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## IMPROVING THE INVESTMENT ACTIVITY OF INSURANCE COMPANIES

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**Annotation:** The article explores the formation and use of the financial resources of insurance companies, the assessment of the profitability of Investiture operations, a model that will help optimize their investiture activities and improve their financial mechanisms. And proposals were developed to improve the efficiency of the investision portfolio of insurance companies.

**Keywords:** diversification, investment activity, investment instruments, portfolio investments, reserves

### Introduction

The reforms of the market economy of the Republic of Uzbekistan are accompanied by certain institutional transformations. Therefore, the impetus for the further development of the domestic economy was the emergence of institutions that help to stimulate and improve the process of mobilizing financial resources, converting them into investment resources. The COVID-19 pandemic has certainly caused serious damage to the global economy as a whole. An important factor for maintaining the insurer's license is the amount of the authorized capital.

Thus, the problem of increasing the efficiency of investment activity in order to strengthen it is undoubtedly a necessity for every insurer. The main participants in the global capital market are institutional investors, the main ones being insurance companies. Everyone already knows that it is insurance companies that accumulate financial resources, for this reason insurance plays a significant role in the development of the economy of each country.

In the context of the modernization of the country's economy, investments provide conditions for a real economic breakthrough, make significant changes in the national economy, introduce the latest achievements of technological progress, improve quantitative and qualitative indicators of economic activity at all levels.

The attraction of fixed assets and their further investment by insurers makes the insurance sector the main financial source for the development of the domestic economy (Toshmurzaevich Y.O., 2021).

In Uzbekistan, setting targets for achieving by the end of 2022, compared with 2018, due to the accelerated development of the insurance market, there is a 2.0-fold increase in the share of insurance services in gross domestic product (GDP), the total volume of insurance premiums increased 3.3 times; the total assets of insurance organizations - 2.1 times; the number of types of insurance services - By 1.7 times, the above data requires strengthening the role of the insurance market and the widespread use of insurance tools.

The main purpose of the insurer's investment activity is to return financial resources and receive

investment income. Provided that the investment activity is profitable, then these funds are used to finance insurance transactions. The success of the investment policy guarantees financial stability in payments and fulfillment of its obligations. Undoubtedly, as in any field, there are certain factors that affect financial activity. In the investment activity of insurance companies, there are also such factors as external and internal (Yuldashev, O. T. 2023).

Due to investment activities, insurance companies determine the possibility of providing insurance services, and this activity also affects the formation of a sufficient insurance fund. Organized investment activity ensures the quality of services provided and affects the market position of insurance companies.

Investment activity has an impact on insurance products, namely on the cost, on the actual performance of the product, on the actual fulfillment of the obligations of the insurer, depending on insurance payments. Due to the investment activity, the owners of insurance companies develop their business and independently manage it (Yuldashev, O. T., 2020).

Thus, without investment activity, it is impossible to achieve macroeconomic stability and solve social problems. It is the investment activity of insurance companies that acts as a "catalyst" for the process of social production, and serves the overall efficiency of the economy. The importance and role of the insurer's investment activity, both for the organization itself and for the state economy, is obvious.

To activate this process, it is necessary to change the current principles of actuarial calculations when determining the amount of the insurance tariff. The amount of profit received from investing funds directly depends on the amount of funds placed in insurance reserves (funds). It is this factor that must be taken into account when determining the acceptable level of financing of insurance operations at the expense of income from investment activities.

The investment activity of insurance companies is a "stabilizer" of social production and serves to increase the efficiency of the economy. This activity depends on two main factors such as specialization and the size of the investment potential of the insurance company. There are certain factors that affect investment investments, such as the structure of the insurance market, capitalization, concentration, the effectiveness of state control, the level of development of the stock market, the availability of stock instruments, and the role in investment potential. When making investments and making a profit, insurers are heavily dependent on the "climate" of the financial market, as well as on the country's economy.

Of course, government regulation also affects the investment process. In the process of reforming domestic insurance legislation, the insurance sector does not play a special role in the investment activity of the national economy, unlike the Western experience, where insurance companies act as the largest institutional investors. In accordance with the indicators of the investment portfolio of global insurance companies, the relevant criteria have been determined: 10-30% are investments in the authorized capital of enterprises and real estate, 25-30% are investments in securities, 15-30% are funds on deposits of commercial banks and 1-12% are investments in other areas of investment activity.

In the case of life pension insurance by insurers in the system of non-state pension provision, the funds of reserves formed under such contracts are placed in accordance with the Law of Uzbekistan "On State pension provision of citizens". Today, the insurer's investment activity is characterized by a stable institutional and legal framework, the presence of reliable banks, and other professional participants.

The regulation of investment activities of insurance companies must comply with certain principles, and these principles must be the most effective. Let's outline the most important principles of making investments:

- 1) Freedom of investment is a principle that gives insurers–investors the opportunity to place investments in any field, subject to compliance not only with legislation, national security interests, antitrust provisions, but also the interests of society (environmental protection, health and public order).

- 2) The principle that does not discriminate against investments depending on citizenship, place of residence, type of activity, origin of the investor insurer, etc.
- 3) Transparency – according to this principle, every legislative and regulatory act that may directly or indirectly affect investments must be published, and new rules must be established after consultation with the public.
- 4) Compliance with obligations - insurers - investors, including foreign ones, are obliged to carry out investment activities in accordance with national legislation, as well as international agreements, to which many countries are parties.

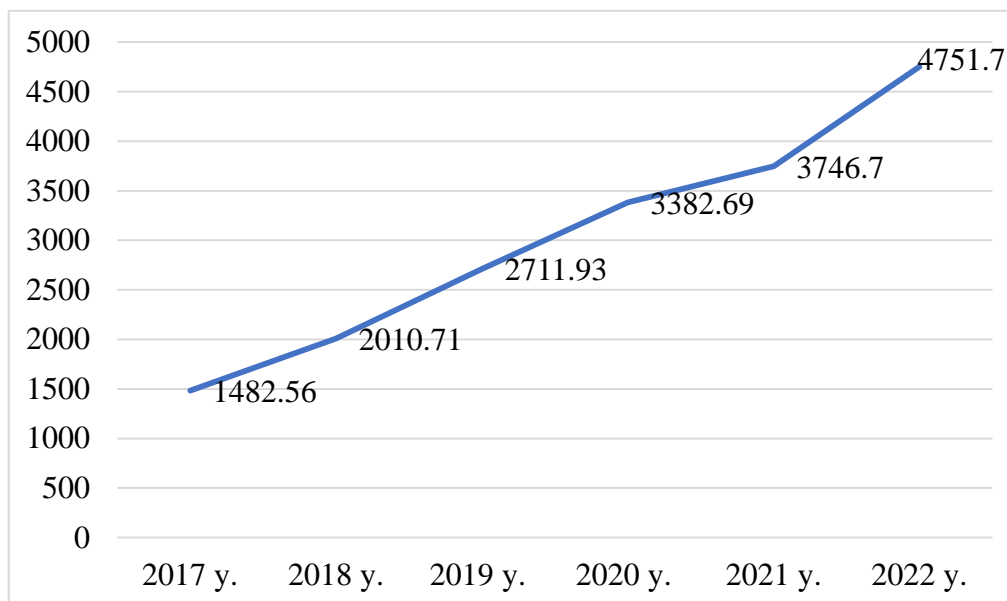
### Analysis and discussion of results

The investment activity of insurance companies, which is the second largest source of income after insurance operations, is still underdeveloped. The growing competition in the field of domestic insurance, the associated reduction in insurance tariffs, the choice of potential insurers with an alternative approach to risk, and the development of investment activity of insurance companies are among the most pressing issues. The insufficient development of insurance investment activities can be explained by several main reasons (Юлдашев О.Т., 2021).

Firstly, the number of reliable exchange-traded instruments on the domestic stock market is limited, only the government debt corresponds to the basic principles of investment investments, such as liquidity, guaranteed profitability.

Secondly, the state does not regulate investment processes effectively enough, this is the reason for the unstable investment climate in the country.

As is known, insurance companies carry out investment activities in accordance with the Regulation on Insurance Reserves of Insurers (reg. No. 1882 dated 12/15/2008), which prescribes the placement of assets of companies on the principles of diversification, repayment, profitability and liquidity. In this regard, an analysis of the dynamics of the composition of companies' investments shows that insurance companies are still considered more reliable objects of investment deposits and securities.

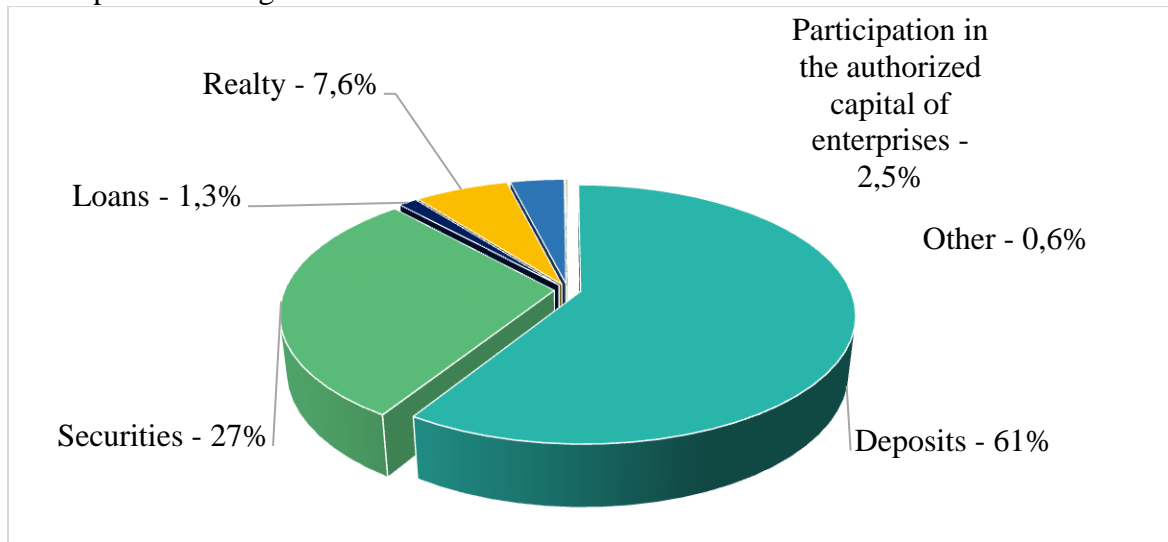


**Fig.1. Dynamics of growth in the volume of investments of insurance companies of the Republic of Uzbekistan (billion soums)<sup>1</sup>**

A significant part of the investment growth in 2022 is accounted for by deposits. The volume of companies' investments in deposits is 61% in the structure of insurers' investments (Fig.2). The Ministry of Justice of the Republic of Uzbekistan has registered the Regulation on the investment activities of the insurer and reinsurer, approved by the Order of the Minister of Finance of the Republic of Uzbekistan dated July 3, 2009. The Regulation came into force on July 26, 2009 and establishes requirements for the investment activities of the insurer and reinsurer. According to the

<sup>1</sup> Developed by the author ([www.mf.uz](http://www.mf.uz))

Regulation, the objects of investment activity, the basic requirements for investment activity, the procedure for carrying out investment activities and the qualification requirements for the responsible person are regulated.



**Fig.2. Investment structure of insurance companies of the Republic of Uzbekistan for 2022<sup>2</sup>**

Effective investment management of insurance companies' assets is possible only with the implementation of viable models. Portfolio investments involve asset diversification, which gives investors several additional advantages.

Firstly, the number of potential investment instruments will increase in comparison with the size of the national market.

Secondly, portfolio diversification allows for a more effective risk-return ratio, which allows more than one issuer to join the securities portfolio, and this is more profitable than investing in securities of issuers of only one country. Therefore, expanding the range of potential assets that should be included in the portfolio when investing leads to a higher return for a given risk or a lower risk for a given return.

### Conclusions and offers

The development of insurers depends directly on the effective financing of investment projects, since it is they, investment projects, that create the opportunity to achieve economic growth of companies. A well—developed investment policy is the way for insurance companies to flourish. One of the main functions of investment policy is the use and formation of investment potential, which is the result of investment processes (Yuldashev O., Mambetkulova M., 2023).

The use of various models, as well as algorithms of actions in improving the financial mechanisms of investment activities, contribute to increasing the profitability of companies. Reforms to the financial mechanisms of domestic companies should ensure:

- long-term and profitable reserves in the financial sector of the state, provision of long-term instruments for placement;
- implementation of a wide range of voluntary insurance services, transparency of information for the public;
- a guarantee from the state when securities are put into circulation;
- establishing cooperation with investment companies;
- retraining of personnel, retraining of stock market analysts, attracting specialists from the insurance business course.

The application of models and algorithms in improving the financial mechanisms of investment activities of insurance companies includes ways to increase their investment resources by increasing

<sup>2</sup> Developed by the author ([www.mf.uz](http://www.mf.uz))

the volume of insurance and their own capital, as well as increasing the profitability of investment activities through effective management of investment resources.

Firstly, successful investment activity makes it possible for an insurance company to use part of the received investment income to cover a negative financial result on direct insurance transactions in cases of increased loss-making both with uneven risk distribution or the onset of catastrophic risks, and with high competition and tariff dumping in the insurance market. In this situation, the assessment of investment potential should be given through an indicator of the ratio of insurance payments and premiums (in the amount of the net rate). If the value of this indicator is greater than one, this indicates the use of investment income to cover losses at a higher level than the insurance rates allow. Accordingly, the more this indicator exceeds one, the more effectively the investment potential was realized.

Secondly, investment activity allows the insurer to attract policyholders to participate in profits through a system of accrual of bonuses or refund of part of the insurance premium. In this case, the role of investment potential is characterized by an indicator of the amount of investment interest accrued on insurance amounts under life insurance contracts, and an indicator of the amount of the refundable part of the insurance tariff.

Thirdly, investment income can be a source of equity growth for an insurance company, which is also used in emergency situations to cover insurance obligations. In this case, the investment potential will characterize the indicator of the share of financial profit directed to increase equity.

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