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DIRECTIONS OF INSURANCE ORGANIZATIONS USING INTERNATIONAL FINANCIAL REPORTING STANDARDS IN AND INCREASING THE FINANCIAL SUSTAINABILITY

Abstract. This article describes the features of the application of international financial reporting standards in improving the financial stability of insurance companies. The nature of the industry of insurance companies reveals the order of application of international financial reporting standards, which is a factor in the development of the insurance business. It was also noted that the effect of gradual economic reforms to increase the financial stability of insurance companies will serve to improve the quality of strategic management. As a result of the research, proposals have been developed for the application of international financial reporting standards in improving the financial stability of insurance companies.

Keywords: insurance market, financial reporting, financial stability, economic growth, world bank, international standard, SWOT analysis, solvency.

СУҒУРТА ТАШКИЛОТЛАРИ МОЛИЯВИЙ ҲИСОБОТИНИ ҲАЛҚАРО СТАНДАРТЛАР ОРҚАЛИ ТУЗИШ ВА МОЛИЯВИЙ БАРҚАРОРЛИГИНИ ОШИРИШ ЙЎНАЛИШЛАРИ

Аннотация: Мазкур мақолада суғурта ташкилотлари молиявий барқарорлигини оширишда молиявий ҳисоботнинг халқаро стандартларини қўллаш хусусиятлари очиб берилган. Суғурта ташкилотларининг тармоқ хусусиятларида молиявий ҳисоботнинг халқаро стандартларини қўллаш тартиби очиб берилган бўлиб, суғурта бизнесини ривожлантириш омили эканлиги таъкидлаб ўтилган. Шунингдек, суғурта ташкилотлари молиявий барқарорлигини ошириш йўналишлари бўйича босқичма-босқич олиб борилаётган иқтисодий ислохотларнинг самараси ёритиб берилган бўлиб, стратегик бошқарув сифатини оширишга хизмат қилиши таъкидланган. Олиб борилган тадқиқотлар натижасида суғурта ташкилотлари молиявий барқарорлигини оширишда молиявий ҳисоботнинг халқаро стандартларини қўллаш бўйича таклифлар ишлаб чиқилган.

Таянч сўзлар: суғурта бозори, молиявий ҳисобот, молиявий барқарорлик, иқтисодий ўсиш, жаҳон банки, халқаро стандарт, SWOT-таҳлил, тўлов қобилияти.

Introduction

The main and key goal of the world economy is to achieve sustainable efficiency and positive results in production and services. Achieving this goal and ensuring financial stability will be based on the “Financial Sector Development Program”, FSDP. At the heart of the FSDP is financial stability and economic growth. “The World Bank's annual net profit for 2019 was \$ 45.1 billion, of which \$ 5.548 million was insurance coverage”. This indicates that the application of international financial reporting standards in improving the financial stability of insurance companies shows the importance of our economy in the context of economic globalization.

An important role in the state and development of the insurance market in Uzbekistan is played by “increasing the integration of the national insurance market with international and foreign insurance markets”, “developing the ability of foreign

investors to understand the accuracy of financial statements of domestic enterprises”. This allows for the provision of “clear and understandable business information” and increases the role of international standards in making optimal management decisions.

The process of establishing international financial reporting standards in the network characteristics of insurance companies is an objective situation aimed at the reliability of insurance business information. “International financial reporting standards in insurance companies consist of a regulated system of collecting, recording and summarizing accounting information through a holistic, continuous, documentary accounting of all business transactions, as well as the preparation of financial and other reports on its basis. Accounting is carried out in a double-entry method by reflecting the business transaction in at least two accounting accounts at the same time and in an interconnected way with monetary valuation. This, in turn, suggests that “it is important to analyze the state of insurance reserves in the second part of the liabilities used in the long-term and short-term assets of the asset section of the insurance organization's balance sheet and the balance of assets and liabilities. It allows us to assess the quality of accounting activities and strategic management policies under its management.

The International Financial Reporting Standard for Improving the Financial Stability of Insurance Institutions is to provide objective information on the financial position of the entity as of the reporting date, the financial performance of the entity for the reporting period and the maintenance of structured cash flows.

It should be noted that the Presidential Decree No. 4412 of August 2, 2019 “On measures to reform the insurance market and ensure its rapid development” of the President of the Republic of Uzbekistan dated February 24, 2020 Presidential Decree No. 4611 “On Measures” serves as a key mechanism for ensuring the financial stability of insurance companies.

Literature review

Economist T.V. Polaznova. (2007) in her scientific work “included the main specific objects describing the financial and property condition of the insurance organization as insurance premiums, insurance payments, commissions to insurance agents (brokers), reinsurance payments, insurance reserves, operating costs and other accounting objects”.

Practitioner N.N. Kuzminov (2000) “in disclosing the nature of accounting in insurance companies, highlighted the risks and mentioned the following three main forms of their reduction”:

1. Risk warning and take necessary measures to prevent high risks that may occur in the future;
2. By localizing the risks, preventing its spread and eliminating the risk as soon as possible;
3. Compensation for losses incurred as a result of accidental risks.

A.L. Alekrinskiy T.A. Arkhangelskaya and S.N. Asabina (1995) states that “the accounting policy of the insurance company determines the organization of the property and financial condition of the organization, based on regulatory documents, which, in turn, ensures the formation of reliable financial statements and ultimately helps to reduce accounting costs”.

V.I. Petrova (2008) “states that the preparation of financial statements of insurance companies is a set of indicators based on the balance sheet and accounting data and reporting forms reflected in its appendices”.

M.X. Khodjaeva (2001) describes “accounting for transactions related to insurance activities, in particular, the recording of the receipt of insurance premiums, insurance premiums and insurance amounts, the formation of special insurance funds and reserves, as well as the formation of financial results”.

The views of the above scholars are important in the organization of the accounting of insurance companies on the basis of a single system, through the application of international financial reporting standards in improving the financial stability of insurance companies.

Research methodology

Innovative development of the economy is being achieved as a result of gradual economic reforms aimed at using international financial reporting standards to increase the financial stability of insurance companies. For this purpose, in order to increase the financial stability of insurance companies, the use of analytical methods on the use of international financial reporting standards, comparative analysis, SWOT-analysis and other similar methods were used.

In general, the above ideas and applied analysis methods serve to improve the content and quality of research work and play an important role in the development of science-based proposals and practical recommendations within the topic.

Analysis and discussion of results.

The results of the world market confirm that the process of economic growth in developed countries has an impact on the incomes of the entire population and plays an important role in the distribution and redistribution of currency. Developing countries are also developing a number of roadmaps to facilitate economic activity and currency pairings.

At present, in order to achieve economic efficiency, to increase the confidence of potential insurers and to ensure the transparency of performance, the development of insurance relations. In this context, insurance companies need to provide transparent information to all users to meet the needs of those who are interested in their financial statements in order to increase their financial stability. The insurance market is an important part of the insurance market. This requires insurance companies to provide information to users of accounting in a way that is in their best interests.

Table 1

Insurance organizations users of accounting¹

Users	Benefits of users
Shareholders	Dividend policy
Investors	Economic efficiency and return on income
Lenders	Financial stability
National and foreign banks	Effective management of the activity and reliability of the counterparty
State Tax Committee	Taxes paid on the basis of activity
Other state bodies in accordance with the procedure established by the legislation	National income and statistics

In order to present the data in the table above, of course, attention is paid to international financial reporting standards. As a result, the importance of the insurance premium in the financial statements of insurance companies is great, it activates the main processes and is a leader in the preparation of financial statements.

If we pay attention to the picture below, it is possible to cover a wide range of relations between the main objects of account of insurance companies and the processes specific to insurance companies.

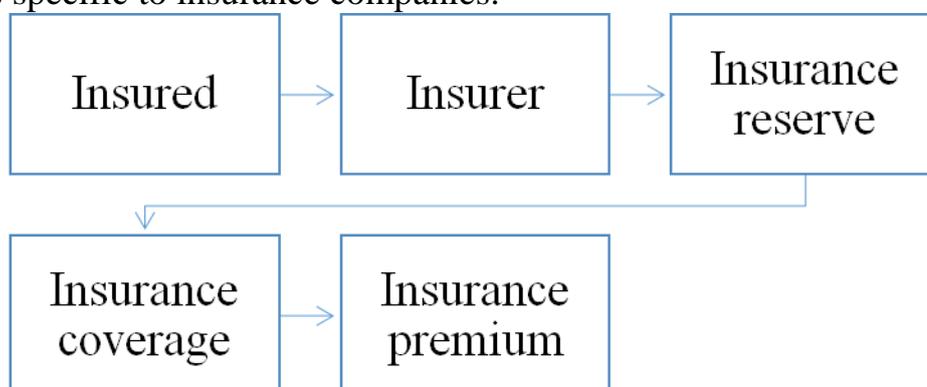


Figure 1. Interrelation of the activities of the insured and the insurer²

¹ Developed by the author based on data from the Ministry of Finance

² Developed by the author as a result of research

Features of the formation of financial statements in insurance companies can be seen in the figure above:

- Legitimacy of the activities of insurance companies;
- the nature of the concluded insurance contracts;
- availability of reinsurance operations;
- the relationship between the insurance claim and the insurance indemnity;
- interest in the organization and placement of insurance directors;
- attractiveness of investment activity in insurance companies;
- Proper distribution of operating costs;
- characteristics of the activity of insurance participants.
- In general, all this plays a key role in shaping the important role of the insurance company in the insurance market.

Table 2

**Information on the insurance market of the insurance company JSC
“Uzagrosug’urta” (billion soums)**

№	Name of indicators	Year	Year	Percentage of change	Year	Year	Percentage of change
		2016 1 st quarter	2017 1 st quarter		2018 1 st quarter	2019 1 st quarter	
1.	Total capital stock	248,6	321,6	30	346,2	568,1	64
2.	Investments	867,5	1 482,6	71	1 560 ,6	2 070,7	33
3.	Insurance premiums, including:	692,4	927,5	34	381,0	522,8	37
3.1	Voluntary insurance	485,0	694,1	43	316,0	449,8	42
3.2	Compulsory insurance	207,5	233,3	12	65,0	73,0	12
4.	Insurance payments, including:	130,8	270,0	107	82,7	180,2	118
4.1	Voluntary insurance	97,6	202,4	139	64,1	159,9	149
4.2	Compulsory insurance	33,2	67,6	48	18,6	20,3	9

Source: www.agros.uz website of JSC “Uzagrosug’urta”.

Based on the data in the table above, it can be seen that the growth of the authorized capital of the insurance organization, investments, insurance premiums is provided, the solvency has improved, of course, this can be positively assessed. However, the increase in insurance payments relative to insurance premiums (107% and 118%) led to a violation of the balance of the insurance portfolio. The cause of the imbalance in the insurance portfolio was the insurance contract and insurance liability (Table 3).

Table 3

**Dynamics of indicators in the insurance organization of JSC
“Uzagrosug’urta”**

Name of indicators	Year 2018 1st quarter	Year 2019 1st quarter	Dynamics,	
			%	(+,-)
Insurance premium, bln. sum	42,4	44,7	105,4	2,3
Insurance contract, thousand copies	722,8	568,2	78,6	- 154,6
Insurance liability, trillion sum	16,0	14,8	93,0	- 1,2
Insurance indemnity, bln. sum	10,8	15,3	141,5	4,5

Source: www.agros.uz website of JSC “Uzagrosug’urta”.

According to the table, the increase in insurance premiums is + 5.4%, the increase in insurance premiums is +41.5%. This, in turn, can hinder the development of insurance companies in the economy. In our opinion, in order to effectively organize the further development of insurance companies: 1) enlarging and increasing the amount of capital and assets of the insurance company; 2) increase in the volume of insurance transactions; 3) ensuring the diversity of types of insurance; 4) introduction of compulsory insurance operations; 5) acceleration of reinsurance operations; 6) creation of the developed system of insurance means; 7) improvement of the system of state control over the activities of insurance companies; 8) transformation of insurance companies into large investors, which accumulate and place a large part of financial resources; 9) measures to ensure that insurance goes beyond national borders, acquires international characteristics and globalizes the insurance market as a natural result of this process should be taken.

Conclusions and suggestions

The use of international financial reporting standards to increase the financial stability of insurance companies means that the preparation of the report as a result of insurance activity has a special nature, features and processes. In order to increase the financial stability of insurance companies, first of all, it is necessary to prepare accurate and reliable financial statements, which, in turn, will ensure the speed and seriousness of the accounting information obtained. This will be achieved, first of all, by creating a single database and introducing a system that is open to all users throughout the country. Also, the gradual increase of the requirement for the authorized capital of insurance companies is a pillar for achieving this goal.

In general, the conservative state of the insurance market can be achieved by ensuring the financial stability of insurance companies in Uzbekistan. This is a step towards increasing the reliability of the insurance market in times of economic stagnation, increasing the financial stability and solvency of insurance companies.

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