

Investment Activity of Insurance Companies

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Abstract

This article discusses the investment potential of the insurance market, the mechanisms for the formation of funds by insurance companies, the terms and conditions of insurance companies' reservation, the analysis of key financial and economic indicators of the insurance market, the approaches and views of foreign scholars on the insurance market analysis of problems in the insurance market and stock markets, development prospects.

Keywords: *insurance, insurance market, stock market, insurance reserves, investment policy, investment portfolio, insurance premium, insurance coverage, level of damage, liquidity, diversion.*

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Introduction Insurance companies are one of the major players in the stock market in developed countries. From the statistics, we can see that the income received by insurance companies as a result of their activities in the financial markets serves as a major 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, to the sphere in which the gross social product is produced, value is generated, and all forms of financial markets ultimately serve this purpose. In developed countries, cash flows are directed mainly to the manufacturing sector through the stock market.

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 its 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.

Unfortunately, in Uzbekistan, all these problems are interpreted as "foreign experience and practice" or under the heading "market development.

"Investment opportunities of insurance companies in the stock market are not fully reflected, first of all, the stock market itself is still in its infancy. The implementation of financial insurance products of developed countries in our practice is slow, the activities of insurance companies in this area are insignificant.

Review of the literature on the subject

The insurance industry is very important for the development of the country's economy, as insurance companies serve as institutional investors in the stock markets, as well as accumulate large financial resources and ensure the efficiency of earning income from additional activities.

Insurance companies operating as investors remain an intermediary in attracting funds of the population and legal entities to the stock market and one of the stable sources of increasing their and their income.

Sangyong Hana, Gene C. Lai, Chia-Ling Hoc, their research has analyzed the practice of placing insurance reserves in the United States, including: A conservative approach to the placement of insurance reserves in the United States is important. The reason is that the principles of transparency of insurance reserves invested must be followed. Otherwise, regulators will assess these investments as detrimental to shareholders and policyholders. With this in mind, the investment activities of insurance companies are strictly regulated.

Chrysovalantis Gaganisa, Iftekhar Hasanb, Panagiota Papadimitrie, Menelaos Tasiouelymi conducted research on the state of the insurance market after the financial and economic crisis, ie the demand for insurance showed high growth trends. This, in turn, determines the level of risk in the investment portfolios of insurance companies. Properly organized investment policy by insurance companies plays an important role in this. Also, in recent years, the policy of insurance companies on the placement of reserves in many developed countries is supported by the state and creates new investment facilities.

The role of the insurance market in the financial system, as well as the provision of insurance protection to various financial institutions, insurance companies are becoming one of the major players in the financial market through their investment activities and potential.

In his scientific article LK Ulybina states the following about the liberalization of the insurance market, the main condition for the liberalization of the insurance market in the medium term is the development of long-term life insurance tools (types of insurance) that constitute domestic investment resources. In the context of international integration and financial globalization of the insurance market, it is necessary to develop processes (mechanisms) to counteract the outflow of cash flows from national markets and integrate into the domestic market. liberalize

In her research, AA Kazakova discusses the problem of attracting individuals to the investment and insurance markets in the national financial markets. The development of investment insurance products will occur as a result of the integration of insurance and stock markets. The development of such a product segment of the general market will lead to the development of this financial market, because the stock market attracts deposits of the population and is characterized by the development of long-term life insurance.

Analysis and results

The ability 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.

In the European Union, the United Kingdom, and the United States, the responsibility for regulating the insurance market is, in a sense, shared between state, local, and regional governments. Every state in the United States has independent regulatory agencies in the insurance industry. EU countries have their own oversight bodies, but follow directives that are common to each of them.

The characteristics of foreign experience in the formation of investment policy of insurance companies are given in Table 1 below.

There are two approaches (schools) in government regulation of investment policy in foreign countries, through which the role of the state in investment activities and participation (influence) in determining tariff rates is reflected.

The first approach is the American school, in which the underlying activity may be detrimental, but such losses may be offset by income from investment activities.

The second is the European school approach, in which the main net insurance activity in addition to investment activity is mandatory to be profitable.

We know 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.

Table 1. Features of state control over investment activities of insurance companies in foreign countries

States	Features of the formation of investment policy of insurance companies
USA	<ol style="list-style-type: none"> 1. A portion of the proceeds will be invested in the state. 2. Terms of investment are established in the prescribed manner. 3. The average asset composition is determined. 4. Insurance companies provide investment loans to industrial enterprises for a period of 15-20 years.
United Kingdom	<ol style="list-style-type: none"> 1. The rules for the allocation of financial resources are established. 2. The average composition of life insurance assets is determined. 3. The state has a program of investment policy. 4. The value of the investment portfolio is constantly monitored.
Germany	<ol style="list-style-type: none"> 1. The law on placement of reserves of insurance companies shall apply. 2. The principles of investment apply (security, profitability, liquidity, diversification, etc.). 3. Placement forms and restrictions are set on them. 4. Assets are transferred to trust management.

Currently, the temporarily vacant funds of the investor can be placed in deposits of commercial banks, securities, invested in enterprises and real estate. Regulation of the structure and system of the investment portfolio is usually carried out by determining the minimum and maximum by type of invested funds (Table 2).

At the same time, according to the experience of the world's leading companies, the company's investment portfolio does not exceed 15% of investments in the charter capital of enterprises and real estate, 25-60% of investments in securities, 15-30% of deposits in commercial banks, 1-12% of other investments. Marked

Table 2. Standards for placing reserves of insurance companies (in%)

asset types	Germany	France	Japan	USA	United Kingdom	Russia	Uzbekistan

Government securities	-	-	-	-	-	<15	unlimited
Government entities and municipal securities	<30	<65	<30	<49	<2	<30	-
Bank deposits	-	-	-	-	-	<50	<40
Investment shares	-	-	-	-	-	<10	-
AJ shares and bonds	-	-	-	<4	-	<20	<30
Participation in the charter fund and other assets	-	-	-	-	<60	<10	<30
Housing certificates	-	-	-	<17	<2	<5	-
Real estate	<20	<40	<20	<17	<20	<40	<50
Currency values	-	-	-	-	-	<10	-
Loans	<10	<50	<55	<4	<2	-	<10
Account number	-	-	-	-	-	unlimited	>3

According to the Ministry of Finance of the Republic of Uzbekistan, in 2018, three new insurance companies were launched in the country. As a result, the number of insurance companies in the national insurance market has grown to 30. In 2018, the total amount of insurance premiums collected in the market of insurance services of Uzbekistan grew rapidly and amounted to 1.6 trillion soums, which is 76.3% more than last year.

The main factors of growth of the insurance market in the analyzed period are due to voluntary insurance. Among the types of voluntary insurance, there is an increase in life insurance premiums.

At the end of 2018, insurance premiums collected from voluntary types of insurance amounted to 1.4 trillion soums, an increase of 98.0% over the previous year. At the same time, the premiums on compulsory insurance also showed positive trends, but the growth rate was only 13.0% billion soums.

According to experts, in 2018 there was a rapid increase in insurance premiums. During the reporting period, payments by companies increased by 71.0% and amounted to 460.8 billion soums. The main factor of such growth is the increase in insurance premiums by types of life insurance.

At the end of 2018, the growth of the investment portfolio of insurance companies decreased compared to the previous year. According to the Ministry of Finance of the Republic of Uzbekistan, the current volume of the investment portfolio of companies during the analyzed period increased by 35% and amounted to 1995.6 billion soums.

The increase in the capital and income of insurance companies will allow them to form insurance reserves and increase investment.

A significant portion of investments in 2018 fell on bank deposits. The volume of investments of insurance companies in bank deposits increased by 54.0% and amounted to 1034.3 billion soums. The volume of investments in securities amounted to 706.6 billion soums, which is 10.0% more than in 2017. As a result, the share of bank deposits in total investments increased by 6.7% to 51.8%. The share of securities decreased by 8.0 points and amounted to 35.4%.

Conclusions and suggestions

As a result of the above-mentioned scholarly, expert opinion, research, we can conclude that the role of the stock market, including the stock market, is to mobilize idle funds of the population, government and institutional investors to various sectors of the national economy. using it as a source of financing to stabilize the economy, improve money supply and increase the income of the population and businesses. In this regard, the importance of insurance companies operating as institutional investors influencing the activity of the financial market, including the stock market, is important.

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

- the demand for insurance products of citizens and legal entities is not effectively met due to their financial capabilities;
- 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;

It is important to develop proposals to address the above factors.

In conclusion, it should be noted that the insurance market is one of the growing market segments of the republic, as well as has very important prospects in terms of attracting insurance companies to the investment process.

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