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SCIENTIFIC AND THEORETICAL BASIS OF THE CONCEPT OF FINANCIAL SUSTAINABILITY OF INSURANCE COMPANIES

Jasur Tursunpulotovich Nosirov
Tashkent State University of Economics
PhD in Economics, the Faculty of Finance and Accounting
E-mail:grafjasur@gmail.com

Abstract

This article explores the scientific and theoretical foundations of the concept of financial stability of insurance companies. Also, in determining the approach to financial stability, first of all, the degree to which the scientific and theoretical foundations of the concepts of "financial" and "sustainability" have been studied by scientists. In addition, a classification of the types of financial stability of insurance companies is given and they are grouped by an expert. In addition, a number of scientific articles on the practical aspects of ensuring the financial stability of insurance companies have been studied and analyzed.

Keywords: insurance companies, financial stability, the concepts of "financial" and "stability", financial stability of insurance companies.

Introduction

In world practice, the financial stability of insurance companies is mainly determined by their solvency and the amount of insurance reserves. According to the International Rating Company (ACRA), in 2007-2019, the correlation coefficient (according to the Pearson correlation) between the level of living standards and insurance premiums in GDP was 0.89. "While insurance companies in developing countries are suffering more in the face of the pandemic, the share of insurance premiums is expected to fall by 3.6 percentage points in 2021." This is a priority in the timely fulfillment of obligations to creditors and insured by ensuring the financial stability of insurance companies, as well as the need to make decisions to increase investment opportunities through the rational use of limited financial resources.

Extensive research is being conducted in foreign countries on the development of insurance market infrastructure, ensuring the financial stability of insurance companies through scientific approaches and econometric instruments, increasing the efficiency of companies based on industry and industry characteristics. Today, it is important to assess the efficiency of insurance companies through multiplicative coefficients, to determine the quantitative level of financial stability, to conduct

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research aimed at improving financial stability on the basis of international standards and mechanisms.

The problem of analysis and evaluation of financial stability in the context of market relations is of great importance. Nevertheless, the results of the analysis show that there are currently different approaches to describing the financial stability of companies, according to which financial stability can be described as follows:

- Financial condition;
- Capital structure;
- Protection from internal and external risks, etc.

In defining the first approach to financial stability, it is important to pay attention, first of all, to the meaning of the concepts of “financial” and “sustainability”. In this case, “financial” means “financially, financially; it should be noted that "stability" is "a state of sustainability ...", which is associated with the accumulation and distribution of funds.

The second approach to determining financial stability is based on the use of indicators of financial condition such as solvency, liquidity, creditworthiness, profitability. Under this approach, according to some economists, the definition of financial stability is close to the concept of solvency.

The third, that is, the approach of Western economists is to determine financial stability, and vice versa - through financial instability. The concept of financial instability for central banks and other enterprises includes the concepts of externalities and market failures that negatively affect current economic activity. Thus, financial instability is determined by three criteria: (1) the value of significant financial assets; (2) the negative situation in the securities market and the use of credit within the country, as well as opportunities at the international level; (3) the total cost differs significantly from the current value.

Analysis of the Relevant Literature

Economist A.V Grachev connects "financial stability" with solvency, considering it in terms of accumulating resources to meet its financial obligations for a specified period. However, such an interpretation of the economic nature of ‘financial stability’, in our view, raises the problem of choosing between accumulating resources and reinvesting profits. In particular, savings become a loss of capital. Such an interpretation can be allowed in the analysis of financial stability and its operational management mechanism. However, such an approach to understanding its essence in addressing the issues of strategic management of financial stability contributes to the

misallocation of funds and the accumulation of funds without considering the possibility of their alternative investment.

In general, in terms of ensuring the stability of the financial system, the Western economist M.Fut gives the following opinion, namely, financial stability: a) the stability of funds; b) the level of employment of the population in the economy; c) confidence of market agents in financial institutions and markets; g) the absence of price fluctuations with respect to financial assets. “Financial stability” also means that the important elements that make up this financial system work together.

In addition to the views expressed by the above scientists, we think it is appropriate to consider some approaches by economists of our country to the concept of "financial stability".

According to N. Khasanov and S. Najbiddinov, financial stability is based on an assessment of the ratio of equity and debt to assets, the rate of accumulation of own funds, the ratio of long-term and short-term liabilities of the enterprise, the level of working capital. According to A.Vahobov, N.Ishonkulov and A.Ibragimov, the effective formation, distribution and use of financial resources reflects the essence of financial stability. According to AU Burkhanov, a researcher on scientific and practical issues of financial stability of enterprises in our country, financial stability is a complex indicator of enterprise activity based on profitability and debt repayment, the ability to finance its activities and the rapid development of resources.

It should be noted that the views expressed by most scholars above are specific to the concept of "financial stability" of enterprises in the real sector of the economy. However, the tariffs cited by Western economists are relevant to the activities of financial sector companies and are of particular importance in revealing the essence of the financial stability of direct insurance companies. Below, we will highlight the views expressed by scientists on the financial stability of insurance companies.

In particular, according to professors Ch. Friedman and K. Goodlett of Carlton University in Canada, determining the financial stability of companies is a complex process, which does not allow to form a complete picture of the state of financial stability. Therefore, along with the development of the economic system, the analysis of modern financial stability indicators is also improving accordingly. There is no clear mechanism for assessing financial stability, as changes in these indicators are often directly influenced by the government's monetary policy. In particular, the recent global economic and financial crises require a comprehensive study of these indicators.

Russian economist S.V Kulikov considers the financial stability of an insurance company on the basis of two different approaches. In particular, according to the first

approach (financial stability) is "the presence of a fixed share of equity in the total amount of financial instruments", and according to the second approach, "distribution and use efficiency for the growth of capital and profits while maintaining the state of financial resources, solvency and creditworthiness" understood. The scientist added that there is no specific indicator or set of indicators that characterize financial stability, and in each case it is necessary to determine the range of indicators of financial stability in accordance with a particular situation.

According to A.P Arkhipov, the author of a number of scientific articles on the practical aspects of ensuring the financial stability of insurance companies, “The concept of financial stability of an insurance company can be defined as the ability to fulfill its obligations to other market participants today and in the future. Financial stability is, on the one hand, the ratio of the insurance company's own funds and the accepted insurance liabilities, and, on the other hand, the activities aimed at obtaining financial results: underwriting (risk assessment) and tariff (insurance service price corresponding to insurance risk) policy, insurance reserves and own funds investment, as well as risk reinsurance and others.

Based on the above tariffs, it can be said that it is not possible to assess the financial stability of an insurance company without an in-depth analysis of the insurer’s financial condition. It is known that the final and final results of the financial operations of companies are reflected in the financial statements of the company. From the point of view of the financial approach, we can achieve the concept of financial stability by analyzing the financial statements of the company.

Analysis and Results

The tariffs given by the scholars on the concepts of “financial stability” and “financial stability of insurance companies” have common features on the one hand, but they differ significantly on the specifics of the financial indicators calculated on the basis of accounting reports.

Summarizing the differences and similarities of tariffs mentioned by the above scientists, the following can be cited as the economic significance and key features of the financial stability of insurance companies:

- Fulfillment of the accepted obligations;
- Insurance coverage payments;
- Ensuring solvency;
- Opportunities for the development of the insurance system;
- Successful operation;
- Ability to fulfill their obligations;

- Ability to adapt to a changing external economic environment;
- Possibility to act as an insurer;
- Status (amount and structure) of financial resources that ensure solvency and future development;
- Adaptation of financial resources to the external environment in order to further develop the insurance business and ensure solvency;
- Solvency, liquidity, ability to adapt to the external environment, the presence or absence of deviations from regulatory requirements, as well as the structure of the balance sheet;
- The ratio between assets and capital of the enterprise;
- The share of private capital in the total sources of funding;
- Efficiency of distribution and use of financial resources;
- Use of financial resources for capital and profit growth while maintaining solvency and creditworthiness;
- Ability to fulfill its obligations today and in the future;
- The ratio of own funds to insurance liabilities;
- Activities aimed at achieving a positive financial result;
- Development of the company's anti-crisis financial management mechanism.

Considering the views and approaches of insurance scientists, it should be noted that the financial stability of insurance companies is based on the ability to fulfill obligations for current and future insurance events, as well as credit and other financial relations, as well as successful development in risky conditions. It can be said that the solvency of the company is a necessary but insufficient condition of financial stability. Insurance companies should use the financial resources used to ensure their financial stability in addition to fulfilling their obligations, as well as for future development purposes.

Continuing to analyze the theoretical approaches of scientists to ensure the financial stability of insurance companies, we can cite the opinion of S.V Kulikov that the term under analysis (on financial stability) should be expressed by clearly defined coefficients. However, as noted above, the concept of solvency is considered as an integral part of the concept of financial stability, and the conclusion that "financial stability" requires a certain level of development, taking into account external factors and risks.

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1. Classification of types of financial stability of insurance companies

№	Signs of classification of financial stability	Types of financial stability of insurance companies
1.	In terms of financial stability	Absolutely
		Normal
		Unstable (pre-crisis situation)
		Crisis situation
2.	According to the time interval to be analyzed	Short-term
		Medium term
		Long term
3.	By the entity that assesses financial stability	Internal (company employees, founders and internal audit)
		External (company counterparties, financial institutions, financial intermediaries, government agencies, rating agencies, external audit, other individuals and legal entities, etc.)
4.	According to the stage of development of the company	Financial stability at the stage of entering the insurance market
		Financial stability in the growth phase
		Financial sustainability at the development stage
		Financial stability in a downturn
5.	By stages of the economic development cycle	Financial stability in the highest development conditions
		Financial stability in a downturn
		Financial stability in times of crisis
		Financial stability in the post-crisis environment

An analysis of the literature devoted to the study of the problem of financial stability of the insurance organization allows us to determine that the starting point in determining the essence of financial stability is solvency - "the ability of the insurance company to timely fulfill its monetary obligations under law or contract".

Conclusions

We agree with the authors that, in a sense, the concepts of financial stability and solvency are of the same nature. According to T.A Fedorova, the distinction between these concepts is mainly related to the time of satisfaction of claims under the obligations of the insurance organization. In his view, the concept of financial stability is explained by the ability of the insurance organization to fulfill the obligations assumed in any current and future period, primarily, the obligations under concluded insurance contracts.

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