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The Role of Financial Resources of Insurance Companies in Ensuring Financial Stability

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Abstract: As a result of globalization of economic risks and the emergence of various crises in world practice, the impact on the macroeconomic and financial stability of the national economy requires the improvement of the existing mechanism of the financial system of the states, including the insurance system and the activities of insurance companies. Therefore, no activity can be carried out without insurance services in the countries of the world and in international relations. Funds collected from insurance services in developed countries make up 8-12 percent of the country's gross domestic product. In international relations, one of the indicators showing the level of financial stability of insurance companies is the collected insurance premiums, which are estimated to provide an opportunity for the accumulation of large-scale investment funds. This, in turn, expands the investment opportunities of insurance companies and strengthens the level of financial stability of the insurer. This article provides information on the role of financial resources of insurance companies in ensuring financial stability.

Key Words: Financial resourses, insurance service, short-term and long-term loans, insurance reserves, payables, insurance premium

Introduction. Financial resources are funds at the disposal of insurance organizations, which serve for current expenses and development of insurance services. In addition, the financial resources of insurance organizations are used to fulfill financial obligations and material support of employees. The insurance business is an important and integral part of the financial market, and the main means of implementing business processes in this sector is the movement of cash flows. The effective movement and redistribution of cash flows depends on the total value of the business. In this regard, when assessing the value of the insurance business, special attention is paid to the formation of the organization's cash flows.

First of all, we will pay attention to the specific aspects of the insurance business.

First, producers and sellers of goods, that is, insurers and insured persons, are the direct participants of insurance.

Secondly, the main purpose of insurance is to protect the property interests of the insured from extraordinary events, and the main purpose of insurance entrepreneurs is to make a profit and distribute it among the participants of this insurance business.

Thirdly, the means of ensuring the goal of the insurance participants is the insurance product and it is created by the insurers for the insured.

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The above-mentioned features determine the specific features of the insurance company's financial activity, capital formation and cost of funds.

BASIC PART. Formation of the capital of an insurance organization is the process of attracting financial resources to the insurance business, financing the obligations of the insurer, ensuring its solvency at any time, managing these resources and turning them into specific forms of capital. The insurance organization attracts financial resources based on the implementation of insurance activities, investment activities and financial activities. In this case, the division of activities into such directions is carried out by dividing these operations into groups based on their economic characteristics. The movement of financial resources in these areas of activity is interdependent and creates the circulation of funds of the insurance company. It should be noted that insurance services offered by insurance companies are a specific product of the insurance market. Insurance products, like other goods, have their own value and price. Investment and financial activities are also important activities of the insurance company. Because they also form the necessary level of capital for the insurance company.

The main feature of the insurance company's capital structure is the availability of insurance reserves. Insurance reserves are formed from the funds of policyholders - insurance premiums, and these reserves are intended for the implementation of insurance coverage. They are not private funds of the insurance company, they are funds under the control of the insurer during the period of validity of the insurance contract. Procedures for their formation are determined on the basis of legislation.

In our opinion, the description of insurance reserves as above will not be completely correct. All insurance reserves, except for accumulated life insurance reserves, are returned only to insureds who have an insured event, and these covers can only in some cases constitute total insurance reserves. These reserves do not belong to a specific insured, but to a large number of insured groups. Reserves not used during the year will become the profit of the insurance company, and on this basis, the private capital of the company will increase.

The financial resources attracted as a result of the implementation of insurance, investment and financial activities turn into capital that has a specific content only for the insurance business.

Financial investments and financial reserves form the basis of the business of insurance organizations. Insurance funds and reserves are made up of the funds at their disposal. Insurance reserves are invested in various sectors of the economy. Financial reserves used for the development of economic activity are investments in the form of money. Thus, investment in the financial management of an insurance organization is a part of the financial reserve.

Funds invested in the economic system are not fully spent, but are only loaned out and returned to the investor with a profit. These funds need to circulate more to be more profitable. Financial reserves also include fixed assets, working capital and cash in circulation. Fixed assets are the monetary value of labor tools, that is, they operate within the limits of production and economy without changing their financial appearance, and transfer their value to the value of re-created products.

Circulating funds are part of production funds of insurance organizations. It is used in one production period and fully transfers its value to the manufactured insurance product.

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Trading funds include money in bank and cash accounts.

There are three categories of funds raised by insurance organizations:

- short-term and long-term loans
- insurance reserves
- payables

The sources of financial resources are:

- financial companies;
- investment companies;
- investment funds;
- credit organizations;
- state, international and public organizations and agencies, participants in the small business support program.

Financial resources primarily consist of profits received from the main and auxiliary activities, as well as income from production and property sales, stable liabilities, income for various purposes, contributions and shares of members of the labor team. Permanent liabilities include charter, reserve and other capital; long-term debts; payables that are constantly present in the circulation of the insurance organization (salary debts arising from changes in payment terms, debts due to allocations to extra-budgetary funds, debts from the budget, settlements with buyers and suppliers debts) are included. That is, the financial resources of insurance organizations that are being established or reorganized are formed by selling shares on the financial market, selling valuable securities issued by insurance organizations.

Another source of income for an insurance organization is to collect a share of premiums through participation in the reinsurance system. The size of this share depends on factors such as the level of development of reinsurance, the demand for it, the professional maturity of reinsurers, the scale of the primary insurance market, and the size of insurance risks.

If the insurance organization has the right to carry out reinsurance, it also collects its share of loss compensation for the risks transferred to reinsurance in accordance with the terms of the contract in the event of an insured event.

The provision of premium payments to the reinsurer in an equal share reinsurance contract is a form of the insurer's own share in the reinsurer's profits.

b) income from investment placement. This activity of the insurance organization is not directly related to insurance activity. The insurer's ability to invest comes from insurance premiums. Generally, the insurance premiums are invested in income assets during the time period they are held by the insurer, based on the applicable regulatory provisions, which will generate investment income for the insurer. In terms of investment opportunities, life insurance stocks are more beneficial for the long term. In addition to the above two main sources of income, there are other minor sources that need to be taken into account, such as intermediary activities, for example, in the process of transferring risk to reinsurance, the insurer collects an intermediary fee. In some cases, the insurance company may also receive income from mediation and brokerage incentives by transferring the risk to another insurer, in addition, the insurer may receive income by acting as a broker in the stock market. Income collected from the recourse procedure, from the sale of fixed assets, from the rental of property, income from

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educational activities, and the return sums of insurance reserves are also considered additional income for the insurer.

We can see the above types of income from the figure below (see Figure 1.1)

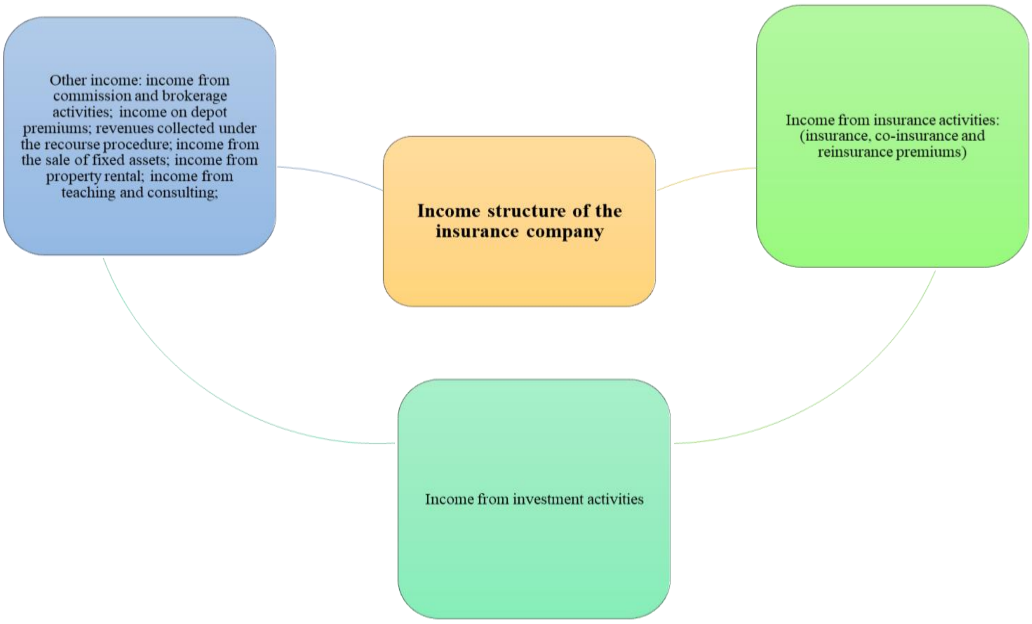

Figure 1.1. Sources of income of insurance organizations

Today, the following directions for improving the ways of increasing income in the insurance organizations operating in the insurance market of our republic can be defined:

1. It is necessary to expand the investment portfolio of insurance companies, to discover areas with high and reliable income by directing free funds to investments. In addition, strengthening the direction of deposits and securities, which occupy a significant share of the investment portfolio, providing short-term and long-term loans to company employees and long-term policy holders on the basis of interest payment, increasing the amount invested in movable and immovable property. it is necessary to increase the weight, encourage the participation of legal entities in the authorized capital.

2. It is necessary to develop and implement the company's financial strategy in order to increase income in insurance organizations. In the insurance organization, the financial strategy should define the main financial indicators for the far future, the ways and methods of achieving them, as well as the necessary financial reserves.

3. From the strategies defined in the investment policy of insurance companies, the company may, at its own discretion, apply any or all of them together in order to increase profitability and liquidity. In our opinion, the strategy of "portfolio investment" and "investment for the purpose of later sale" is convenient for insurance companies, according to which it is possible to get high income in short periods.

4. It is necessary to create and develop the financial model of the company in the formation and increase of income in insurance organizations. At the same time, it is necessary to clarify

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the financial management bodies, the financial system of the company, the type of financial interactions, and the mechanism of making financial decisions.

The main income of the insurance company is formed at the expense of funds paid for the insurance services provided by the policyholders. Given that risk is a negatively valued value, along with risk, the insurance company accepts an insurance premium as payment for the risk assumed. At the same time, pricing for a specific insurance product depends on a number of factors, which should be divided into the following two groups:

- the first group of factors, these are external factors related to the characteristics of the risk being purchased, which are not under the control of the insurance company;
- the second group of factors, which are fully or partially controlled by the insurance company and, accordingly, are the object of the company's management.

According to the above, we divide the insurance premium (R) into two parts:

$$R=N+L,$$

in which:

- N- net insurance premium;
- L – load.

The size of the net premium is calculated using actuarial methods, based on the insurance company's own experience, as well as statistical data obtained from external sources of information. For exactly similar insurance products and single risk policies, the net premium is roughly the same for different insurance companies. In this part of the tariff management, the main task of the management is to save/reserve/pay the net part of the insurance premium and in order to pre-regulate the net part of the insurance premium, change the risk characteristics of the first group of factors of insurance product pricing. organization of change monitoring.

For these purposes, actuarial control activities are used, which are considered to be the adapter of the general control work used in all areas of business. The importance of taking actuarial control activities as a separate process of managing an insurance company can be justified by the fact that risks have variable characteristics, and in such a case, if the insurer does not make an appropriate adjustment to the net part of the insurance premium, then this is a big may cause losses and weaken the financial position of the insurance company.

The main contribution to the pricing of N-net premium insurance services is made by the state of general, economic and commercial conditions and their change forecasts. When general, commercial, and economic conditions change rapidly, the difference between the pessimistic, medium, and optimistic scenarios of the development forecast becomes much larger, and these differences increase even more when the forecasting is carried out for a longer period. When calculating insurance premiums, the insurer acts according to the pessimistic version of the development, and the insured acts mainly according to the medium or optimistic version of the development. As a result, the shorter the forecast period, the closer the demand and supply prices for insurance services and, accordingly, the period of insurance coverage.

CONCLUSION. At the same time, based on the analysis and conducted research, the following scientifically based proposals were developed:

- ensuring the fulfillment of the condition of equivalence for each type of insurance so that the insurance company can operate in a uniform manner;
- continuous analysis of the authorized capital, private capital, free assets, insurance reserves and insurance portfolios of the insurance company;
- to improve the instruments for rating the financial stability of insurance companies based on world practice and to announce the rating indicators given to insurance companies in an understandable form to the general public.

Based on the above, it can be concluded that in the conditions of modernization of the economy, there will be a high demand for insurance services with short-term insurance coverage at the initial and middle stages, mainly for products related to the general insurance sector. Long-term life insurance products will develop in the final phase of the transition to a developed and stable economy and will quickly catch up to and surpass the general insurance industry in terms of size.

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