International Journal of Research in Finance and Marketing(IJRFM)
Available online at: http://euroasiapub.org
Vol. 10 Issue 12, December – 2020
ISSN: 2231-5985 | Impact Factor: 6.522
(An open access scholarly, peer-reviewed, interdisciplinary, monthly, and fully refereed journal.)

IMPROVING THE REGULATION AND MONITORING OF THE INSURANCE MARKET THROUGH THE USE OF MODERN MODELS

ABDURAKHMONOV ILYOS KHURSHIDOVICH
Associate Professor, Doctor of Philosophy in Economics (PhD),
Tashkent Institute of Finance, Tashkent, Uzbekistan
Email: A.ilyos@mail.ru

Abstract: *This article describes the mechanisms, methods and tools of state regulation of the insurance services market, foreign experience in this area, modern models of control and their application in the national insurance market.*

Keywords: *insurance market, insurance control, state regulation of insurance, prudential control, insurance market entities.*

INTRODUCTION

Achieving sustainable development of the modern economy requires a serious impact on the general concept of development of the economic system of the Republic of Uzbekistan, the forms and principles of regulation of the financial system. In practice, this is reflected in the development of state-regulated forms. The formation of a system of prudential regulation of the insurance protection mechanism involves the simultaneous formation of a single strategy for the development of the financial system of the republic, as well as the implementation of appropriate measures. In such an orderly approach, the relationship between all levels of regulation is formed, the goals and objectives of the regulation defined at the brand level are adapted to the internal conditions of the industry and activity, which ensures the integrated implementation of regulatory measures.

Currently, a new methodological framework for regulation in the financial sector is being formed. Prevention of negative tendencies consists in their elimination and restriction, which is based on the use of means of a repressive and warning nature, so this issue is undoubtedly relevant today.

LITERATURE REVIEW

There are no clear approaches to the nature of the regulation and control of insurance activities, so it is necessary to correctly classify, interpret it and determine what methods and elements it includes. Let us analyze the following points in this regard.

In his research, Shokin (2017) describes regulation as follows: state regulation - the provision of conditions for the functioning of the market mechanism, the achievement of the state's development goals (including solving economic and social problems), the activities of business entities and market conditions is a system of measures of influence by the state.

Andreeva and Rusakova (2015) came to the conclusion that the regulation of insurance activity is a specific mechanism characterized by a system of methods, forms and effective economic instruments used to ensure the effective operation of insurance participants, in particular insurance entities.

Ogorelkova (2013) points out that, in Russian practice, the term “insurance regulation” is rarely used, and the term “insurance supervision” is often used in the legislation. Insurance regulation means the creation of an appropriate regulatory framework and a clear system of measures aimed at ensuring the sustainable development of the insurance market. These include the development and adoption of laws regulating the activities of insurance entities by state-authorized organizations, as well as the adoption of regulations governing the activities of insurance companies.

The main purpose of insurance control is to monitor compliance with insurance legislation. In fact, insurance control is a direction of insurance regulation.

Researcher Simakova (2015) notes that state regulation of insurance activities is carried out in several areas: direct involvement of the state in the protection of property interests; ensuring the legal framework of the national insurance market; state insurance control; strengthening competition in the insurance market and combating monopolies.

For example, N.Yu.Kamenskaya (2012) prudential regulation of the insurance market is a system of economic norms developed by the competent authority, aimed at ensuring the stable and reliable operation of the insurance market, as well as protecting the interests of insured (insured persons) through state registration and licensing classifies as

Kuzovleva (2014) argues that the state should focus more on regulating and controlling the long-term insurance and compulsory insurance segments of the insurance market, as the life insurance network forms long-term insurance reserves and compulsory insurance is the responsibility of insurance companies to citizens.

Abdurakhmanov et al. (2020) emphasize that the role of insurance intermediaries in the formation of the insurance market of any country, the introduction of modern types of insurance, the creation and sale of insurance products that meet customer demand is invaluable. Currently, the activities of insurance intermediaries in the national insurance market face a number of problems, including the weakening of state control efforts. This, in turn, has a negative impact on the formation of the institute of insurance intermediaries, as well as the development of the insurance market .

Like other segments of the financial market, the problem of regulating the insurance services market has been studied by many modern authors. Among them are Andreeva and Rusakova (2015), Akhvlediani (2015), Vavilova (2014), Jegalova (2015), Orlanyuk-Malitskaya and Yanova (2016), Spletukhov (2015), Turbina (2015), Tsyganov. (2015). Examining the important aspects of the research of these authors, it can be noted that the Uzbek insurance market has relatively little experience. The same can be said about its regulation. Nevertheless, control and regulatory mechanisms are improving, which is particularly evident in the changes that have taken place since the formation of the Insurance Market Development Agency.

RESEARCH METHODOLOGY

The article analyzes empirical literature, scientific views and approaches to control and regulation, compares and comparative analysis of insurance services market regulation models, matrix comparative analysis, compares and groups, and develops conclusions and recommendations.

ANALYSIS AND DISCUSSION OF RESULTS

The state controls or regulates insurance activities to a certain extent from all countries of the world. The existing regulatory models are universal in terms of important parameters, and at the same time they differ in terms of national control systems. For the effective development of state regulation of the national insurance market of the Republic of Uzbekistan, it is expedient to consider the practical experience and directions of foreign countries in this area.

Government regulation is a system of measures to ensure the functioning of the market mechanism, the state's influence on the activities of business entities and market conditions to achieve the development goals set by the state (including the solution of economic and social problems).

In addition, the following methods can be specified as methods of state regulation of insurance activities:

–legal methods - the establishment of rules of conduct by the state, which determine the conditions for the conclusion and execution of insurance contracts, ensuring the rights and interests of participants in insurance relations;

–economic methods - stimulation of insurance activity by tax rates through tax norms and budget policy;

–state control over compliance with the requirements of insurance legislation, licensing, stability and solvency;

The main purpose of regulating insurance activities is to protect the rights of consumers and the interests of society.

In the regulation of insurance activities, it is expedient to highlight five specific goals that are specific to all countries of the world economy:

1) solvency control;
2) ensuring transparency and quality of products;
3) ensuring market stability;
4) support for national insurance companies;
5) ensuring economic development.

Provides for the use of regulatory instruments relevant to the stated objectives of the regulation of insurance activities.

The tools most commonly used by regulatory structures depending on the stated objectives are summarized in Table 1.

The combination of mechanisms applied by the regulatory structures of different countries is determined by regulatory goals, which in turn are formed on the basis of the general political views of the most active participants in the regulatory process and the chosen model of state influence on the financial market.

State regulation of the insurance sector, which provides a certain level of economic security of the country, is carried out at all stages of economic development. Therefore, the insurance sector should be regulated at all levels and during the development of the economic system. This means that the competent authorities will take special measures in the event of serious financial difficulties and to prevent their occurrence in the field. Thus, it is expedient to consider the regulation in the field of insurance on the basis of the matrix method, which combines horizontal, vertical or hierarchical aspects (Table 2).

Table 1

Means of regulating insurance activity

Purpose	Regulatory tools
Ensuring the solvency of insurance companies	• requirement for a minimum level of equity; • rules of profit distribution and organization of reserve funds; • qualification requirements for the company's management; • Sectoral division of insurance activities (life and general, restrictions on their joint activities); • rules for the formation of technical and mathematical reserves; • financial reporting requirements; • audits to assess the financial condition of the company; • regulation of relations with reinsurers; • Determining solvency margins • setting minimum tariff limits.
Ensuring transparency and quality of products	• setting maximum tariff limits; • setting information disclosure requirements; • regulation of the content and forms of insurance contracts; • limitation of types of insurance; • regulation of advertising activities; • government subsidies; • introduction of compulsory insurance; • regulation of market relations.
Ensuring market stability	• collection, processing and publication of information on the development of the insurance market; • Encourage the establishment of professional associations of insurance companies; • development of self-government mechanisms; • Establishment of national guarantee funds.
Support for national insurance companies	• licensing processes for insurance companies; • participation of foreign capital in the system; • rules of operation for companies with foreign capital; • regulation of competition policy; • regulation of sales channels (regulation of insurance intermediaries).
Ensuring economic development	• principles of taxation; • conditions for the establishment of insurance companies; • Encourage the participation of insurance companies in social processes.

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According to the table, the following regulatory scenarios can be distinguished: the pre-crisis period - "exante"; in the post-crisis period - "expost"; during a crisis - "defacto"; under normal development or standard conditions - «usus».

It is important to develop an appropriate system of indicators or standards for early detection of potential problems in the insurance market. The development and monitoring of such indicators is the basis for the organization of prudential regulation and control in the insurance market.

Table 2

A matrix of insurance regulation scenarios in different periods of the economy

degree	***Purpose of regulation***	**Scenarios**			
		« Usus »	**" Exante "**	**" Defacto "**	**" Expost "**
		Standard terms	*The pre-crisis period*	*Crisis period*	*The post-crisis period*
International (mega)	Preventing the spread of the crisis in the global insurance market	International standards of insurance supervision	Financial investment management	Limitations on the size of financial corporations	Internationalization of the consequences of the crisis
		Solvency II requirements	Additional measures to ensure liquidity and capital adequacy of financial institutions	Strict control over their activities by international financial institutions	Strengthening control over the activities of financial institutions
Republic (macro)	Ensuring the sustainability of the economy	Prudential norms and standards	stress-testing activities	Reorganization or introduction of bankruptcy mechanism, revocation of license	Increasing asset quality requirements to ensure insurance reserves
		Terms of solvency	M&A operations	Subordinated loans, subsidies	Direct making decisions
Network (meso)	Preventing recession in the insurance industry	Integration of banking and insurance companies	Increasing the responsibility of brokers	Launch integrated collaboration programs	Development of the Institute of Infrastructure and Intermediaries
		Insurance Indemnity Guarantee Fund	Tariff and investment activity control	Reinsurance as a stabilization mechanism	Creating financial supermarkets
Insurance companies	Ensuring the solvency of insurance companies	Effective underwriting of mass risks	risk management, bankruptcy control	Solvency recovery plan, liquidation	Search for new sales channels
		Internal audit	Cost optimization costs	Execution of payments on insurance claims	Creating new insurance products

There is no definition of prudential regulation or control in the insurance-related literature. The word prudential itself is derived from the English words prudential - "careful", "cautious", "risk reduction (rejection)".

Based on the concept of prudential regulation in the banking sector, prudential regulation of the insurance market can be defined as follows - it is a set of measures that reduce the risks of insurance entities without interfering in their operations in a market economy. Accordingly, prudential insurance control is the control of the insurance activities of insurance companies and reinsurance companies, their organization, reorganization and liquidation on the basis of certain indicators.

The purpose of prudential regulation is to ensure the stability and reliability of the insurance market to provide insurance protection to the state, individuals and legal entities, as well as to protect the interests of consumers of insurance services.

In this regard, we can see that the tasks of prudential regulation are:

– state and the insured, as well as other stakeholders;

– protection of the insurance market;

– creation of a competitive environment in the insurance market, introduction of modern technologies and services in reducing the cost of insurance protection, etc .;

– ensuring transparency in the general insurance market and the activities of each insurance company.

Prudential regulation is not aimed at preventing the bankruptcy of a particular insurance company, but it is aimed at protecting the interests of the system and in this sense has macroeconomic significance.

In view of the above, the following functions of prudential regulation of insurance activities can be distinguished:

1) *prevention;* measures aimed at minimizing the risky activities of insurance companies;

2) *protection;* measures aimed at guaranteeing the interests of policyholders and other stakeholders in case of non-fulfillment of obligations by insurance companies.

The structure of the prevention function of prudential regulation is explained by the following aspects:

1) introduction of restrictions in the form of compulsory registration and licensing of business entities wishing to engage in insurance activities;

2) formation of minimum economic standards of insurance activities related to the adequacy of capital, liquidity and solvency of insurance companies, as well as requirements that determine the main parameters of their activities and at the same time reduce the level of risk of their activities (dumping, etc.);

3) control the compliance of insurance companies with the established economic standards in order to monitor the stability and reliability of the insurance system as a whole.

Prudential regulation of the insurance market is carried out by assigning the following to the subjects of insurance activity:

– rules restricting the activities of insurance companies, providing for mandatory registration and licensing in the conduct of insurance activities;

– standards aimed at limiting the risks of insurance companies (adequacy of own funds, liquidity, asset structure, etc.);

– norms determining the procedure and deadlines for reporting by insurance companies;

– rules of control over the stages of bankruptcy, financial recovery, liquidation;

– liability of insurance companies for violation of prudential norms and non-disclosure of information.

The following should also be observed:

– requirements to the risk management system of insurance companies;

– requirements to the internal control system of insurance companies;

– disclosure requirements of the insurance company;

– rules (standards) for the provision of insurance services.

It is also possible to set the following requirements within the framework of prudential regulation:

– the existence of an insurance company's risk management system, internal documents containing strategies, processes and reporting procedures required for continuous identification, assessment, monitoring, management and reporting of incurred or potential risks, as well as the presence of divisions dealing with these issues;

– the existence of an internal control system of insurance companies (the presence of internal documents governing the administrative and accounting processes of internal control, the obligation of the old control department (staff unit), etc.);

– the presence of an actuarial shata unit in the company;

– compliance with the requirements of transparency of insurance companies (monthly publication on its website of information on compliance with prudential standards, as well as the submission of all forms of financial reporting in a controlled manner);

– compliance with the rules for the provision of insurance services and payment of insurance coverage (for example, the number of insured events declared, the percentage of complaints, etc.).

Thus, the transition of Uzbekistan to the prudential principles of regulation of the insurance market has already been resolved. The analysis and understanding of the practice of foreign prudential insurance supervision, as well as the need to further study the adaptation of this practice to the conditions of Uzbekistan.

CONCLUSIONS

Summarizing the above, it can be noted that the process of state regulation of insurance activities is determined by the seriousness and complexity of the problems that need to be addressed.

The cyclical nature of economic development and high risk in insurance activities require the formation of a system of state regulation of the insurance industry, which helps to minimize possible negative trends at the level of macro and insurance companies, as well as the structure, mechanism, objectives and is determined by the choice of regulatory tools.

The use of state regulatory tools for insurance should be in line with the strategic development goals of the economy as a whole, and the financial sector in particular. The basis of a science-based approach to the formation of a system of financial regulation of insurance activities should be based on a prudential regulatory mechanism that covers the macro and micro levels.

The main task of prudential regulation should be to control and prevent systemic risks, as well as insurance companies that, as an object of regulation, determine the main trends in the systemic development of the national insurance market and financial market.

In turn, insurance supervision should be based on the principles of industry supervision of financial security indicators to ensure the sustainable development of the national insurance market.

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