

Directions for Improving the Investment Potential of Insurance Companies

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Abstract:

This article examines the investment potential of insurance companies, methods of their formation and factors that directly affect the formation of the investment potential of the insurer. Identified direct and indirect indicators of investment potential and the classification of factors affecting them. One of the leading places in the management of the insurance business is given to the problems of financial stability and solvency of insurance companies. Control and estimating the financial condition is important both for an individual insurance company and for the insurance market as a whole. The issues of investment activity of insurance companies, assessment of opportunities and prospects for its development, interaction with other participants in financial markets were also considered.

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Introduction

The insurance market, being a part of the financial market, is subject to the development trends of certain segments of the financial markets, but has a number of features associated with the special role of insurance organizations. The interaction of insurance organizations with participants in financial markets can take different forms. Insurance organizations are competitors in relation to other financial institutions, presenting demand for temporarily free funds of the population. Also, insurance organizations act as consumers of services of other organizations - subjects of financial markets. Finally, insurance organizations are providers of services for other participants in financial markets, for example, taking the risks of an investor or an issuer for insurance, acting as a guarantor, etc. temporary investment and additional income. The financial and investment potential of insurers consists of equity capital and borrowed (including borrowed). Insurance reserves formed to fulfill obligations under insurance contracts constitute a significant part of the attracted capital and are considered as the main source of investment.

Literature review

The place of insurance organizations in the domestic markets in terms of efficiency and reliability of investments among domestic institutional investors is noted in the works of E.M. Puchkova. The researcher argues that the growth in the volume of insurance premiums allows national insurers to accumulate additional financial resources that will serve as a source of investment in the development of informatization, capitalization, construction of brands, in the growth of consolidation of national business in the country's economy [1]. The same was emphasized by T.V. Timofeeva and E.V. Mazanova, pointing out that insurance companies have significant financial resources, and this allows them to act as large investors [2]. GS Bazhanov stated that investing insurance reserves in market conditions is the most important aspect of the activities of insurance organizations for investing in the country's economy and obtaining additional profits [3, 4]. In our opinion, in 2020 one of the priority areas for insurers' investments was investment in the banking system [5]. Investment income is an additional, but significant source of an insurance organization, which affects their financial stability. When carrying out investment activities, the insurer is obliged to adhere to a conservative and prudent approach, which is that investments should have minimal risk.

Research methods

The methodological basis of the research is the economic theory and fundamental provisions of the investment activity of insurance companies, including the analysis and theoretical generalization of the essence, functions, role of the investment and financial potential of the insurance company. The methods of statistical, monographic, experimental were used, with the help of which various aspects of investment and financial potential, as well as the resources of an insurance company, were analyzed.

Analysis and results

To meet the needs of its customers, the insurer determines the value level of the insurance product: functional, social, financial and individual value. To determine the indicator of the strength of the company, it is necessary to draw up a list of factors that affect the value of the organization. In our opinion, the main factors determining the competitiveness of an insurance company are the company's assets, authorized capital,

payments, insurance reserves, a variety of products, insurance premiums, regional networks. One of the main factors of the company's profitability was and remains the insurance premium, that is, this is the amount for which insurance contracts and insurance payments are concluded, the indicator that characterizes the company as reliable, since it reflects the fulfillment of obligations to policyholders. For the formation of resources of an insurance organization in order to obtain investment income, the main condition for the implementation of an investment policy is the formation of a set of funds used for investment. Own, but to a greater extent, attracted capital are the main sources of investment resources formation. The investment resources of the insurer mainly consist of the insurance premiums of the policyholders. The own funds of insurance companies are mainly replenished from the premiums earned. The insurer can place its own funds more freely than those attracted under contracts, as this is regulated by regulatory enactments. The system of indicators characterizing the level of the investment potential of the insurer was considered by N.N. Yaremenko, T.A. Mikhailova, T.V. Tolbuzina [6], Yu.V. Nemtsova [7]. They are classified as direct and indirect. Direct indicators include the following: the amount of the insurer's own funds, the amount of insurance reserves. When investing funds of insurance reserves and the insurer's own funds, there are uniform requirements.

Table 1

Direct indicators of investment potential and classification of factors affecting them [2, 8]

Indicators, reflecting the size investment potential	Factors affecting performance	
	External factors	Internal factors
<i>Insurance reserves</i>	1. Conditions for the formation of data reserves. 2. Natural, man-made and a different nature of the disaster	1. The size of the organization. 2. Amount of received premiums. 3. Balanced or unbalanced state of the insurance portfolio
<i>Own funds</i>	1. Regulation by the state. 2. Minimum size authorized capital of companies. 3. The size of the tax burden insurance organization	1. The size of the organization. 2. The size of the authorized capital. 3. Financial condition of the insurer
<i>Amount of insurance premiums</i>	1. Actions and behavior the insured. 2. The amount of insurance rates, satisfying the policyholder. 3. Expansion of activities in the form of branches. 4. Solvency legal entities and individuals	1. Composition of qualified specialists. 2. The amount of insurance rates, satisfying the policyholder

Thus, the more the insurer's own funds, the higher its level of investment potential. The same can be said about the following adjusting indicators: the value of insurance premiums (the greater their value, the more funds can be invested); the amount of insurance payments under insurance contracts (if these payments are made on a large scale, then the insurance company has a high profit), etc. Indirect indicators include: net income from investments, the number of branches (the more branches, the more likely it is to receive an additional amount for investment), the number of concluded insurance contracts (the more contracts are concluded, the greater the amount of proceeds that can be used for investment), the efficiency of the economy sector, the standard of living of the population, the rate of return on various financial market instruments.

The formation of the investment portfolio of the insurer is carried out mainly at the expense of equity capital, the distribution of which is free for both long-term and short-term investments. Specific investments should be formed from reserves at the expense of contracts for risky types of insurance and at the expense of life insurance contracts. The significance of these indicators is determined by "numerous internal and external factors" [9]. These factors affect the investment potential of the insurance company. Regardless of the sources of education, the monetary resources of the insurance organization, free from insurance and debt obligations and intended for the implementation of investment operations in order to generate additional income, are called investment potential.

Insurance companies in the context of the development of the modern market take an active part in commercial operations, carrying out investment activities and thereby using the insurance and own reserves of the company [9, 10]. Effective management and formation of reserves will allow insurance organizations to receive an additional amount of working capital that can be placed in the form of profitable investments. One of the main investment components is unearned premium reserves. These reserves go beyond the reporting period, and they also represent deferred expenses, which allows them to be used in the short term for investment purposes. Another reason to call the reserves of unearned premiums the main investment component is that in the absence of insured events, the insurance premium becomes earned from the unearned premium, thereby increasing the investment significance of the unearned premium.

Conclusions and offers

Based on the state of the insurance company in terms of indicators that determine competitiveness, it is possible to judge the possibility of conducting investment activities. An insurance company, like no other, has no right to risk clients' funds and must always be ready for any type of payments under the contract and have sufficient funds for this. Investment activity is not the main type of activity of insurers, but if the company has the opportunity to carry it out, then it must be carried out at a high financially competent level, not to the detriment of the main business. The author's study of the investment potential of insurance companies and an assessment of their competitiveness revealed the relationship between the size of the company (authorized capital, the number of types of insurance), the main economic indicators of insurance organizations, cash flows from insurance premiums, payments, investments and the strength of the company. This force influences the

competitiveness of insurance organizations, determines the leader among them. In addition, the structure of cash flows from investment activities is considered and once again the influence of direct and indirect indicators that characterize the level of the investment potential of the insurer is proved. Despite the satisfactory profitability and high efficiency of investment activity, there are ways to improve it. The main directions of investment activity in the near future will be further penetration into the banking sector. Investments in this sector are less profitable, but more reliable and liquid and provide additional advantages in the form of an increase in insurance premiums, customer base, and financial instruments for investments.

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