



INCREASING THE EFFICIENCY OF ALLOCATION OF FINANCIAL RESOURCES OF INSURANCE COMPANIES

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Abstract . *The article describes the emergence of insurance companies as a major source of investment in the economy. The analysis of the placement of financial resources by insurers and its effectiveness is carried out, and the issues of further expansion and optimization of the investment portfolio are studied. The expected results in the insurance sector through the introduction of these directions are also described.*

Keywords: *insurance, investment activities, financial resources, investment objects, investment portfolio, insurance premium, authorized capital, reserve.*

Introduction. Insurance companies are recognized as the largest financial resource-collecting sector in the world, which makes them a major source of investment. Insurance companies , along with other financial institutions (banks, stock exchanges, investment funds , pension funds , etc.), are an integral part of the country's financial market and constitute an important link in the state financial system [1]. The accumulation and distribution of a certain level of cash flows in insurance companies also makes them major investors. The fact that insurance companies are officially allowed to engage in other types of activities in addition to their main activities creates conditions for their free participation in the stock



markets .

Insurance is considered the most effective means of eliminating the negative consequences of unforeseen events that occur to the population and various property entities , and contributes to reducing the cost burden of the state budget. In recent years , a number of reforms have been implemented to improve the sector , in particular, to expand the insurance market, ensure a wide range of insurance services, and increase the financial potential of insurers [1] . In particular, our President Shavkat Mirziyoyev paid serious attention to the sector and gave specific tasks and instructions for its rapid development . 20 23 years 1 In March , the Resolution No. PQ-108 " On comprehensive measures for the further development of the insurance services market" was adopted, in which the tasks of regularly increasing the amount of the authorized capital of insurance companies and thus expanding their scope of activity and ensuring their financial strength were determined, including specific instructions on the implementation of financing of sectors of the economy in need of funds by increasing the volume of investments [2] .

The financial potential of insurance companies is formed on the basis of their own funds and the source of attracted funds . In this sense, it is worth mentioning that the financial resources of insurance companies determine their financial potential. The amount of authorized capital of insurers is formed during their state registration. The formed charter capital was considered the main financial basis for insurance companies at the initial stage of their activity. The authorized capital of insurers is formed from various sources, the initial minimum amount is formed by the founding legal entities or individuals, and subsequently it is replenished during the course of its activity from the income received by the organization in various directions, net profit, proceeds from the sale of shares and other sources, but its formation from borrowed funds and borrowed funds is not allowed. The main



source of formation of the financial potential and resources of insurance companies is its income and expenses.

Literature analysis (Obzor literatur / Literature review) . Foreign scientists Makeykina S.M. and Lyoshin S.S. " Investitionnaya deyatel'nost' strakovykh kompanii kak faktor povysheniya ix finansovoy ustoychivosti v usloviyakh ekonomicheskoy retsessii " of s . In the research work of Uzbek economist Kenjaev I.G. on the topic "Ways to increase the efficiency of placing financial resources of insurance organizations", priority areas for expanding the investment opportunities of insurers were put forward .

Research methods (Methods of research / Methodology) . In the process of conducting the research, the methods of systematic analysis and approach, logical and structural analysis, grouping and generalization, expert assessment and forecasting, and mutual and comparative comparison were used.

Analysis and results (Analysis and results / Analysis and results) .

The movement of financial resources of the organization in insurance activities has a specific character. All policyholders participate equally in the formation of the insurance fund (of course, depending on the amount of the insured object and the probability of occurrence of risks affecting it), but it is used only by policyholders whose objects have suffered damage, insurance premiums paid under contracts where the insured event did not occur are not refunded. In both areas of insurance, the movement of financial resources is based on income and expenses: the main source of income of insurers is insurance premiums, while the largest expense is the share of insurance compensation paid to damaged insured objects. The difference between these two indicators, that is, the difference that arises after the realization of all income and expenses of the insurance company, represents financial resources in the form of temporarily free cash and is allowed to be directed under the conditions of diversification, in accordance with the relevant articles of



the regulatory documents regulating the industry. The main goal of insurers in investing their financial resources in investment objects is to achieve financial efficiency through the correct and rational use of their activities. To do this, the insurance company must ensure the stability of its investment portfolio, thereby increasing its stability and competitiveness. It should be noted that in international practice, insurance companies often compensate their financial obligations to policyholders not from income from insurance activities, but from income from additional investment activities. In developed countries, the loss index of insurance premiums in some cases is 90-93 percent, in such cases, the insurance reserves formed at the expense of insurance premiums in the organization are not enough to fully cover obligations, and obligations are fulfilled precisely from income from investment activities.

To fully utilize the existing investment opportunities within the country, it is important to create a favorable investment climate in the country. One of the main conditions for creating a favorable investment climate is to ensure the efficiency of financial resources allocated for investment. Attracting the necessary level of investments to the economy and ensuring their efficiency leads to increased investment activity of economic entities and ensuring sustainable economic growth [4] .

The development of investment activities of insurance companies is of great importance for the successful implementation of investment activities in the country, increasing their volume and ensuring their efficiency. Because in investment activities, insurance companies perform two tasks: insuring external and internal investments from various risks and acting as investors. The essence of the activities of insurance companies is to cover losses associated with the occurrence of various risks of this nature and society, and to collect insurance premiums from insured legal entities and individuals in exchange for this service,



and to receive additional income by temporarily placing their funds in various sectors with the condition of returning the accumulated and attracted funds, and to receive a certain investment income in the future. The above-mentioned activities of an insurance company in various sectors are considered investment activities in practice. Investment activities form the basis of the activities of an insurance company in placing financial resources.

The investment opportunities of the organization, as is known, depend on the results of the main activity, since during the insurance contract, insurance premiums are stored in insurance funds, and after the expiration of the contract, the funds remaining in the fund create an investment environment, so the investment activities of insurance companies can be assessed by studying the analysis of the development trends of the activities of insurance companies in the country. It should be noted that insurers achieve high efficiency through the correct and rational allocation of financial resources, in particular, this practice is actively supported in Uzbekistan today. Most participants in the financial market consider the attraction of free cash resources by insurers to be beneficial for both parties and allows insurers to form an insurance portfolio.

Table 1

Distribution of insurers' financial resources among investment objects [2]

Indicators	30.06.2023		30.06.2024		Change, in percent
	million soums	as a percentage of the total	million soums	as a percentage of the total	



Total investments, including:	5,189,971	100%	6 111 360	100%	+17.8%
Deposits	3 292 385	63.4%	4 052 224	66.3%	+23.1%
Securities	1,267,653	24.4%	1,288,737	21.1%	+1.7%
Loans	51 140	1.0%	76,028	1.2%	+48.7%
Real estate	425,570	8.2%	598 136	9.8%	+40.5%
Participation in the authorized fund of the organization	119,323	2.3%	88 210	1.5%	-26.1%
Others	33,900	0.7%	8,025	0.1%	-76.3%

Insurance companies also increase their financial stability by directing their resources to finance investment objects. According to the experience of countries with a stable development of the insurance system, the income of insurance companies from investment activities is higher than the income from the main activity, which means that they have a high loss ratio of insurance premiums. According to the table, in the reporting period, as in previous years, the share of bank deposits and securities in the total volume of directed financial resources was significant and amounted to 88 percent in total.

In general, the financial potential of the insurance market has grown by an average of 16 percent, which has increased investment opportunities. In Uzbekistan, insurance companies are the main partners of the country's commercial banks in terms of providing them with financial resources. This can be explained



by the fact that some organizations operating in the field of general insurance were founded by commercial banks, and these banks insure the risks arising in their activities, including financial risks such as non-repayment of loans, technical risks associated with property damage, and health risks arising from the work of employees, in partner insurance organizations in compliance with the requirements of a market economy. In turn, these insurance companies provide free funds to partner commercial banks as a resource and receive interest income for their use. According to the table, 66.3 percent of investments made by insurance companies are placed in deposits, which is the simplest form of the movement of financial resources. The financial resources of global insurers move through stock exchanges. The stock market provides an opportunity to transform the free funds of legal entities and individuals into all sectors of the economy. Improving the activities of insurers in the stock market is an important factor in ensuring reliable allocation of resources, their close connection with real production, and attracting additional resources.

The stock and insurance markets, which are important components of the financial services market, stimulate the sustainable development of the economy by supporting sectors in need of capital. The development of the stock market is seen as the most important factor affecting the development of the entire economy, since it is connected with a wide range of economic activities. The insurance market is also one of the main sectors affecting its activities and development. Today, one of the priority tasks facing the country is to increase the role of the stock and insurance markets in the process of radical economic reforms and improve their interaction [5]. Insurance companies act in the stock market, firstly, as issuers of securities in order to form and increase their authorized capital and meet their needs for working capital; secondly, as investors who, depending on the type of their activity, i.e. the presence of temporarily attracted free funds, direct them to



securities; thirdly, as investment intermediaries in the stock market; fourth, appears as an insurer of risks in the stock market.

The National Agency for Promising Projects of the Republic of Uzbekistan plays an important role in the regulation of insurance activities in the country's insurance market, as well as its development, penetration of the population, and increasing the index of insurance services, and to achieve these goals, it plays an important role in conducting events aimed at demonstrating the essence of the industry in the media, thereby raising the insurance culture. Also, in order to increase the transparency of the insurance market, ensure the openness of information on the activities of insurers, thereby increasing the interest of insured and potential insured persons and expanding their audience, the results of the activities of insurance companies for each reporting period are published in the media. In general, today there is a high interest of local insurers in investing in banks, which can be explained by the active participation of commercial banks in the authorized capital of insurers. Most insurers also believe that channeling into bank deposits is reliable in ensuring the liquidity of investment funds.

Each insurer must develop a comprehensive strategic program at the beginning of the financial year, fully reflecting the formation and use of its financial resources. This program should not be just a document, but a mechanism that companies will fully implement throughout the financial year and serve to achieve the desired efficiency. The program should study the structure of the insurance company's investment portfolio, strictly determine their share in the total insurance portfolio, and in turn, the insurance company should organize its investment activities without departing from the program, thereby systematically managing the organization's financial resources.

Conclusion (Zaklyuchenie / Conclusion). Placement of financial resources of insurance companies and in order to achieve their effectiveness, the following conclusions were reached and some proposals were developed:



1. In order to effectively organize the insurance sector, expand its scope, increase the level of capitalization, solvency and financial strength of insurers, and encourage their participation in investment processes, the government is creating a number of incentives and reliefs. Today, not all of the 35 insurance companies operating in the insurance market are ready to direct their financial resources to investment. Therefore, the volume of insurance premiums collected by them does not determine the investment opportunity, but the lower the level of loss of insurance premiums, the higher the investment opportunity.

2. Between the time of receipt of insurance premiums and the period of payment of insurance benefits, temporary free resources are created and they are converted into investment capital. For this reason, in industrialized countries, the insurance market is recognized as a factor that has a stabilizing effect on the economy.

3. The formation of the minimum authorized capital of insurance companies is under control, and it is advisable to increase these amounts as the economy develops. The amount of authorized capital expands the scope of services of the insurer, which in turn ensures the creation of a large amount of financial resources and their effective movement. Insurance companies, through their financial resources, make a significant contribution to ensuring sustainable growth of the economy, while becoming a sector providing beneficial services to society.

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