

THE ROLE OF MANDATORY INSURANCE IN THE MODERN INSURANCE SYSTEM

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ABSTRACT--*The article describes the role of compulsory insurance in the domestic insurance market, the toric principles, its practice and problems, as well as practical recommendations for their solution.*

Keywords-- *insurance market, compulsory insurance and its types, social insurance, voluntary insurance, insurance coverage, tariff rate, loss ratio*

I. INTRODUCTION

Insurance is one of the fastest growing sectors of the financial system of Uzbekistan. Although the insurance industry is relatively new, it has been playing an increasingly important role in the distribution and redistribution of financial relationships. Insufficient development of the economy, low insurance culture among insurance entities, inadequate legislative support, poor methodological support, etc. do not allow full use of mechanisms for redistribution of financial resources through the system of compulsory insurance.

Compulsory insurance should be considered at this stage as a system of economic and anti-crisis measures of economic relations, which constitutes an abusive relationship for the creation of insurance funds at the expense of insurance premiums of legal entities and individuals, and subsequently to cover losses incurred as a result of insurance events.

II. REVIEW OF LITERATURE ON THE SUBJECT

The need for compulsory insurance is explained by its large social importance. Some types of compulsory insurance provide the majority of the population with additional social protection. For example, compulsory employers' liability insurance is one of the most important mechanisms for the development and regulation of social processes aimed at improving the sustainability of reproduction of labor resources and the compensation of labor damage [1].

The development of compulsory insurance as a major component of the insurance services market is aimed at addressing the issues of additional funding for social protection of the population and will serve as an important factor in ensuring the stability of the economy. In addition, a full and economically viable development of compulsory insurance will result in an increase in the insurance culture among business entities and the development of voluntary insurance [2].

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Each state introduces compulsory insurance in its budget to reduce the risk of injury. In addition, through the introduction of compulsory insurance, citizens will have a “habit” of insurance. The role of compulsory insurance in this regard is significant [3].

Compulsory insurance is currently the catalyst for the development of the insurance market in emerging markets. The insurance mechanism is an important system for maintaining economic stability in the country, as it reduces the burden on the state budget in terms of covering public expenditures, including the damage caused to natural and other disaster victims [4].

In the CIS insurance market, mandatory insurance premiums are insignificant in the total insurance premiums. Only in the Republic of Belarus obligatory insurance forms the basis of the insurance market. In the Russian Federation and the Republic of Kazakhstan, both types of insurance are relatively balanced. The insurance market of Uzbekistan, Ukraine and Azerbaijan is underdeveloped [5].

III. ANALYSIS AND RESULTS

The importance and role of insurance will increase for the following objective reasons:

- Increasing frequency and volume of emergencies of various man-made and natural phenomena;

Tufayli Due to the development of science and technology, new risks are increasing, as well as inadequate experience in managing and mitigating them;

Ishlab Development of a model of economic development and complication of economic relations between business entities, increased risks in the financial markets and emergence of new business risks;

- Annually the functional system of aging and social protection of the population, growing needs in the field, etc.

At present, the objective demand for compulsory insurance for the insurance market of Uzbekistan is related to the following factors:

Imkoniyati The possibility of government support in emergencies is limited because of the small amount of financial resources allocated for social policy;

Texnologiyalar obsolete technologies and equipment used in almost all industries, which do not guarantee a safe working environment and environmental risks.

At the same time, it is difficult to assess the benefits of compulsory insurance for the national economy and social sector.

First, the financial resources of the insurer at some stage become a powerful investment tool.

Secondly, with the development and growth of the insurance market as a national economic sector, insurers are becoming more and more job-creating (insurance agents, insurance brokers, adjusters, interviewers, etc.). This will undoubtedly strengthen the social sphere and help reduce unemployment.

In recent years, compulsory insurance has increasingly been referred to as a socio-economic phenomenon aimed at reducing the potential loss of social reproduction. In this regard, the main issue in determining the place of compulsory insurance in the modern insurance system is the “social” notion. The essence of this 'social' concept is that it is specific to society. In other words, compulsory insurance is a social phenomenon that is necessary for people's lives, that is, their relationship to the formation and protection of social, industrial and economic interests.

In this regard, we can link the concept of "social" with the concept of "socially oriented economy". Social orientation is a factor that creates an objective need for insurance in general. Accordingly, the need for compulsory insurance, its origin, as well as living conditions, is a need to improve production processes.

It is well known that social development should go on a progressive scale, which is one of the main goals of the development of society. As for insurance, it is an inevitable event for the development of society, such as the financial, credit and monetary categories.

One of the main goals of the modern state is to create a socially oriented economy model, where the interests of the individual must come first. Confidence in their future, peace in the preservation of community values, quality health care are some of the needs that a person needs to have in a socially oriented economy. Without a well-developed compulsory insurance system, the above results cannot be achieved. In this regard, when it comes to compulsory insurance, first of all, it should be taken into account that it is socially oriented.

Third, compulsory insurance through insurance of business risks and reimbursement of damages ensures and ensures the development of scientific and technical progress.

Fourth, insurers are large taxpayers, and their successful operations increase the revenue base of various budgets. At the same time, funding for the repair of damaged property in emergency situations reduces the burden on the budget and ensures social protection for the population.

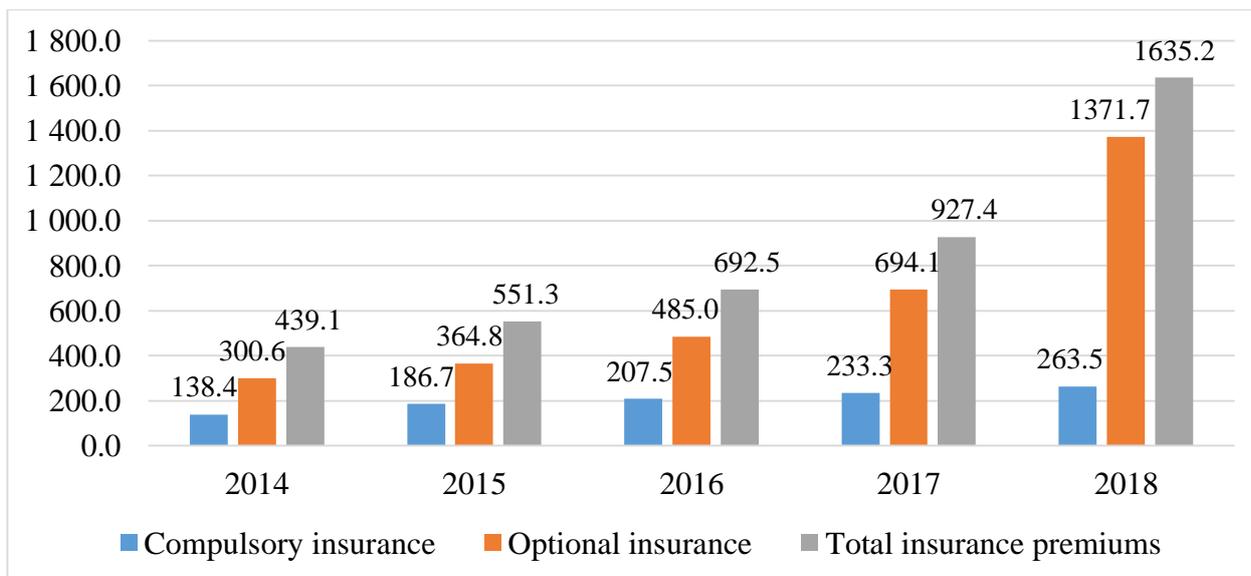


Figure 1: Dynamics of changes in insurance premiums by types of insurance (billion UZS) [6]

There are several economic indicators that influence the growth of insurance premiums, such as average wages, GDP, tax, monetary policy and so on. However, based on the experience of the developed European countries, it is possible to develop the insurance sector without the use of compulsory measures. Such compulsory measures will be implemented with the introduction of compulsory insurance that will lead to the development of the entire insurance industry.

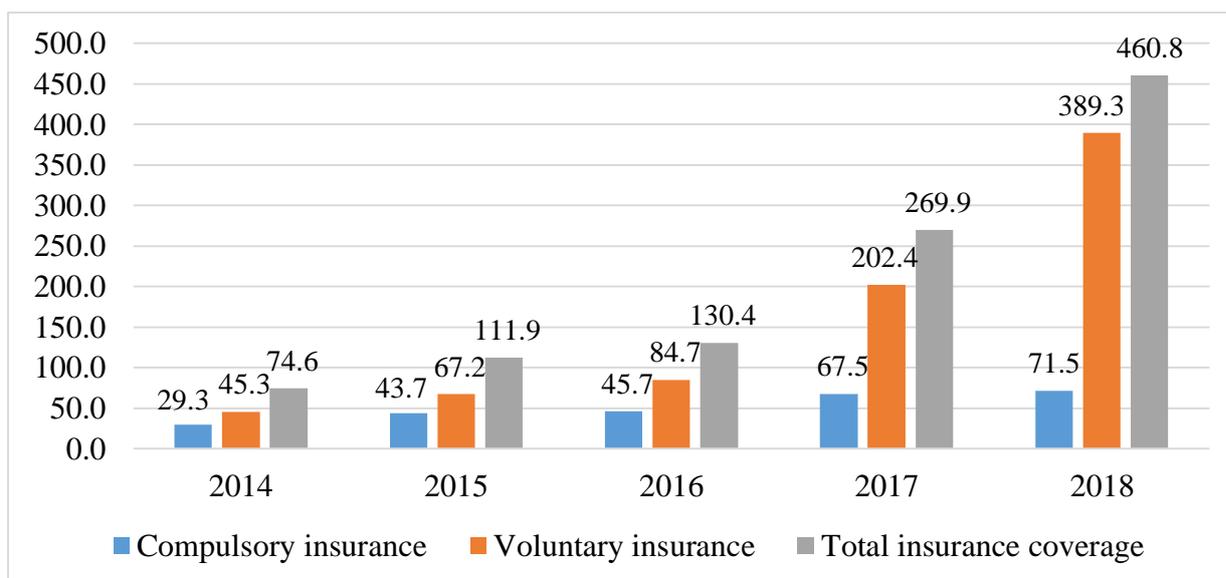


Figure 2: Dynamics of changes in insurance coverage by types of insurance (billions of sums) [6]

Through the system of compulsory insurance, the state participates in the solution of social problems of social development. At this stage, compulsory insurance of vehicle owners' liability, compulsory insurance of hazardous plastics (the introduction of compulsory health insurance in the next phase), the introduction of insurance against certain occupants is an economically justified and socially oriented policy. . This is due to the need to improve the social protection of the population in the economic and market conditions of the state. At the same time, it is important to consider compulsory insurance as a provisional measure to address social problems in the transition period.

At the same time, the economic nature of many types of compulsory insurance reflects social security issues rather than insurance. The state introducing compulsory insurance, as the legislature, offers new safeguards that are economically relevant to the modern needs of businesses. In this regard, compulsory insurance is often regarded as a temporary phenomenon, in part, with the view that the state transfers some of its functions and problems to businesses, insurers, and thus saves budgeted funds to meet other needs of society. In our view, the main purpose and socio-economic nature of compulsory insurance is an effective element of the social protection system for the population and businesses. At the same time, it is necessary to clearly define and legally adopt the types of compulsory insurance in order to fully apply the mechanism of "reduction" of budget expenses. This requires the harmonization of the existing insurance legislation.

The main purpose of insurance is to protect the property interests of individuals and legal entities, for which the payment of insurance benefits in case of an insurance event, in which the money (insurance premiums) are accrued by a special organization (insurance organization). Thus, some entities unite for similar interests and goals, and the insurer acts as an intermediary in this important social process. It has the ability to unite them in effective insurance protection of property interests of citizens and legal entities due to state and specific features of compulsory insurance. The scope, scope and coverage of compulsory insurance will increase, meaning that the premium rate will be reduced through the involvement of many insurance entities in the area of compulsory insurance. It should be noted that at present, the level of compulsory insurance loss in 2018 is 0.28% (in international practice this figure is 50-55%). This, in turn, will allow reducing the rates.

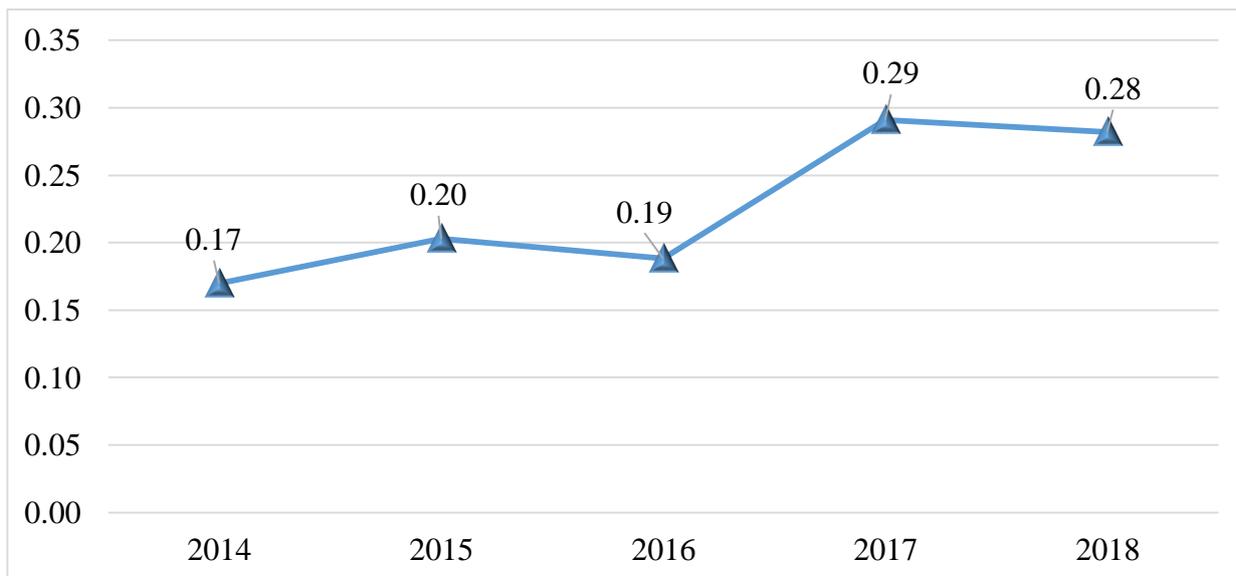


Figure 3: Insurance premium loss rate (in percent) [6]

In this regard, the essence of compulsory insurance can be understood as a set of economic relations aimed at the formation and expenditure of a centralized (decentralized) fund within the limits provided by specialized legislation. The principle of compulsory insurance of certain objects allows the government to use economically sound methods of insurance regulation.

The relevance and obligation of compulsory insurance regulation The Civil Code of the Republic of Uzbekistan states that "the objects subject to compulsory insurance, the risks they are subject to insurance and the minimum amount of insurance benefit are determined by the legislation".

In this case, legal conflicts (conflicts) arise. In other words, it is necessary to have a law on this type of insurance. Currently, there are three laws that respond to this requirement:

Majburiy Compulsory motor vehicle liability insurance;

Majburiy Compulsory employers liability insurance;

Majburiy Compulsory insurance of carriers' liability.

On the other hand, many types of compulsory insurance are introduced under the law (non-law). At the same time, it is necessary to provide certain guarantees and conditions for the proper functioning of insurance services.

In most cases, the state may implement its own special guarantees and social programs through compulsory insurance. This is primarily related to social insurance (pension insurance, health insurance). First and foremost, it is beneficial for the government to use an insurance mechanism to solve social problems. First of all, the number of people in need of state support will be reduced while the economically active population will take care of themselves. Secondly, the state's budgetary resources are used more efficiently and equitably, in particular, the possibility of full-fledged social coverage of the poor.

The current need of compulsory insurance in the current conditions of developing the economy of Uzbekistan, its social functions, contribution to formation of insurance culture, formation of stable financial base for insurance organizations, as well as proper organization of insurance activities will help to save budget funds.

It should be noted that in the current state of the national insurance market, compulsory insurance plays a significant role in covering the risks of all risk groups and businesses, as well as significantly reducing the costs of the state budget to cover the damage caused by emergencies and natural disasters. In this regard, it is necessary to legally establish the principles of compulsory insurance on the territory of the Republic of Uzbekistan and to put an end to the current practice of compulsory insurance on the basis of legislation, as well as to accelerate the work on integrating previously accepted types of compulsory insurance into a single system. At the same time, the system of compulsory insurance should be aimed at protecting the most important property interests of the state in the protection of high-risk objects of the economy and require low budget resources.

The introduction of compulsory insurance is the only way to develop voluntary insurance in the context of insurance neglect (overlap of legal norms). In our view, this measure is often aimed at proving temporary and, first and foremost, the access of business entities to the insurance system. Insurance is a particular type of economic relations, and its implementation is very important for any business entity. Usually, the introduction of compulsory insurance is aimed at revitalizing mass activities in a particular sector of the economy. The end result of the introduction of compulsory insurance is an increase in voluntary insurance premiums for this type of insurance. This is evidenced by the fact that after the introduction of compulsory insurance of civil liability of vehicle owners in our national insurance market, the activity of insurers connected with voluntary motor insurance.

In the field of compulsory insurance, there are about 40 types of insurance that are economically important and only a few are provided with legal mechanisms and the rest are not covered by the law, and therefore, their implementation mechanisms must be brought in line with the established procedures in Uzbekistan and international practice.

At present the main directions of the state policy on development of compulsory insurance are:

Shakllant Creating a legal framework for compulsory insurance in the insurance services market;

□ Compulsory insurance

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