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Financial mechanism for improvement of insurance companies

Karshiev Otabek Abdullaevich
Senior teacher at department of "Finance and taxes" Tashkent State Economy University

In the Republic of Uzbekistan, the financial mechanism for the formation of insurance companies operating in the general insurance industry has been examined based on the insurance activity headquarters. The content of the elements of the financial mechanism has been demonstrated, its content and features are highlighted. The method of classifying insurance companies based on the level of capitalization and the structure of financial resources sources and the management instrument (calculation of indicators determining the level of insurance coverage of the loss from insurance activity, multi-factor model of calculation of complex profitability of insurance and investment activity) shows. The algorithm for the application of the financial mechanism for the strategic management of profit is provided.

Keywords: financial mechanism, insurance, earnings.

Introduction. The insurance market is an important part of the financial system and serves financial stability. Development of insurance activity in the Republic of Uzbekistan in terms of deepening economic integration and creation of a common financial market in conditions of economic integration implies full utilization of all financial resources, opportunities and privileges in the process of formation of insurance companies income. In this regard, it is crucial to improve the financial mechanism of income generation of insurance companies.

This article provides a financial mechanism for generating revenue from insurance companies in the general insurance industry. The structure of the financial mechanism includes various elements. Elements and relationships between elements are determined by the function of the financial mechanism. Main objectives and priorities of development of insurance activity in the Republic of

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Uzbekistan In accordance with the "Strategy of Action" of the Republic of Uzbekistan for 2017-2021, the following tasks have been set. In accordance with the program: increase the functional capacity and capacity of the insurance market; increasing the efficiency, competitiveness and reliability of insurance companies.

The main part. There is no single definition of the financial mechanism in modern economic literature. The essence and content of the financial mechanism can be summarized as follows:

- a system of forms, types and methods of forming a state-formed financial relationship;

- financial management system of the company for maximum profit;

- a financial management system, a set of forms and methods used by the entity, based on the principles of adequate financing, the basis for the formation of liquidity, profitability and maximum profitability by maintaining a standard degree of stability;

- a system of financial resources expressed in the organization, forecasting, planning and incentives of financial resources.

In the development of the financial mechanism for the formation of insurance companies' income, the following basic problems need to be addressed:

- Improvement of methodological assistance;

- Improvement of management tools for analysis of profit (loss) and forecasting;

- improving the quality of the formed profits.

In the framework of the objectives of the development of insurance activity in the Republic of Uzbekistan and identified problems, the author has developed a financial mechanism for the formation of insurance companies profits.

Elements of the financial mechanism for the formation of profits of insurance companies

1) Financial methods:

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-financial analysis

-financial planning

-financial forecasting

-financial arrangement

-financial control

2) Financial resources

-coefficient of elasticity required from the definition of insurance (value of profit = -1,4)

-complex coefficient of cost of insurance operations

-profitability rate on investment insurance

3)methodical supply

-The "Report on Income and Expenses for Profit and Loss Insurance" is the exact form of the accounting report

-The method of allocation of insurance companies by insurance, depending on the structure and level of capitalization of sources of financial resources

-Methods of analyzing and forecasting performance indicators in the group of insurance companies

4)management tool

-an indicator that determines the level of insurance coverage of the loss from the use of investment profits

-multi-factor computational model of influence of insurance and investment activity on complex indicator of profitability

-application of financial mechanism

Graph 1 The structure of the financial mechanism for the formation of profitability of insurance companies.

Modern economic literature describes various approaches to the definition of the financial mechanism, but the compulsory components of the financial system

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mechanism are easy to develop and improve in microcredit: 1) financial methods; 2) financial richness; 3) Methodological support; 4) management tools.

Determining the operational efficiency and profitability of revenue generation is determined by dividing the types of benefits and costs into the same group. Modern forms of accounting reporting "Profit and loss report" - in the section "Income and expenses on general insurance" in accordance with the classifier of insurance activity.

In order to improve the quality and timeliness of the forms of accounting reports, it is necessary to fill in this form of accounting reports with lines reflecting the formation of profits directly from insurance operations, asset and liability, reinsurance operations, which should reflect the following information:

- Changes in the share of reinsurers in the segment of insurance premiums on potential insurers;

- Damage paid on reinsurance risks (insurance payments);

- Changes in the share of reinsurers in the coverage of losses (insurance payments);

- expenses related to insurance operations;

- costs for reinsurance risks;

- Profit (loss) from direct insurance operations (joint insurance);

-Profit (loss) on risks assumed for reinsurance;

- Profits (losses) on risks for reinsurance;

- Profits (losses) from insurance activity.

The state of the financial mechanism in insurance companies and their effectiveness depend on its components. The combination of the elements of the financial mechanism - the forms, types and methods of organizing the financial relationships are the "financial mechanism" that is activated by determining quantitative parameters for each element, ie rates and rates of reductions, the amount of funds, the level of expenses and so on.

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In our case these quantitative parameters are as follows:

1) the amount of insurance claims flexibility;

2) indicators of grouping of insurance companies based on level of capitalization and structure of sources of financial resources;

3) Indicator, determining the most important level of compensation of damage from insurance activity by investment income;

4) value of full indicator of profitability of insurance activity and investment activity.

In order to effectively implement the financial strategy of the insurance company to expand its coverage by reducing the average cost of the insurance tariff, the value of the flexibility coefficient for the change in the average value of the insurance tariff was calculated. The coefficient value is 1.4. This means that the level of coverage will increase by 14 percent, by reducing the rate of insurance by 10 percent.

Presently, the main objectives of the insurance market development in the Republic of Uzbekistan and the development of the methodology of financial mechanisms in insurance companies by critically analyzing the income generation analysis and forecasting methods, taking into account all aspects of insurance activity. Development of this methodology was developed as a basis of methodological support of the financial system in conjunction with the methodology of division of insurance companies into groups depending on level of capitalization and structure of financial resources.

In the process of insurance activity, insurance companies are expedient to carry out the correlation analysis based on the types of insurance activity and the financial resources, and to make the difference between the cross-border cross-sectionalities of Kraskal-Wallis and the financial resources available on the basis of comparative analysis methods.

The results of the research show that the following indicators are within the same range as the selected groups:

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- share of assets in the general insurance sector;
- share of charter capital in general insurance;
- share of insurance reserves in general insurance;
- share of capital in company's liabilities;
- The share of insurance reserves and savings in the company's obligations.

In the process of economic development and diversification, the main income of insurance companies is investment activity. Insurance companies should predict the potential for insurers to expand their coverage and to reduce tariffs in order to counteract the potential damage to their insurance business and to the extent that it is expedient to implement long-term strategic development goals.

To determine the optimal level of compensation of income of insurance companies, it is recommended to determine the losses that can be considered from insurance activity by the following formula:

$$\bar{\imath}_{\text{инв}} \geq \frac{З_{\text{сф}} + С_{\text{иф}}}{СЗ_{\text{инв}}}$$

Or

$$З_{\text{сф}} + С_{\text{иф}} \leq \sum_{j=1}^{n} СЗ_{\text{инв},j} * i_{\text{инв},j}$$

Here

$З_{\text{сф}}$- loss on insurance activity; $С_{\text{иф}}$- expenses for investment activity; $СЗ_{\text{инв}}$ - the amount of total insurance coverage included in the financial market as investment; $СЗ_{\text{инв},j}$ – he volume of insurance reserves, the volume of insurance reserves directed to the financial markets on the investment directions; $\bar{\imath}_{\text{инв}}$ - average market value of insurance reserves; j - investment directions of insurance reserves; n-number of investment directions of insurance reserves; $i_{\text{инв},j}$- on the level of profitability, according to the directions of investment j insurance.

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In order to assess the effectiveness of insurance activity taking into account investing activities, we want to use comprehensive indicators of insurance and return on investment activity, reflecting the effectiveness of insurance operations on investment benefits (if any) or their ability to earn a positive result from such aggregate we offer:

$$R_{\text{сиф}} = \frac{\Phi(3)_{\text{сф}} + \Phi_{\text{иф}}}{C_{\text{сф}} + C_{\text{иф}}} = \frac{\Phi_{\text{сиф}}}{C_{\text{сиф}}}:$$

In the formula $\Phi(3)_{\text{сф}}$ -income (loss) from insurance activity; $\Phi_{\text{иф}}$-profit from investment activity; $C_{\text{сф}}$ - expenses for insurance activity; $C_{\text{иф}}$ - investment activity costs; - profit from insurance and investment activity;$\Phi_{\text{сиф}}$- - profit from insurance and investment activity;$C_{\text{сиф}}$-expenses on insurance and investment activity.

The use of this indicator allows systematic approach to analysis and forecasting of profitability of insurance companies:

- a systematic approach helps to overcome the major drawbacks in the approaches of various governance schools, focusing on a key element;

- a systematic approach is not separate, but rather an analysis in the system, ie a particular attitude of the elements of the system;

- The use of a systematic approach increases the efficiency of organizing and managing complex systems, including profit.

A multi-factor model of complex performance indicators of insurance and investment activity was established to determine the level of forecasting of complex indicators of profitability of insurance and investment activity and influence on the factors influencing the results of correlation analysis. This model will allow you to analyze potential risks and forecast future risks, as

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well as identify growth ratios for this indicator: $R_{\text{сиф}} = \frac{\Phi_{\text{сиф}}}{\Phi_{\text{иф}}} * \frac{\Phi_{\text{иф}}}{Д_{\text{иф}}} * \frac{Д_{\text{иф}}}{\Phi(3)_{\text{сф}}} * \frac{\Phi(3)_{\text{сф}}}{M_{\text{со}}} * \frac{M_{\text{со}}}{C_{\text{сиф}}}$

Here: $\Phi_{\text{сиф}}$ - benefits from insurance and investment activities; $\Phi_{\text{иф}}$- profit from investment activity; $Д_{\text{иф}}$ -Income from investment activity; $\Phi(3)_{\text{сф}}$ – profits (losses) from insurance activity; $M_{\text{со}}$ -insurance premiums (rewards) for insurance operations; $C_{\text{сиф}}$ - expenses on insurance and investment activity.

Together with the developed approach, which sets the definitive level of compensation for losses from insurance operations, the developed indicator has allowed us to develop the algorithm of applying the financial mechanism that forms the income of the insurance company, which determines the management activity and the sequence of decisions taken (Figure 2).

The advantage of insurance companies in applying the financial mechanism of profit generation formation in the general insurance sector is considerably shortening the time of obtaining objective and reliable information on the most important indicators for the formation and analysis of income of insurance companies.

Summary. In the conditions of modernization and diversification of the economy, the problem of creating a financial mechanism in insurance companies that performs general insurance activities is extremely complex and important.

It is an effective tool to adopt managerial decisions on the formation of income of insurance companies, and to ensure sustainable profitability for insurance against tactical and strategic goals of development.

The use of the financial mechanism to increase the profitability of insurance companies allows to:

1) introduction of a systematic approach to the formation of profits of insurance companies performing general insurance;

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2) maximize the profitability of the insurance company's resource capacity, its development strategy and market conditions;

3) Improving the quality of the benefits generated by insurance companies and improving the quality of their forms. In the process of formation of insurance companies' profits the main attention should be focused on determining the level of insurance payments, the amount of collected insurance premiums and the reserves for growth of profit by obtaining the investment income on this basis;

4) regular adjustment of profitability of insurance and investment activity;

5) formation of a system of indicators determining an important level of integration of insurance and investment activities.

Thus, the main source of income of the insurance company is the income received from insurance activity and the incomes directed to the investment, as well as increasing the potential of the insurance market in the Republic of Uzbekistan, as well as the state as the main source of investment attraction to the Republic of Uzbekistan

A financial mechanism that forms the benefit of insurance companies operating in the general insurance industry.

Choosing the goals for development in insurance companies

Coefficient of elasticity required from insurance definition value

-Demping the price to fight the competitors

-Development of new types of insurance

-Development of existing types of insurance

Choosing financial terms for the purpose of implementation

-Increase the coefficient of expenditure to expand coverage

-Increasing the coefficient of expenditure in maintaining coverage

-Maintaining or reducing the coefficient of expenditure to cover coverage

-Method of allocation of insurance organizations;

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-Methods of analyzing and forecasting performance indicators in the group of insurance companies

-Evaluation of an indicator that determines the level of insurance coverage of the loss from the investment profit

First option: Loss from insurance activity

Second option: Benefit from insurance activity

Assessment of complex profitability of insurance and investment activity

-Practical implementation of planned activities in insurance companies

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