FACTORS ENSURING THE FINANCIAL STABILITY OF INSURANCE COMPANIES

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At present, the insurance market, as an essential component of the national economy, plays a vital role in ensuring economic stability and social protection. The financial stability of insurance companies determines not only the efficiency of their own operations but also the reliability of the entire insurance system. Therefore, ensuring their financial stability is considered one of the key priorities for every insurance organization.

The national insurance market of Uzbekistan is developing gradually. The introduction of new types of insurance, the expanding use of digital technologies, and the growing insurance awareness of the population are further enhancing the potential of this sector. However, ensuring the financial stability of insurance companies remains a crucial task. The lack of financial stability may lead to delays in insurance payments, declining customer confidence, and reduced competitiveness in the insurance market.

The financial stability of insurance companies refers to their ability to meet obligations in a timely and complete manner. It is closely related to the company's capital adequacy, asset quality, liquidity level, profitability, and risk management system.

To maintain financial stability, insurance companies must, first and foremost, form insurance reserves correctly from collected premiums, ensure efficient diversification of the investment portfolio, establish an effective reinsurance mechanism, and maintain sound management and internal control systems.

At the same time, several factors influence the financial stability of insurance companies, which can be classified as internal and external. The internal factors include:

capital adequacy – the key indicator defining the company's capacity to meet its obligations; insufficient capitalization increases financial risk;

insurance reserves and their management – proper formation and effective allocation of reserves serve as a guarantee of stability;

investment policy – maintaining a balance between risk and return in investment activities is of crucial importance;

risk management system – the identification, assessment, and mitigation of risks are fundamental to maintaining stability;

effectiveness of financial management – strong financial control, internal audit, and corporate governance ensure financial sustainability.

Among external factors, the following play a significant role in determining the financial stability of insurance companies:

macroeconomic conditions – inflation levels, national currency stability, and economic growth rates directly affect the insurance market;
legislative framework and state supervision – regulatory acts governing the insurance industry and the effectiveness of supervisory bodies are critical;
competitive environment – the level of competition in the national insurance market influences strategic decisions of insurance companies;
insurance culture of the population – public awareness, trust in insurance, and financial literacy directly impact the performance of insurance companies;
development of the reinsurance market – it determines the capacity of insurers to manage risks and ensure overall system reliability; the participation of foreign companies introduces new standards, technologies, and managerial practices;
economic crises and natural disasters have a dual effect on insurance companies: on one hand, increasing claims and asset devaluation heighten financial pressure; on the other, they weaken market confidence.
A study of methods for analyzing the financial stability of insurance organizations recommended in the economic literature revealed that, in addition to the solvency margin indicator, most researchers propose indicators borrowed from methods for analyzing industrial economic entities that characterize the capital structure, which do not fully reflect the stability of the insurance organization's financial condition. Furthermore, these indicators do not take into account life insurance liabilities. It was also discovered that the authors do not consider indicators characterizing the rational use of working capital and insurance reserves.
The sensitivity of insurance companies' financial stability to these factors often reveals certain challenges in the national insurance market. In particular, the lack of unified standards for calculating and allocating insurance reserves, low portfolio diversification, cases of non-compliance with minimum capital requirements, underdeveloped risk management systems, limited competition, high market concentration in certain insurance types, and low trust among the population and business entities in insurance services are among the existing issues.
In our opinion, the following measures are advisable to address these problems and ensure the financial stability of insurance companies:
improve capital adequacy standards in line with international benchmarks, particularly through the gradual implementation of Solvency II principles;
digitize the system for managing insurance reserves and increase transparency in investment policies;
strengthen internal audit and risk management systems, and adapt corporate governance to modern requirements;
develop reinsurance relationships and enhance stability through the distribution of external risks;

reinforce state supervision and support mechanisms, and further develop the infrastructure of the insurance market;
promote and expand public education initiatives to raise insurance literacy, especially through digital insurance products;
align the financial reporting of insurance companies with international standards, particularly the requirements of IFRS 17.