

## STEPS OF ORGANIZING THE CONTROL ON THE INSURANCE ACTIVITY IN UZBEKISTAN

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### ANNOTATION

This article outlines the steps for organizing the control of insurance activities in the Republic of Uzbekistan. It also shows several tasks that need to be solved to further improve the control of insurance activities.

**Keywords:** insurance market, innovative service, potential insurers, insurance product, insurance premium.

### АННОТАЦИЯ

В данной статье изложены этапы организации контроля страховой деятельности в Республике Узбекистан. Показано также несколько задач, которые необходимо решить для дальнейшего улучшения контроля страховой деятельности

Ключевые слова: страховой рынок, страховой контроль, потенциальные страховщики, страховой продукт, страховая премия

Measures to further develop the financial market in the republic, to expand the coverage of the population with quality financial services, to support the activities of insurance organizations, as well as to create favorable conditions for the protection of the rights and legal interests of consumers in this area are being implemented consistently.

At the same time, at the current stage of reforms, the active development of financial services aimed at ensuring stable growth of the economy, increasing the quality and level of the population's life requires strengthening the role of the insurance market in the republic and wide use of insurance tools.

In order to further reform the national insurance market and ensure its rapid development, introduce new types of insurance services that are in high demand, increase consumer confidence in the insurance market, as well as in 2017-2021, the Action Strategy for the five priority directions of the development of the Republic of Uzbekistan "Active investments and In accordance with the State Program for the implementation of the "year of social development", the main directions of the reform and rapid development of the insurance market of the Republic of Uzbekistan were determined, including:

improvement of the regulatory legal framework in the insurance sector, including the consistent implementation of standards and recommendations of international organizations and the best world practices in this field;

institutional development of the insurance regulatory system aimed at ensuring the reliability and stability of the insurance market by introducing effective mechanisms of regulation and prudential control;

increase the level of capitalization, solvency and financial stability of the professional participants of the insurance market, improve the quality of their assets, as well as develop the investment activity of insurers;

to strengthen the protection of the rights of consumers of insurance services and other subjects of insurance activity, to increase the insurance literacy of the population and trust in insurance, to ensure the openness and transparency of the insurance market;

by introducing new innovative insurance products and developing traditional products in high demand, expanding the volume, types and quality of insurance services;

It was also decided to gradually increase the minimum amounts of differentiated authorized capital of insurers depending on the types of insurance activity in 2020-2022. (Table 1)

It is not allowed to use loans, pledged funds and other borrowed funds to form the authorized fund of the insurer.

The minimum amount of the authorized fund (authorized capital) must be formed by the founders of the insurer (reinsurer) before the application for the license is submitted.

**Table 1 of authorized capital for insurers (reinsurers). minimum amounts**

1

T/p	Types of Insurance activity	From June 1, 2020	From July 1, 2022
1.	Voluntary insurance in the general insurance or life insurance network	15000	20000
2.	Compulsory insurance in the general insurance or life insurance network	25000	35000
3.	Reinsurance only	35000	45000

As we know, the activities of insurance organizations differ sharply from the activities of other economic entities. Because they serve to ensure the continuity of production and cover the damage caused in the event of insurance events. This situation requires state control of insurance activities.

<sup>1</sup> Ўзбекистон Республикаси Президентининг 2019 йил 2 августдаги ПҚ-4412-сон “Ўзбекистон Республикасининг суғурта бозорини ислох қилиш ва унинг жадал ривожланишини таъминлаш чора-тадбирлари тўғрисида”ги Қарори

**Table 2 Indicators of the insurance market of Uzbekistan  
(Results of the 9th month of 2022)**

No	Indicators	Unit of measure	Quantity
1	Number of current contracts in general insurance	thousand pcs	7289.8
	- Insurance services rendered and collected insurance premiums	billion soum	3146.5
	- Insurance premiums paid to policyholders	billion soum	689.4
	- Amount of insurance liabilities received by insurance companies	trillion soum	1524.6
2	Number of active life insurance contracts	thousand pcs	530.0
	- Insurance services rendered and collected insurance premiums	billion soum	1315.8
	- Insurance premiums paid to policyholders	billion soum	1196.8
	- Amount of insurance liabilities received by insurance companies	billion soum	22666

Analyzing the final indicators of the insurance market of Uzbekistan for the 9th month of 2022, the number of current contracts in the field of general insurance amounted to 7289.8 thousand units. Insurance liabilities received by insurance companies amount to 1524.6 trillion. was equal to the sum. Insurance payments paid to policyholders amounted to 689.4 billion. amounted to soum.

As for the number of valid contracts in the field of life insurance, it is 530.0 thousand units, which is significantly less than the number of valid contracts in the field of general insurance. In terms of insurance premiums paid to policyholders, life insurance is much superior, amounting to 1196.8 billion. equal to soum. According to the amount of insurance liabilities received by insurance companies, the amount of insurance liabilities received by life insurance is 21141.4 bln. is more than soum. The analysis of the final indicators of the insurance market of Uzbekistan for the 9th month of 2022 shows that although the number of valid contracts in the field of life insurance is less than in the field of general insurance, the insurance payments paid to policyholders are almost twice as much.

Control over the activities of insurance organizations in the territory of the Republic of Uzbekistan is carried out in order to ensure the protection of the rights and legal interests of all participants of insurance relations. In the national system of supervision of insurance activities, supervision can be divided into three stages.

The first stage includes the procedure for licensing insurance activities of insurers and insurance brokers. At the time of issuing the license, the following issues are studied:

- the manager and chief accountant of the license applicant (licensee) must comply with the qualification requirements set by the specially authorized state body for regulation and control of insurance activity;

that the authorized fund of the insurer is formed in accordance with the minimum amount requirement;

the economic basis of insurance activity, which includes a business plan for the insurance class to be licensed;



rules (conditions) on types of insurance for which a license is required.

The second stage includes control over the activities of insurers, in particular, control over insurance and financial activities related to ensuring the company's solvency, formation of insurance reserves, asset return, placement based on the principles of profitability, liquidity and diversification. This procedure is carried out both by the supervisory body and by independent actuaries and auditors.

The Ministry of Economy and Finance carries out current control over compliance with license requirements and conditions by insurers through remote monitoring of reports and data provided by insurers monthly and at the request of the Ministry ("camera inspection").

The report shall be accompanied by:

- calculations on the adequacy of the margin of solvency, compulsory insurance of the civil liability of the owners of vehicles and compulsory insurance of the civil liability of the employer;
- information on the composition of assets, as well as requirements for the limit amount of liabilities for specific risks and the gross amount of the insurer's liabilities, and compliance with the requirements for placement of the insurer's assets, reinsurance operations;
- information on the total amount of insurance reserves.

Also, insurers are required to undergo an annual audit and engage an actuarial organization to provide actuarial services at least once a year.

In accordance with the Regulation on the Actuarial Services Actuary, once a year, within six months after the end of each financial year, the actuary on the results of the activity in the financial year

they must involve an actuarial organization to carry out the inspection. An actuarial report will be drawn up by the actuarial organization based on the results of the actuarial audit, and an actuarial conclusion will be drawn up on the risk level of the insurance and investment operations being carried out, and on the financial condition of the insurer.

In accordance with the principle of transparency of financial control, insurers publish the annual financial report within fifteen days after the completion of the mandatory audit, but no later than the first day of May of the following year in the reporting year, on its official website and in the financial and economic publications of the republic.

The financial report published by insurers includes forms of annual financial reports of insurers, an explanatory letter describing the main factors that affected the final results of the insurer's activity in the reporting year, and an auditor's conclusion based on the results of a mandatory audit.

The third stage of control over the activities of insurers includes on-site inspections of companies. These inspections can be carried out both on a scheduled and unscheduled basis.

The following issues are considered as part of the plan-based inspection:

- verification of the legality of the insurer's activities and the compliance of the types of activities performed by him with legal documents;

- verification of fulfillment of license requirements by the insurer;

- verification of the compliance of insurance (reinsurance) contracts concluded on the types of insurance services and operations carried out under these contracts with the Civil Code of the Republic of Uzbekistan, the Law of the Republic of Uzbekistan "On Insurance Activities" and other legal documents;

analysis of the insurance portfolio by types of insurance services, as well as verification of the correctness of setting insurance tariffs and calculating and paying insurance premiums;  
checking the account of the forms of documents (insurance policies, certificates, etc.) related to insurance activities, which are permanently kept by the insurer;  
verification of compliance with solvency regulations by the insurer and truthfulness of reports on solvency regulations;  
verifying whether insurance reserves are calculated, formed, placed and used by the insurer in accordance with legal documents, as well as the truthfulness of reports on insurance reserves;  
to check the consideration of insurance claims for all types of insurance by the insurer within the terms set by the law, the truthfulness and correctness of the calculation and payment of insurance indemnities, as well as the validity of the refusal to pay insurance indemnities;  
checking the authenticity of the relationship between the insurer and insurance agents, as well as the activity in this regard, and compliance with the law.

A document is drawn up in two copies based on the results of the inspection, and if necessary, explanatory letters of the head of the inspected business entity or officials, copies of relevant documents are attached to it, and a copy of the inspection document is left to the head of the entity with a signature stating that it has been received within ten days after the end of the inspection.

During the inspection, if violations of the law are found, instructions will be given to eliminate them. In the cases provided for in the Regulation on the procedure for applying fine sanctions to insurers for violating the legal documents on insurance activity, a fine of up to 0.1% of the minimum authorized capital determined for the insurer in accordance with the legal documents on insurance activity is imposed on them for violating the legal documents on insurance activity. In addition, the license of the insurer (insurance broker) can be suspended and terminated.

The system of early warning of risks in the activities of insurers and prevention of their bankruptcy was introduced and worked successfully during the reporting period. The modern national insurance control system created today is based on more than 60 legal documents. During the development of these documents, the Basic Underwriting Principles (ASP) of the International Union of Insurance Supervisors (ISU) were taken into account. According to the decision of the Cabinet of Ministers of the Republic of Uzbekistan No. 202 dated September 8, 2008, the Ministry of Economy and Finance of the Republic of Uzbekistan is a member of SNXU. We offer the following suggestions for further improvement of insurance activity control:

firstly, to review the duration of one quarter of the period established for the submission of information by insurers. During this period, the financial condition of the insurer may deteriorate significantly and the measures taken by the supervisory authority may be less effective;

secondly, the automation of the insurance market data collection and processing mechanism allows to save time and labor resources, increase efficiency, as well as to assess the current state of the insurance market as objectively and transparently as possible;

thirdly, it is necessary to introduce a risk-oriented approach to assess the activities of insurers according to their type, scale and complexity, to ensure the effectiveness of insurance control, by combining and collecting existing reserves into segments most prone to one or another risk.

In general, smooth performance of the tasks assigned to the Ministry of Economy and Finance of the Republic of Uzbekistan guarantees the formation of a developed, modern, transparent and competitive insurance market, as well as the increase of the insurance culture of the country's population and its stable growth.

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