



THE POTENTIAL OF INSURANCE IN THE ECONOMIC SECTOR AND AS A MEANS OF PROTECTION FOR PEOPLE

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ANNOTATION: *the article concludes on the possibilities of insurance business and its important aspects for human protection, which are now becoming a necessary and relevant field. Appropriate suggestions were made on the issues studied*

KEYWORDS: *general insurance, density standards, insurance industry, Gross reinsurance premium, Net reinsurance premium, money insurance, staff qualifications.*

INTRODUCTION .Insurance is a way to manage your risk. When you buy insurance, you purchase protection against unexpected financial losses. The insurance company pays you or someone you choose if something bad happens to you. If you have no insurance and an accident happens, you may be responsible for all related costs. The most difficult thing about insurance is that you're paying for something you hope never have to use. Nobody wants something bad to happen to them. But suffering a loss without insurance can put you in a difficult financial situation.

RESEARCH METHODOLOGY .In the course of the research, the work of foreign and domestic scientists on the further development of the insurance industry was studied. The article effectively uses methods such as theoretical observation, systematic approach, observation, generalization, analysis, synthesis, as well as conclusions and recommendations on the problems of digitalization of the insurance industry and their solutions.

The results of analysis and discussion. Insurance is one of the fastest growing sectors of the global financial system. The insurance industry is no longer a new sector in almost all developed countries, on the contrary, it is playing an important role from year to year in the



distribution and redistribution of financial relations. Strong development of the economy will allow to increase the insurance culture among the insurance subjects.

In modern conditions, the role of life insurance ensuring the safety of human life activities is constantly growing. At the same time, life insurance is not only necessary for the development of the insurance market, but also becomes a particularly attractive business. But without studying the theory and practice of life insurance, its technological features, without special professional knowledge, it is impossible to succeed in this business.

We will consider the main types of insurance that fall into the group of “general insurance” and how they can be used together to provide mixed insurance protection to small businesses;

- Fire insurance, including insurance against extreme hazards;
- Theft insurance;
- Money insurance;
- Insuring “against all risks”;
- Transportation insurance;
- Insure glass (window) breakage;
- Packaged cops;
- Homeowners insurance.

The development of compulsory insurance is aimed at addressing the issue of additional funding for social protection of the population as a key player in the market of insurance services and serves as an important factor in ensuring stability in the economy. In addition, the full and economically balanced development of compulsory insurance leads to an increase in the insurance culture among business entities, which in turn leads to the development of voluntary insurance.

Insurance acts as a financial shock absorber in the event of adverse events in the activities of the population and enterprises, as well as ensures the stability of society’s social, financial, economic, including its financial institutions. Compulsory insurance, by its social and economic nature, is closely related to the risks affecting the interests of the general



public or the state, and is carried out on the basis of the legislative characteristics of each country.

The requirements for international insurance companies are as follows:

- Ensuring the popularity of insurance accounts;
- Reduction of non-performing insurance assets;
- Conversion of insurance reserves into working assets;
- Differentiate the reserve ratio according to the type of insurance, the amount of deposits, the category of customers, frequent adjustment of reserve accounts, which allows to more accurately detect changes in deposit balances.
- Ability to accurately assess insurance risks;
- Development of a system of incentives for insurance companies to invest in the shares of enterprises, banks;
- Ensuring “density standards” in insurance services at the level of world standards;
- Wide distribution of portfolio investments at the expense of client funds without the risk of loss of insurance capital;
- Giving more space to insurance companies in the tactics of market ethics for the use of reliable financial instruments;
- Availability of a network of insurance companies abroad;
- It is necessary to develop additional mechanisms of protection against external risks in insurance;
- The main focus is on improving the quality of services, the diversity of insurance products;
- Insurance companies should specialize in carrying out operations depending on their size, location, staff qualifications, client composition, type of insurance and so on.

The world economy is recovering stringly from the COVID-19 crisis. The swift deployment of vaccines and large-scale fiscal stimulus, including unprecedented direct transfers to households and businesses, are fuelling a stronger economic bounceback in 2021 than we had projected last year. We forecast historically high global real gross domestic product (GDP) growth of 5.8% in 2021 after a 3.7% contraction in 2020. This reflects robust growth



in the US (6.5%) and China (8.3%), driven by services consumption. However, uncertainty around the emergence of more transmissible COVID-19 variants and the ability of vaccines to keep the pandemic under control suggests that the recovery may be more uneven and protracted than our base-case forecasts. Insurance demand will benefit from the growth momentum, but a firmer inflation environment is a concern. Policymaking will soon turn to fiscal consolidation, but we believe optimal policy must take a long-term view in areas such as digitisation, climate change and income inequality.

Global insurance demand will grow by an above-trend 3.3% in 2021 and 3.9% in 2022, we forecast, a much faster rebound than from the global financial crisis (GFC) of 2008-2009. The economic recovery and the strongest rate hardening for 20 years in non-life insurance commercial lines will push premiums 10% above pre-COVID-19 crisis levels this year and lift the global insurance market to more than USD 7 trillion by the end of 2022. In 2020, global real premiums fell 1.3% about a third of the drop in GDP. As expected, premiums held up better in emerging markets than advanced, largely due to strength of China. We expect a strong recovery in global life insurance premiums to above-trend growth of 3.8% in 2021 and 4.0% in 2022., benefiting from the COVID-19 effect on consumer risk awareness. This should fuel rising demand for risk protection insurance, while life savings business should benefit from stronger financial markets and a steady recovery in consumer incomes. Total global life premiums are expected to exceed USD 3 trillion this year, primarily written in advanced markets given their larger global share. The market contracted 4.4% in real terms in 2020 due to weakness in life savings business, which represents 81% of the global life portfolio. We expect moderate improvement in life sector profitability to pre-pandemic levels this year, with recovery across all lines of business.

Inflation is an area of growing interest and concern globally, including for the insurance industry. In the US, we anticipate that it will exceed the 2% target both this year and in 2022, with risk skewed to the upside due to the possibility of economic overheating as reopening causes consumer spending to accelerate. Inflationary pressure will likely prompt the US Federal Reserve to start tapering its monetary stimulus in early 2023, which may bring volatility to financial markets.



As shown in Table 1, the global gross insurance market covered by the SWM is approximately \$6 trillion, with approximately half located in the Americans. The size of global gross reinsurance market covered by the SWM is approximately \$482 billion, with more than two-thirds written in the Americans. In total, reinsurance accounts for about 7% of all global gross insurance premiums covered by the SWM.

The global net insurance market is approximately \$4.5 trillion (see Table 2). The size of the global net reinsurance market covered by the SWM is approximately \$312 billion. In total, reinsurance accounts for around 7% of all global net insurance premiums covered by the SWM.

Table 1.

Gross reinsurance premiums¹

| Segmentation | Gross insurance premiums (million USD) | Regional share | Total gross insurance premiums (including reinsurance million USD) | Regional share | Share of reinsurance | Retention ratio total insurance premiums (including reinsurance) |
|-----------------|--|----------------|--|----------------|----------------------|--|
| World | 483,407 | 10763 | 6,019,738 | | 8.0% | 74.8% |
| Asia& Oceania | 61,488 | 13% | 1,318,166 | 22% | 4.7% | 86.0% |
| Europe & Africa | 138,252 | 29% | 1,634,890 | 27% | 8.5% | 85.7% |
| Americans | 283,667 | 59% | 3,066,682 | 51% | 9.2% | 64.1% |

¹Sector-wide Monitoring Exercise 2021



Table 2.

Net reinsurance premiums ²

| Segmentation | Net insurance premiums (million USD) | Regional share | Total net insurance premiums (including reinsurance million USD) | Regional share | Share of reinsurance | Retention ratio total reinsurance premiums |
|-----------------|--------------------------------------|----------------|--|----------------|----------------------|--|
| World | 312,108 | | 4,500,370 | | 6.9% | 64.6% |
| Asia& Oceania | 39,370 | 13% | 1,133,705 | 25% | 3.5% | 64.0% |
| Europe & Africa | 102,657 | 33% | 1,400,391 | 31% | 7.3% | 74.3% |
| Americans | 170,081 | 54% | 1,966,274 | 44% | 8.6% | 60.0% |

Insurance is a large investment and you will most likely purchase multiple policies throughout your lifetime. It is essential that you know what each type of insurance covers and how it works so you can make the best decision about what to buy. Do not base your decision on just what is cheapest, but look at what it provides. Take the time to shop around and find the right insurance for your situation. People often say they cannot afford insurance, but the reality is that they cannot afford not to have it. It can save them from thousands or more dollars in unplanned expenses when unexpected situations arise. You do not want to waste your money on policies that do not meet your needs, but the right insurance policy can protect you and your family from unforeseen disaster.

CONCLUSIONS AND SUGGESTIONS. Life consists of risks. These risks can be small and financially insignificant or large and financially catastrophic. Even if you can't completely eliminate the risk, you will have the ability to reduce and manage it. Make decisions to reduce risk. For example, not distracting the phone while driving reduces the risk of a car accident, wearing a seat belt reduces the risk of injury in a car crash. The installation of a

²Sector-wide Monitoring Exercise 2021



special security system virtually eliminates the possibility of fire or theft on the roof. Reducing sugar intake and consuming low-cholesterol products reduces the chances of getting the disease. While all of this reduces the risk, it does not completely eliminate it.

Insurance can reduce property losses, illness, loss of income or financial losses arising from other dangerous events. Insurance provides an opportunity to distribute risks by aggregating the premiums of a group of people to cover the financial losses of members affected by adverse events. People usually forget the risk distribution because they pay the insurance premium to the insurance company but do not communicate with other members. The insurance company acts as an intermediary in the risk distribution process. The company collects premiums from each member of the group and covers it in the event of damage specified in the insurance.

State regulation the insurance system is important for the development of the insurance market.

- Due to the technological revolution of computerization of insurance operations, which is rapidly forming new means of integration of payments. These processes require a lot of financial costs, the insurance business becomes more expensive, but its efficiency and speed increase, which offsets the growth of costs;
- Growing competition in the insurance business is leading to the merger of insurance companies or the development of reinsurance. This phenomenon will also contribute to the emergence of foreign companies that are more competitive and efficient in the insurance services market;
- Training and retraining of personnel, taking into account the specifics of the development of the national insurance market, the creation of a unified system of training programs;
- Facilitate the development of institutions that influence the process of insurance problems and assist in the implementation of state insurance policy, which also reflects the legal entities, regardless of the form of ownership of citizens.



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