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*Article*

# Cash Flow Management System in Insurance Companies

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**Abstract:** Rational management of cash flows leads to an increase in the level of financial stability of the insurance business, which is expressed in the following: Improving operational management from the point of view of balancing the inflow and outflow of funds; Increasing the volume of sales of insurance products and minimizing costs due to the operational management of the insurance organization's assets; Increase the profitability of debt capital and increase the liquidity of the insurer's balance sheet; Allocate financial resources to invest in more profitable financial instruments at lower costs to protect them; Improve negotiations with creditors; Create a basis for assessing the efficiency of the activities of financial responsibility centers (in analyzing cash flows by type of activity); Improving the management of insurance reserves and reducing interest on the insured's obligations.

**Keywords:** Insurance, Cash Flows, Finance, Funds, Financial Resources, Reserves, Credit, Obligations

## 1. Introduction

It is defined as a broad-based indicator reflecting the cash flow status of insurance companies for their core activities. In addition, the volume and composition of reserves were analyzed in conjunction with financial indicators of a similar nature, characterizing other financial flows of an insurance company. As a result of such an analysis, it is possible to describe the financial situation of the company's activities, to assess its financial stability, and also to have a clear idea about the external environment of the company in which it operates.

The specific characteristics of the financial flows of the insurance company's investment activities, associated with the allocation of separately allocated insurance reserves, were studied separately. Against the background of the overall positive dynamics of the investment results of Uzbek insurance companies, key obstacles to investment in the economy by insurance companies in our country have been identified, in particular: the underdevelopment of the life insurance market, the insufficient level of capitalization of Uzbek insurance companies, the lack of insurance market leaders and small insurance companies The quality of asset management varies between them. The penetration of insurance activity in the Uzbek insurance market is relatively low compared to the countries of the European Union, as a result of which we consider investment activity as an area where it is possible to provide financial security for insurance companies in Uzbekistan.

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**Literature Review**

Scientific research has also been conducted by economists of our republic on the rational management of cash flows. In particular, economists Kh. Akhmadjonov, N. Ishankulov, and U. Nurmanov expressed the following opinion in their scientific monograph on the effective organization and management of cash flows of enterprises: The cash flows of an enterprise are calculated from the most important independent objects of financial activity and, at the same time, from the analysis itself. This is because the management of the company's cash flows plays a key role in its development and the formation of the final results of its financial activities. Cash flows can be imagined as a system of "financial circulation" in the company's economic organization. The effective organization of cash flows in the company is considered an important symptom of its "financial health" [1]. One of the tasks of corporate finance is to ensure the uninterrupted provision of financial resources for the organization's expenses. The main source of financing the economic activities of the organization is its own capital, which determines the company's cash flow strategy, according to the economist Dmitrieva [2]. Shennaev H. M. studied the international experience of regulating insurance activities in the USA, the European Union, Great Britain, and the developed Asian countries of Japan and China [3]. Foreign scientists Gryzenkova Yu.V., Tsyganov A.A. In their scientific studies, they stated that cash flow management in insurance companies performs the function of effective use and distribution of financial resources [4]. Also, N. A. Putilina's views on the management of insurance companies are as follows; Taking into account the indicator of financial flow efficiency, the task of managing the financial flows of an insurance company is to structure the schedule of financial operations in such a way as to achieve maximum efficiency of financial flows without other restrictions[5].

## 2. Materials and Methods

The article uses the methods of systematic analysis, grouping, induction-deduction, logical and comparative analysis, abstract-logical thinking, statistical and factor analysis. The data of this study were obtained from official sources, and based on the results obtained through a comparative analysis of scientific theoretical views of well-known economists on the role of services in the development of the economy, generalization of foreign experience and achievements in our country, the long-term prospects of the concept of financial engineering in commercial banks were studied[6].

## 3. Results and Discussion

It is important to analyze the financial flows of insurance companies by the type of activity of the company. The following types of activity can be included in the financial flows of an insurance company:

a. Operation - the activity shown in the main charter, corresponding to the company's activities, goals and direction;
b. Investment - an activity related to capital investments in real estate, equipment, intangible and other long-term assets. In addition, investment activity also includes long-term financial investments, funds allocated by the enterprise to investment projects;
c. Financial - an activity related to the impact of monetary funds on changes in the composition and volume of the company's equity and debt capital. It includes proceeds from the issuance of shares, bonds, loans to other companies, and repayment of debt.

In the Table 1. shows that in the system of insurance companies, financial flows are also channeled according to the above three areas of activity, as assessed[7]. The main task facing insurance companies of our republic in improving the assessment of financial flows is to reduce and increase cash flows from financial and investment activities, and thereby further diversify the elements of the insurance market and the financial market. Below we will analyze the financial flows of insurance companies by type of activity[8].

**Table 1.** Analysis of the financial flow of the insurance company "Uzinsurance" (millions of dollars).

| The Kurcatky member | This time last year | | In the reporting year | | Change (+,-) | |
|---|---|---|---|---|---|---|
| | Amount, million soums | A Psalm for All, % | Amount, million soums | A Psalm for All, % | In total | Percentage indicator |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Cash balance at the beginning of the reporting year | **6110,3** | **-** | **8733,0** | **-** | **+2622,7** | **-** |
| **Cash flow operations** | | | | | | |
| Total cash receipts from insurance operations | 190464,86 | 87,59 | 190319,42 | 89,76 | -145,44 | +2,17 |
| Total cash payments for insurance operations | 195540,02 | 91,03 | 193901,35 | 92,47 | -1638,67 | +1,44 |
| *Net cash inflow/outflow from total operating activities* | *-5075,16* | - | *-3581,93* | - | *-1493,23* | - |
| **Investment activity is the movement of funds** | | | | | | |
| Total cash receipts | 6110,3 | 2,83 | 10133,29 | 4,77 | +4022,99 | +1,94 |
| Total cash receipts | 11850,0 | 5,52 | 10252,0 | 4,89 | -1598,0 | -0,63 |
| *Net cash inflow/outflow from total investment activities* | *-11850,0* | - | *-118,71* | - | *- 11731,29* | - |
| **Financial activity is the movement of funds** | | | | | | |
| Total cash receipts | 20851,62 | 9,58 | 11608,40 | 5,47 | -9243,22 | -4,11 |
| Total amount of money spent (expended) | 874,61 | 0,41 | 3627,48 | 1,73 | +2752,87 | +1,32 |
| *Net cash inflows and outflows from total financial activities* | *+19977,01* | - | *+7980,92* | - | *- 11996,09* | - |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Total paid salary** | **6539,45** | **3,04** | **1920,29** | **0,91** | **-4619,16** | **-2,13** |
| Total cash flow from financial and economic activities | 217426,78 | 100,0 | 212060,82 | 100,0 | -5365,96 | - |
| Total cash flow from financial and economic activities | 214804,08 | 100,0 | 209701,12 | 100,0 | -5102,96 | - |
| ***Net cash inflow/outflow from total financial and economic activities*** | ***+2622,7*** | ***-*** | ***+2359,7*** | ***-*** | ***-263,0*** | ***-*** |
| **Cash balance at the end of the year** | **8733,0** | **-** | **11092,7** | **-** | **+2359,7** | **-** |

In the course of our scientific research, when studying the financial flows of the insurance company "Uzagrosugurta" JSC, it can be observed that a positive free cash flow has emerged in recent years. However, in the last two years, the cash balance has increased from 6,110.3 million soms to 11,092.7 million soms. That is, while the share of total cash receipts from insurance operations increased to 2.17 percent, the share of total cash payments from insurance operations increased to only 1.44 percent. In recent months, there has also been an increase in financial flows of insurance companies to investment activities, as a result, cash flows from investment activities increased from 6,110.3 million soums to 10,133.29 million soums. It can also be noted that as a result of the policy aimed at easing the tax burden in our republic, the share of taxes paid by companies in financial flows is also decreasing. In particular, it can be observed that while the total amount of taxes paid in the analyzed year amounted to 6539.45 million soums, in the reporting year it decreased to 1920.29 million soums. As a result, it had a positive impact on the increase in the volume of financial flows remaining at the discretion of insurance companies[9].

In conclusion, in order to further develop the financial and economic activity of the company, it is necessary to expand the participation of the company in investment and financial activities and to increase the speed of reaching a higher economic goal by directing the financial flow to the main activity.

Operating (current) activity is an activity related to the implementation of insurance, co-insurance and reinsurance and the implementation of expenses necessary for their implementation. The positive difference between the inflow and outflow of financial resources for operating activities is considered a condition of the insured activity and is characterized by a high level of financial security. A negative difference between the inflow and outflow of financial resources, on the contrary, may indicate financial difficulties and the risk of insolvency. The lack of funds for operational activities necessitates the need to attract (remove) them to other types of activity. For example, to cover the resulting gap, the insurer will be forced to take out external loans or withdraw investments ahead of schedule or reduce business expenses, etc. Otherwise, without adequate coverage, the insurance company will not be able to fulfill its obligations[10].

In the Table 2. data on financial flows and structural changes in the operational activities of the insurance company "Uzagrosugurta" JSC, obtained as the object of research, were systematically analyzed and evaluated[11].

**Table 2.** Analysis of the financial flow in the operational activities of the group company "Uzinsurance" (in millions).

| The Kurcatky member | This time last year | | In the reporting year | | Change (+,-) | |
|---|---|---|---|---|---|---|
| | Amount, million soums | A Psalm for All, % | Amount, million soums | Салмоғи, % | Amount, million soums | A Psalm for All, % |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| **Total cash receipts from insurance operations, including:** | **190464,86** | **100,0** | **190319,42** | **100,0** | **-145,44** | **-** |
| Amounts received in the form of insurance premiums under insurance and joint insurance contracts | 150597,80 | 79,07 | 147749,91 | 77,63 | -2847,89 | -1,44 |
| Amounts received in the form of lottery prizes under re-drawing contracts | 6260,96 | 3,28 | 2495,72 | 1,31 | -3765,24 | -1,97 |
| Revenues from the provision of insurance broker, appraiser, and surveyor services | 12058,48 | 6,33 | 16527,29 | 8,68 | +4468,81 | +2,35 |
| Amounts of money received in the form of commissions, bonuses, and fees for re-drawing | 8964,48 | 4,71 | 11849,26 | 6,22 | +2884,78 | +1,51 |
| Cash received to cover the share of losses on risks assigned to recycling and reprocessing | 12583,14 | 6,61 | 11697,24 | 6,15 | -885,9 | -0,46 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Total payments for insurance operations, including:** | **195540,02** | **100,0** | **193901,35** | **100,0** | **-1638,67** | **-** |
| Amounts paid in the form of insurance premiums under reinsurance and retrocession clauses | 106187,69 | 54,30 | 87516,80 | 45,13 | -18670,89 | -9,17 |
| Amounts paid in the form of insurance claims under insurance and joint insurance contracts | 48347,40 | 24,72 | 59781,42 | 30,83 | +11434,02 | +6,11 |
| Amounts paid in consideration of the share of claims on risks assumed in reinsurance and reinsurance | 11279,33 | 5,77 | 13861,57 | 7,15 | +2582,24 | +1,38 |
| Amounts of money paid to insurance intermediaries as a bonus for concluding insurance, co-insurance and reinsurance contracts | 7837,43 | 4,01 | 10425,60 | 5,38 | +2588,17 | +1,37 |
| Amounts paid for services rendered by actuaries, adjusters, surveyors, and assistants | 8427,59 | 4,30 | 9637,24 | 4,97 | +1209,65 | +0,67 |
| Funds paid to finance awareness-raising activities | 1283,45 | 0,66 | 1597,28 | 0,82 | +313,83 | +0,16 |
| Amounts paid to employees and on behalf of employees | 3597,68 | 1,84 | 4592,17 | 2,37 | +994,49 | +0,53 |
| Other cash receipts and | 8579,45 | 4,39 | 6489,27 | 3,34 | -2090,18 | -1,05 |

| | | | | | | |
|---|---|---|---|---|---|---|
| payments from operating activities | | | | | | |
| ***Total: net cash flow from operations*** | ***-5075,16*** | ***-*** | ***-3581,93*** | ***-*** | ***-1493,23*** | ***-*** |

The main part of the financial flows of the insurance company "Uzagrosugurta" JSC, which is the object of scientific research, falls on the part of cash flows from operating activities. In particular, the decrease in net cash flow (expenditure) from operating activities from -5075.16 million soums to -3581.93 million soums over the past two years is positively assessed. That is, while the share of total cash receipts from insurance operations amounted to 2.17 percent, the share of total cash payments from insurance operations amounted to only 1.44 percent. In the income part of cash flows from operating activities, cash received in the form of insurance premiums under insurance and mutual insurance contracts accounted for the main share, that is, more than 70 percent. Also, the main component of cash flow from operating activities is the amount of money paid in the form of insurance premiums under reinsurance and reinsurance contracts, as well as the amount of money paid in the form of insurance claims under insurance and co-insurance contracts[12].

To determine the task of managing the financial flows of insurance companies, the dissertation uses a brief description of the tasks of the financial activity of an insurance company, and the central concept in determining these tasks is the scheme of financial operations - the implementation of financial operations within a specified time period in accordance with the company's development strategy, financial and other resources of the insurance company, and technological rules. It is also necessary to take into account the parameters inherent in financial operations[13].

Risk management issues are the main task of an insurance company, therefore, the problem of introducing risk parameters into the financial flow management model of an insurance company is considered.

The following main stages are distinguished in the process of creating a risk management system:

a. Identification of risks that are desirable for the activities of a given insurance company, their essence, and methods for assessing them;
b. Making the appropriate request for risk management and implementing it in the company's management system.

In this case, it is important to evaluate the pick based on the maximum number of possible multiples and to predict, plan and analyze the company's activity based on the selected multiples that make up the company's financial results. Thus, when managing financial flows, it is necessary to take into account the indicators of the company that are beneficial to the insurance company and affect the profitability of its activities.

In this dicceptation case, Cugupta offers to classify the company's picklap. Picklap is often divided into 4 groups: 1. picklap (picklap related to underpaying and guarantee), 2. picklap on assets (change in the value of the stock, interest rate, inflation), 3. kpedit (based on both the re-picklap, as well as the individual investment asset) 4. operational picklap[14].

Among the many risk classifications available in the article, the classification necessary to establish the level of risk management and the appropriate mechanisms for its management is of interest. From this point of view, risks that need to be managed in an insurance company are divided into 3 groups: risks that arise at the organizational level, at the insurance sector level (systemic risks), and in the economic system as a whole (systemic risks). However, the source of losses at the company level may be random factors and intentional actions of company employees.

The exact list of losses that arise at the level of each company is determined by the specific characteristics of its activities and is therefore unique. The classification of losses accepted by an insurance company depends on the specific characteristics of its activities, the scale and complexity of its activities.

Some risks arise due to external factors and are not controlled by the company (systemic and non-systemic). The main means of preventing such risks is the presence of the company's own funds in the required volume. The remaining risks are within the company's control. To eliminate them, it is necessary to improve the company's business processes and the management methodology used, work with employees.

In addition, the impact of the company's business processes on the financial flows is determined by the company's financial flows. Therefore, in order to accurately determine the impact of the company and the measures to manage the company's financial flows, the elements of financial flow management should be closely linked to the financial flow management system[15].

In the Table 3. the impact of the company on the financial flows should be determined, and the company can be presented in a schematic form as follows.

**Table 3.** The impact of risk on the financial flows of an insurance company.

| **Social risk** | | **Pencil case** |
|---|---|---|
| Underwriting risks | -> | Bonuses, insurance premiums, insurance reserves, reinsurance |
| Credit risk | -> | Credit risk |
| Recurrence risk | -> | Insurance premiums, insurance reserves |
| Risk coverage | | |
| Legal risk | | |
| Balanced risk | -> | Investment is a form of investment, investment |
| Risk interest | -> | Investment is a gift, investment, investment opportunity |

The use of risk models, including quantitative risk assessment, as a risk management methodology is proposed. The dissertation examines various risk models (static and dynamic, deterministic and probabilistic), analyzes their advantages and disadvantages. Undoubtedly, a more sophisticated model will allow insurance company managers to receive more information, but it will require significant resources to create and maintain the network.

## 4. Conclusion

The possibility of increasing the financial stability of insurance companies by improving and managing cash flows was substantiated:

a. The most informative source of financial flows (combining all risk models) is considered to be a dynamic model of probabilistic analysis. Such an analysis allows you to fully take into account the change in risk indicators. The analysis uses risk level indicators based on statistical distribution. As a result of the analysis, additional indicators are created, such as the probability of negative feedback and the interdependence of risks.
b. The methodology proposed in the article was developed taking into account the fact that the operating conditions of insurance companies are constantly changing, the needs of insurance companies, the goals of the company and the methods of choosing

ways to achieve them have changed. In this regard, the system of financial activity of the company, as well as the entire management system of the insurance company, must change. Therefore, the tools used to manage financial flows must allow for the introduction of the necessary changes to improve them.

c. As a result of the description of the tasks assigned, general requirements for the financial flow management system were formed: the interdependence of the main goals, parameters and objectives that need to be implemented and monitored was determined. As the next step in creating a financial flow classification system, the author emphasizes the need to provide a detailed description of the parameters included in this model, describe the business model of the insurance company, and also determine the process of obtaining and processing relevant information.

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