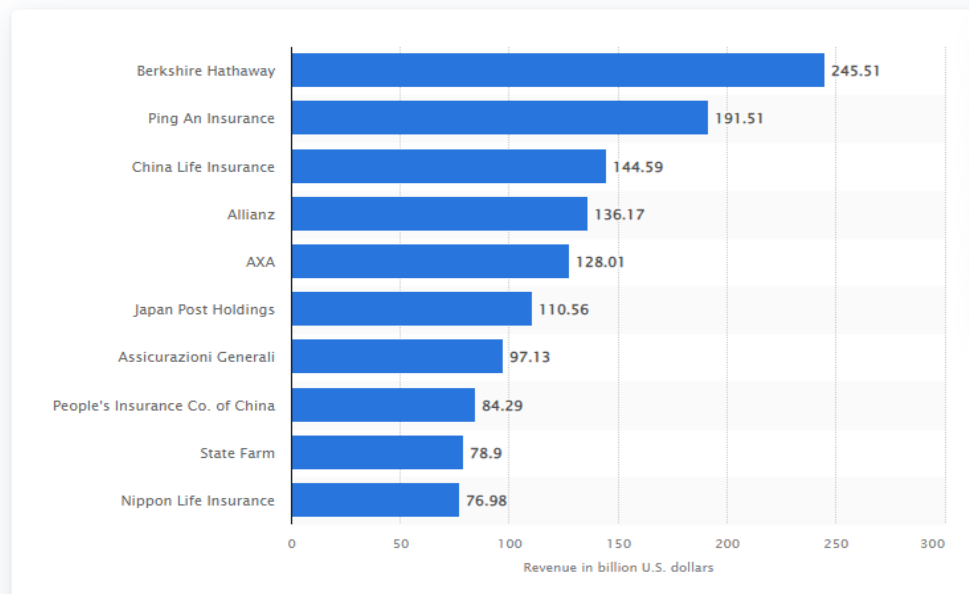
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Introduction: it should be stated that insurance plays a key role in the national economy, as it not only generates a significant impact on the economy by mobilizing domestic savings but also turns accumulated capital into productive investments, enables to mitigate loss, financial stability, and promotes trade and commerce activities those results into economic growth and development. Thus, insurance plays a crucial role in the sustainable growth of an economy.

Main Part

In the activities of developed countries, insurance companies are one of the key players in the stock market. From the statistics (figure 1), it can be seen that the income received by insurance companies as a result of their activities in the financial markets serves as the main source for timely and full payment of insurance coverage for the types of insurance with a high level of loss. Funds raised through the insurance market or other financial markets are ultimately directed to the sphere of production, that is, the sphere in which the gross social product is produced and value is generated, and all forms of financial markets ultimately serve this purpose. In developed countries, cash flows are mainly directed to the manufacturing sector through the stock market.

Figure 1 Leading global insurance companies worldwide in 2020, by revenue
(in billion U.S. dollars)



In addition, the idea of providing comprehensive financial services to customers in the framework of financial and investment insurance holdings is widely promoted by many foreign experts. Clients are offered a complex security of his finances, rather than separate insurance or several types of financial services. For example, offering a wide range of services to a person who has accumulated additional pension funds, such as pension fund, life insurance, accumulated capital management, information services (providing discounts in financial supermarkets). It is possible to provide complex programs for large enterprises, small businesses and others. The investment opportunities of insurance companies in the stock market are not fully reflected, first of all, as the stock market itself is still in its infancy. The implementation of financial insurance products of developed countries in our practice is slow, and the activities of insurance companies in this area are insignificant.

Conducted researches revealed that there are more than 30 insurance companies in Uzbekistan and relatively most of them are non-life insurance companies. To compare the insurance industry with developed countries the insurance market of USA can be given as an example. In 2019 there were 5,965 insurance companies in the U.S. (including territories), according to the National Association of Insurance Commissioners. This number includes: P/C (2,496 companies), life/annuities (837), health (952), fraternal (82), title (61), risk retention groups (243) and other companies (1,251). In fact, it should be stressed that Uzbekistan is developing country and has been trying to develop its financial, especially insurance sector during the last decade and financial literacy of citizens is being improved to spread widely the insurance services among the citizens. Additionally, it should also be noted that the reason of relatively high differences of the number of insurance companies of those two countries is that there are not so much potential customers to open thousands of insurance companies in Uzbekistan yet[6]. Following table illustrates the main insurance companies of the Republic of Uzbekistan.

No.	Insurance company name	Insurance premiums (UZS mln)	Change, %	Market share, %
1	Uzagrossugurta JSC	134 295,3	94,1	14,5
2	Uzbekinvest NKEIS	130 832,1	125,9	14,1
3	Gross Insurance LLC	81 269,5	220,4	8,8
4	Kafolat Insurance Company JSC	80 344,1	106,7	8,7
5	O'zbekinvest Hayot LLC	63 517,4	176,6	6,8
6	Alfa Invest JV LLC	61 905,7	160,3	6,7
7	Alskom JSC	46 070,9	118,6	5,0
8	New Life Insurance LLC	44 677,5	274,8	4,8
9	Asia Inshurans LLC	35 247,6	108,6	3,8
10	Euroasia Insurance IC JV LLC	30 608,1	196,8	3,3

Additionally, the ability of insurance to accumulate financial cash flows and direct them to economic development makes insurance companies a strong institutional investor. In developed countries, standards for the placement of assets of insurance companies, maximum and minimum quotas of insurance reserves, a list of assets covering insurance reserves have been developed. The developed norms are regulated according to the level of development of the economy, the state of financial markets, national traditions. Investment directions of insurance companies are determined separately in the field of life insurance and separately in other general insurance networks.

It is known that the task of the stock market, including the stock market, is to mobilize idle funds of the population, government and institutional investors in various sectors of the national economy, using them as the most important source of funding to stabilize the economy, improve money supply and to increase the income of operating entities. In this regard, the importance of

insurance companies operating as institutional investors, which affect the financial market, including securities market activity, is important.

In the financial system, insurance companies can also act as financial intermediaries. Therefore, insurance companies are both an accumulator of financial resources in the financial market and, accordingly, a major source of investment - investors, as well as institutional investors such as commercial banks and investment funds, has ample opportunities to operate effectively in the financial market.

Conclusion

In conclusion, it can be said that in the financial system, insurance companies can also act as financial intermediaries. Therefore, insurance companies are both an accumulator of financial resources in the financial market and, accordingly, a major source of investment - investors, as well as institutional investors such as commercial banks and investment funds, has ample opportunities to operate effectively in the financial market.

The factors that negatively affect the development of the insurance industry are:

- the demand of citizens and legal entities for insurance products is not effectively met due to their financial capacity;
- Insufficient development of compulsory insurance, which affects the development of the voluntary insurance market;
- lack of reliable tools for investing insurance reserves;
- limited competition mechanisms in key areas of the insurance market;
- A system of measures to improve taxes has not been developed;
- Insufficient capitalization of insurance companies, factors such as imperfection of the national reinsurance market, capital outflows.

It should be also noted that the insurance market is one of the growing market segments of the country, as well as has very important prospects in terms of attracting insurance companies to the investment process.

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