

Specific Features of Capacity Building and the Development of Life Insurance

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Abstract: The article examines various scientific and theoretical views on the economic essence of life insurance and its distinctive features that distinguish it from other types of insurance, analyzes the main indicators expressing the life insurance capacity over the years, identifies factors that hinder the growth and development of life insurance, and suggests ways to overcome them.

Keywords: life insurance, life insurance capacity, insurance premium, insurance reserve, insurance culture, beneficiary.



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INTRODUCTION

Among the types of voluntary insurance, life insurance has the greatest social significance. In addition, life insurance serves as an important investment source for the accumulation of temporarily free funds of the population. The level of development of the life insurance services market in our country is quite low, taking into account the existing opportunities and potential, that is, there is an inverse proportion between the current state of development and the potential.

Currently, many insurance products that are popular among the population in economically developed countries are now entering our national insurance market. The high level of distribution and social significance of life insurance in developed countries indicates that it has bright prospects and potential in our country. However, the lack of information about life insurance in the Uzbek language, the lack of theoretical sources, is the reason why the population's perception and knowledge of insurance culture, especially life insurance, has not been formed. From this point of view, at this stage of our research, we will reveal the essence and specific features of life insurance.

LITERATURE REVIEW

In the economic literature, there are many approaches to the essence of "life insurance", and based on their systematization, the most important ones can be listed below:

- a) Life insurance is understood as a guarantee by the insurer to pay the insured amount to the insured or a person designated by him in lieu of the insurance premiums paid, in the event of the insured person's death or survival for a certain period of time [1].
- b) Life insurance is a class of insurance in which human life is the object of insurance [2].
- c) Life insurance is an insurance industry in which the insurer's liability is to pay a fixed amount of money upon the death of the insured person during the term of the insurance contract or upon reaching a certain age [3].
- d) Life insurance, as an economic category, represents the redistribution relations between life insurance participants that arise due to the formation of target insurance funds by the insurer at the expense of insurance premiums paid by policyholders and profits from investing insurance reserves and their use to pay insurance amounts to insured persons (beneficiaries) upon the occurrence of insured events established in the insurance contract [4].
- e) Life insurance, as one of the types of personal insurance, provides for the payment of the insurance amount to the insured person or another person under the following conditions:
 - based on the terms of payment of a monthly pension for life in a fixed amount, either during the period specified in the contract or upon survival from an event or until retirement age;
 - when the insured person dies;
 - when various injuries (disability, loss of working ability) occur as a result of accidents that occurred during the insurance period [5].
- f) Life insurance is the transfer of the consequences of the risk resulting from an insured event (death or survival of the insured person) from the insured to the insurer. Life insurance is concluded on the basis of a contract, according to which the insured undertakes to pay insurance premiums, and the insurer undertakes to pay the amount agreed in the contract to the beneficiary from the funds of its insurance fund in the event of the occurrence of the insured event (death or survival of the insured person) during the insurance period [6].
- j) All types of insurance in which human life serves as an insurance object belong to life insurance [7].
- z) Life insurance represents the type of insurance aimed at increasing the well-being of the population through insurance protection of personal and family income [8].

ANALYSIS AND RESULTS

Life insurance is fundamentally different from other types of insurance. Because human life is never valued, it is a priceless gift given to man. And when it is lost, it cannot be restored by paying anything in the world or any amount of money. That is why, unlike other types of insurance, in life insurance, the insurance amount is determined according to the wishes of the insured (insured person) in agreement with the insurer.

Another unique feature of life insurance is that during the term of the life insurance contract, the insured (insured person) may, depending on his financial situation, conclude a second or third life insurance contract with the same insurer or with different insurers. In this case, when an insured event occurs, the insurer fully fulfills the obligations under each of the concluded insurance contracts in accordance with the procedure established in the contracts. This is also one of the main features of life insurance that distinguishes it from other types of insurance.

Life insurance, as a part of personal insurance, is associated with the workforce, which is a volatile part of the economy. In this type of insurance, the object of insurance protection is the life, health and working capacity of citizens. Unlike property insurance, the objects of life insurance do not have a certain value.

The risk insured in life insurance - the duration of a person's life - includes three cases:

- the probability of the insured person dying at a young age or before the average life expectancy;
- the probability of death or survival in a certain period of time;
- longevity in old age and the probability of requiring constant income without work during this period.

Life insurance is also unique due to the factors that led to its emergence and development:

1. The need to protect the family from economic instability caused by the loss of its main income earner or the impairment of the household head's ability to earn.
2. The need to protect against the loss of continuity of the enterprise's operations and business processes as a result of the death of a business partner, head of the enterprise, or key employee;
3. Having collateral for a loan, credit, mortgage or other credit;
4. Fund formation;
5. Heritage protection, including:
 - payment of inheritance tax at the expense of life insurance policy;
 - facilitating the transfer of inheritance to one of the heirs;
6. Covering expenses related to the funeral ceremony;
7. Existence of tax deductions for insurance premiums and insurance coverage of life insurance, including:
 - reduction of income tax to the part of paid insurance premiums;
 - insurance coverage is exempt from tax, exemption from inheritance tax in the case of inheritance of property and other similar tax benefits.

Life insurance is one of the oldest types of insurance with a centuries-old history. Life insurance in its history of development has had its own characteristics in the design of the insurance product, organizational aspects and regulatory legislation.

One of the most important characteristics of life insurance is that it is a long-term type of insurance. More precisely, the main part of life insurance types consists of insurance types for at least five years. However, in some countries, including our country, life insurance is carried out for a period of more than one year. Such countries are countries where life insurance is not yet sufficiently developed. At the same time, in most countries where insurance for a period of more than one year is practiced, the benefits that apply to long-term life insurance are not applied.

The requirement of long-term life insurance leads to the emergence of several unique features of life insurance. These unique features include the following:

- changes in the design of life insurance products, for example, the possibility of paying the insurance premium in installments;
- the complexity of the underwriting process, which is caused by the need to implement a multi-year forecast;
- emergence of additional risk components in business operations, for example, the risk of unexpected termination of the long-term contract;

- the emergence of new tools for managing insurance products (the ability to change the terms of insurance contracts during their term).

Another important feature of life insurance is the peculiarity of loss settlement, in which insurance coverage is provided in the form of a large lump sum or in the form of annuities (annuities, pensions). When insurance coverage is provided in the form of annuities, this process can take several decades. An important feature of this type of insurance, which arises from the long-term nature of the insurance and the peculiarity of loss settlement, is the presence of savings components in all options for the implementation of insurance coverage. Therefore, investment characteristics are of great importance for the structure and design of life insurance products. This means that life insurance products can compete to one degree or another in the process of investing financial instruments and funds in various sectors.

Life insurance performs the tasks of providing people with a set of insurance guarantees and investment services that allow them to solve a whole range of socio-economic problems. These tasks can be conditionally divided into two groups: socio-economic and financial. The implementation of the first group of tasks allows you to manage the shortcomings of the state social insurance and welfare system, while the implementation of the second group of tasks, on the one hand, increases personal income, and on the other hand, provides the necessary guarantees when carrying out all financial and credit operations.

Social and economic tasks of life insurance:

- social protection of the family in the event that the family that has lost its breadwinner has also lost its income;
- financial support in case of temporary or complete incapacity of the insured;
- provision of old-age pensions;
- collecting funds to provide financial support for children when they reach adulthood, for example, payments for their education;
- payment of fees for ritual services.

Financial tasks of life insurance:

- creation of funds related to investment income and capital investments;
- protection of private entrepreneurship, preservation of enterprise finances in case of death of a business partner, enterprise manager, "key" person;
- protection of the inheritance or the interests of the heir: payment of inheritance taxes from the insurance amount in the insurance policy; easy transfer of the inherited property to one of the heirs due to the beneficiary's direct personal right to the insurance amount, independently of the rights of creditors and other heirs; exemption of the insurance amount from inheritance taxes in accordance with the procedure established by law;
- ensuring an increase in personal income due to tax benefits on insurance premiums and payments in life insurance, i.e.:

a) Life insurance gives individuals the right to reduce their income tax. This is done by deducting the amount of insurance premiums paid for life insurance from the tax base or by using tax credits, that is, by reducing the amount of income tax by the amount of insurance premiums of a deposit or social nature. This method of encouraging life insurance is widely used in the USA, Canada and European countries;

b) absence of taxes on loans granted through an insurance policy;

c) exemption from income tax of insurance payments for long-term life insurance;

g) increase of the capital up to the specified amount and benefits in taxing it during the term of the agreement.

Thus, taking into account the above, a citizen can conclude a life insurance contract in order to protect his family from the risk of early death or for investment purposes to ensure future financial needs. Therefore, life insurance allows you to fulfill extremely important socio-economic tasks and thereby support the state. In a market economy, increasing the potential of life insurance serves as an important mechanism for ensuring social and economic stability in the country. This can be seen by analyzing the main indicators that reflect the potential of life insurance (Table 1).

Table 1. The main indicators expressing the life insurance capacity in Uzbekistan¹

Indicators	2018	2019	2020	2021	2022	2023	2024
Life insurance premiums, bln. Soum	417.3	586.4	334.4	736.3	1551.5	322.5	286.4
Growth compared to last year, %	301.1	140.5	57.0	220.2	210.7	20.8	88.8
Life insurance payments, bln. Soum	263.9	529.4	318.0	622.4	1509.4	453.6	131.4
Growth compared to last year, %	337.0	200.6	60.1	195.7	245.2	30.1	29.0
Insurance liabilities in the life insurance sector, bln. Soum	2307.8	3102.5	2875.5	10253.1	29038.3	16086.5	27462.0
Growth compared to last year, %	120.4	134.4	92.7	356.6	283.2	55.4	170.7
Life insurance payment ratio, %	63.2	90.3	95.1	84.5	97.3	140.7	45.9
Number of life insurance companies	6	8	8	8	8	8	5
Share of life insurance premiums in GDP, %	0.10	0.12	0.065	0.1	0.15	0.03	0.02
Life insurance premiums in relation to total insurance premiums, %	25.5	25.3	15.1	19.7	30.5	4.0	3.0
Life insurance premiums per capita, in soums	12662	17463	9769	20876	43097	8952	7782
including in US dollars	1.52	1.84	0.93	1.93	3.84	0.73	0.61

Based on the analysis of the table data, our conclusions were that the abolition of the tax exemption for life insurance in recent years has negatively affected the financial stability of life insurance companies, causing some companies to cease operations, and as a result, life insurance premiums have sharply decreased, with its share in GDP decreasing from 0.15% to 0.02%, and its share in total insurance premiums decreasing from 30.5% to 3.0%.

CONCLUSIONS AND SUGGESTIONS

In general, based on the results of the above analysis, it can be seen that the life insurance services market in our country has experienced a sharp crisis in recent years, but the overall result is that the share of life insurance premiums in GDP is 0.02%, which indicates that the existing opportunities are not being sufficiently used. In countries with developed life insurance, this

¹The table was prepared by the author.

figure is 2-10%.[9].In our country the main factors hindering the growth and development of the potential of life insurance are the following:

- Life insurance is long-term, meaning that policies have a term of 5-20 years. In times of political and economic instability and high inflation, long-term investments are not attractive to the public;
- Since long-term life insurance is based on the investment of insurance premiums, serious requirements are placed on the stability and financial condition of insurance organizations. In the event of general instability and possible financial crises, insurers cannot guarantee long-term prospects. The public's trust in them is not as high as in other financial institutions.
- Life insurance mainly serves the middle class of the population. This is assumed to be a group of people with high disposable income who intend to pass on these funds to future generations or use them for investment purposes to generate additional income. However, currently, Uzbekistan does not have a broad insurance base for investment life insurance;
- For life insurance to fulfill its savings and deposit functions, the investment market must be developed, but this situation cannot be considered sufficient in our country.

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