GOVERNMENT REGULATION AND IMPROVEMENT OF INSURERS’ INVESTMENT ACTIVITY IN UZBEKISTAN

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Abstract. In the development of insurance companies’ activity, revenue earned through investment activity is very important. And this creates a necessity for government regulation over investment activity. Revenue from investment activity has big impact also on the expansion of investment service. Managing assets also requires a development of certain measures. In this article, recommendations on insurance companies’ investment activity and its implementation under government regulation are proposed. These recommendations may influence on the development of insurance companies’ investment activity.

Keywords: insurance, government insurance, insurance inspection, investments, investment activity, assets.

Process of investment integration into market economy and improvement of investment policy is hold in Uzbekistan. For implementing investment policy, using corresponding levers of market relations is required. There are various approaches towards interpreting the notion “investment” and “investment policy”. For instance, according to G. Gazibekov, the term “investment” originates from Latin word “invest” and means “infusion”, “expenditure of monetary fund’s”. In most cases, term “investment” is understood as tangible and intangible wealth, introduced to economic and other spheres of activities, and also the rights to them. (Gazibekov, 2003)

In our opinion, investment is an amount of tangible, financial and intellectual values, directed to obtaining revenue for a long term.

Today, government regulation of investment activity is carried out on following directions through:
- improving legislative base of investment activity;
- using tax system, and presenting different tax rates for taxpayers and tax objects, and also tax privileges;
- accelerated use of amortization of basic assets;
- setting rules and norms of standards;
- using antimonopoly measures;
- setting mechanism of implementing examination of investment projects;
- conducting monitoring over investment projects, introduced to investment program of the Republic of Uzbekistan.

Insurance company while implementing investment activity should also avoid investment risks. Otherwise, investment revenue may be lost if situation changes. In developing countries, in order to avoid such risks, futures and option contracts.

As main task of insurance company is insurance, managing its assets is considered as additional process. Therefore, managing assets also requires the development of certain measures, making special efforts. Nowadays, one of the causes of discontent assets management of insurance companies is a lack of qualified cadres.

In recent years, insurance companies are hiring other insurance companies to solve part of their tasks which have qualified specialists and experts (Orlova, 2005).

Implementing investment activity by insurance companies, and producible requirement to them are regulated by Executive order of Uzbekistan Republic President “On measures on further reforming and development of insurance services market” (Ukaz Prezidenta Respubliki Uzbekistan UP № 618 ot 10 aprellya 2007 goda), and also Charter, based on the Order by the Minister of Finance of Uzbekistan Republic “On investment activity of insurance and reinsurance companies” (Prikaz Ministra finansov Respubliki Uzbekistan...
In accordance with this Charter, objects of investment activity of insurers and reinsurers can be:
- government securities of the Republic of Uzbekistan;
- government securities of foreign countries;
- bank certificates (certificates of deposit);
- contributions in credit organizations (deposits);
- personal and real estate (buildings, constructions, equipment and other tangible values), and also rights to them;
- share in chartered capital of legal persons.

For the investment of insurer’s and reinsurer’s assets, following corresponding requirements are established that include:
- sum total of placed assets of legal persons’ chartered capital, except as otherwise provided in legal documents, is limited to 50 per cent of chartered capital;
- share of an insured (insurer) of one physical person in chartered capital should not exceed 30 per cent, except as otherwise provided in legal documents. Exceptions are affiliated undertakings, engaged in providing insurance activity;
- in placing insurer’s (reinsurer’s) assets in immovable property, placing more than 50 per cent of assets in one land, or in an object of property of another object or in one land that can be as one object of construction is prohibited;
- in placing insurer’s (reinsurer’s) assets in deposits, deposit placed in one commercial bank should not exceed 40 per cent of insurer’s (reinsurer’s) all assets;
- in placing insurer’s (reinsurer’s) assets in deposits of credit organizations, the amount of placed deposit should not exceed 10 per cent of insurer’s (reinsurer’s) all assets;
- in placing insurer’s (reinsurer’s) assets in chartered capital of one legal person or other rights to participate in one legal person, except as otherwise provided in legal documents, the amount of placed capital should not exceed 30 per cent of insurer’s (reinsurer’s) all assets.

We can see from abovementioned, a range of normative documents are developed on improving government regulation over investment activity of insurance organizations and today these measures are giving positive results in implementation of insurance companies’ activities. And with it, in government regulation of insurance companies’ investment activity and implementation of investment activity, considering several flaws, we recommend following:
- government regulation of insurance companies’ investment activity is not perfect, i.e., requirement to investing object are set, and also to the amount of investing assets, but requirements to the amount of revenue that can be gained from investing state resources are not established;
- market of securities is ill-developed, particularly secondary market;
- influence of inflation on economy;
- low indices of citizens’ and legal persons’ requirements to insurance services, and low level of solvency;
- lack of reliable tools for long term investment in insurance resources;
- lack of information about insurance objects;
- low popularity of life insurance in the country.

In order to eliminate such flaws, we offer:
- in the law on insurance activity, it is necessary to describe in detail the process of implementing investment activity, and also an order of requirements to the amount of gained revenue from investing financial resources;
- it is necessary to improve legal documents related to life insurance;
- In order to widen branches of insurance companies in the territory of Uzbekistan Republic, it is necessary to present them tax privileges;
- it is necessary to use widely insurance services within the framework of classes who have life insurance in there spheres;
- to increase the minimal level of chartered capital of insurance companies;
- to organize and widen the activity of specialized insurance companies in Uzbekistan.
Abovementioned recommendations can influence on the development of investment activity of Uzbekistan insurance companies in tote.

References