

Risk Management and Insurance



Nargizakhon Iminova, Saodat Abdimuminova, Bakhtiyor Mamurov

Abstract : *This article highlights the deepening of integration in the global community, the rapid development of all areas, the substantial and significant increase in the flow of information, and the development of information technologies.*

Measures to prevent or reduce risks in risk management, risk management and financial shocks mitigating risk insurance is an important element of the negative characteristics of an accident and damage to internal structures unable to resolve cases caused economic losses of one or another apparently due to the need to restore it and required the availability of the necessary resources and that insurance can play a role. At the end of the article there are suggestions and recommendations.

Index Terms: Risk Management, Risk, Risk Indicators, Risk Level, Insurance, Insurance Activity, Insurance Market, Insurance Services, Insurance Fund.

I. INTRODUCTION

As a result of the intensification of the integration of the international community in the country, the question of introducing new information technologies in various areas of society was raised. Today, despite the type of enterprise, its success in the market is largely due to the fact that its collection of various types of information is efficiently processed and analyzed. The development of computer technology, although not traditional, may pose a risk for new financial losses. And therefore, a well-established risk management system in enterprises is a requirement of time.

Risk management is the process of identifying, analyzing and minimizing the negative effects of information security in an enterprise and making decisions about maximizing its positive results. Special attention to the risk factor in companies began to be paid in the years of independence, in the period of gradual transition to a market economy. In the context of market relations, risk management and accounting are independent theoretical and practical aspects as part of management theory and practice. Search, selection and editing of various ways to solve problems can be done only when there are alternatives.

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That is why the essential conditions of entrepreneurship are evident in the search and freedom of choice in economic practice in a variety of situations.

There is a risk that the whole process will benefit or incur losses. Therefore, it is impossible to imagine a business without risk. The increase in risk is a reflection of free enterprise and is a kind of payment. In order to live in the midnight conditions, it is based on technical renewal, courage and constant research, which in turn increases the risk. Therefore, in such cases, the manager should be able to avoid risk, but assess its level and manage it in order to reduce risks. Risk assessment primarily requires their separation into various groups, and determines the role of risk in the overall risk system, demonstrates effective risk management methods and it is convenient in developing measures for risk management, assessment, control and prevention. Defining the role of each risk factor in the overall system will allow you to choose the appropriate risk management method.

II. LITERATURE REVIEW

Insurance services, directions of development of insurance, financial, economic and legal aspects of insurance in our country were shown in scientific works by local scientists on insurance activities Kh.M. Shinnaev, I.O. Ochilov and S. Shirinov. Management of the development of insurance activities in Uzbekistan to improve the institutional framework for the development and management of insurance activities in accordance with the principles of economic modernization, theoretical, scientific, methodological and practical recommendations in his scientific studies justified Umarov SA.

The essence of insurance, types of insurance, theoretical and practical aspects are provided by foreign scientists Arxipov A.P., ¹Balabanov I.T., ²Gomelova V.B., ³Ermasov S.V., ⁴Shakhovym V.V.⁵ The concept of insurance, types of insurance, insurance against accidents, theoretical and practical aspects of life and health insurance are considered in scientific studies of Fedorov T.A. Insurance is one of the most important components of the economy, therefore the importance of studying compulsory and voluntary insurance, which is emphasized by the growing demand for insurance products in this area, was shown in the works of I. Vinnikova,

Arkhipov A.P., Adonin A.S. Insurance Educational and methodical complex. M.: Izd. EAOI Center. 2008. - 424 p.

¹ Balabanov I.T. Balabanov A.I. Insurance St. Petersburg: Peter, 2003. - 256p

¹ Gomel V.B. Insurance: studies. allowance. - 2nd ed. reclaiming and add. - M.: Market DS, 2006. - 488 p.

¹ Ermasov S.V., Ermasova N.B. Insurance Tutorial, 2nd edition, revised and enlarged. M.: LLC "Higher Education". 2008, 613 p.

¹ Shakhov V.V. Insurance M.: UNITI, 2003 - 311 p.

E. Kuznetsova and others. In the article of Veliev V.I. described how insurance is a very important tool to ensure sustainability in the economy, the development of the private sector of the economy, as well as the protection of business entities from various losses, and the government's ability to implement the necessary social policy. In the study literature, the long history of insurance, that is, the primary forms of non-commercial insurance are reflected in the agreements signed by Babylon's King Hammario in 2000, between the Forz gulf, Ancient Greece, and Old Rome.

III. RESEARCH METHODOLOGY

In the process of preparation of the scientific article, mainly experimental research was used, as well as statistical data was analyzed, using the information provided in the manual and textbook published by local and foreign scholars of the Ministry of Finance of the Republic of Uzbekistan. Based on the results of the analysis, conclusions and recommendations on risk management and insurance were developed.

IV. ANALYSIS AND RESULTS

In the context of a market economy, there is a wider and many-sided base for business, that is, from the point of view of economic activity, the meaning of which is the most incompatible and, in some cases, the opposite.

In particular, V. Cherkasov, at the beginning of the XXI century, in the economic literature noted the existence of more than 40 risk factors and more than 220 types of risk. Intensive research in the risk management industry over the next decade, including 2008 and recent years, caused by the global financial and economic crisis has greatly expanded the range of risks. In a market economy context, classical and neoclassical risk management theories are considered. In the first case, the risks are compared with mathematical assumptions that may arise as a result of decisions taken on market uncertainty. In the latter case, it is limited to estimating the probability of deviation from the targets. This is not only the expected benefits and benefits of implementing the solution, but also the magnitude of the deviations that can be expected.

Although mathematical methods for assessing business risks are not critical, there is no dispute in the economics literature about the subject and objective nature of risk.⁶ The purpose of the conceptual concept is that risk is an objective phenomenon, since its size reflects a quantitative assessment of the uncertainty and ambiguity of the real market. At the same time, there is another controversial point of view, and the risk is subjective, since it takes into account the consequences of choosing an alternative, i.e. risk is a choice when you need to take into account all the possible consequences.⁷ The main goal of risk management is not to

protect the company from bankruptcy, but to prevent the profitability of the enterprise, at least in any circumstances. Because mistakes in management are one of the main reasons for bankruptcy. That is why managers and entrepreneurs should take risk management performance seriously. Here are the main tasks facing the manager:

- knowledge of high risk areas;
- risk assessment;
- development and application of measures;
- risk analysis and warning.

It is advisable to take steps to prevent or mitigate risks. For example, it is important to minimize the risks in the information system, calculate the benefits, reduce errors and pay attention to technical means. In risk prevention, attention is paid to limiting risk or the risk to others.

Assessing the risk appropriateness should be primarily targeted at risk levels, depending on the risk level. The general view of these zones is given in Table 1 below.

Table 1 Possible area of risk

Positive risk-indications of movement	Negative risk-indications of movement		
Risky zone	Admissible risk area	Critical risk area	Destructive risk area

No-risk zone - risk indicators are areas where system elements signal that there is no real reason for normal behavior or loss. A high risk area is a risk zone that indicates that its activity is economically viable, but the loss of a system begins with the normal movement of elements. The critical (severely hazardous) risk area is characterized by the signals of risk-based indicators of the unbalanced movement of system elements resulting in losses that exceed the expected profit. Destructive risk area is a signal of the formation of catastrophe risk signals and of disaster risk signals in the movement of elements of the economic system that exceeds the critically high size and is equal to the maximum value of all property, which leads to complete loss of capital as a result of bankruptcy. This can lead to bankruptcy or bankruptcy of an enterprise or entrepreneur. Risky business life can threaten the health of an entrepreneur. The following four ways of managing and reducing risks are widely used in world experience:

1. Risk allocation or diversification. That is, the implementation of separate projects with equal value instead of major projects, the removal of stabilization forces.
2. Creating Funds and Resources.
3. Adjusting measures; (standardization, certification, licensing);
4. Insurance.

Each of these methods is unique. The effectiveness of this method depends on the type of risk. The point is that it is important to choose the most appropriate risk for each approach to risk management. The experience of developed countries shows that the most effective of these methods is risk insurance. Insurance is another way to compensate for the adverse effects of the risk by using less cost and is very easy to use.

⁶ Vasin SM. Risk Management at an Enterprise Moscow, KnoRus, 2010; Vorobiev S. N. Risk Management in Entrepreneurship. Moscow, ITC Dashkov and K, 2010. Fomichev A.N. Risk-management. Moscow, ITC Dashkov and K, 2009; Shapkin A.S. Economic and financial risks: Evaluation, management, investment portfolio. Moscow, ITC Dashkov and Co., 2011.

⁷ Goncharenko L.P. Risk management. Moscow, KnoRus, 2010; Gracheva M.V. Risk Management in Innovation. Moscow, Unity-Dana, 2010; Domashchenko D.V. Risk Management in the Conditions of Financial Instability Moscow, Master, 2010; Cherkasov V. V. Problems of risk in management. Moscow, 1999.

The advantage of insurance as a method of protection is not only a method of covering economic damage, but also an analysis of the insurance object during the contracting process (use of insurance as a method of insurance), as well as full and thorough auditing of the enterprise. An insurer who strives to avoid paying more insurance premiums is also interested in an insurer, who does not want to get a "bad" system into insurance. Insurance is one of the historical categories of society building, which was formed in the early years and gradually became an integral part of production.

Insurance activities are mainly caused by the fear of property loss as a result of the relationships between owners, each of which is associated with the preservation of property, various natural disasters or other theft, as well as other unnecessary risks of social life. Thus, the idea of co-payment of material damages among stakeholders was formed. Thus, in the life of society insurance has become the main tool of protection of all forms of ownership, enterprises and organizations, income of citizens and other similar interests, because insurance is a necessary element of production relations, which is connected with compensation of material losses in social production process. In a developed society, insurance has become the main tool for protecting all forms of ownership, enterprises, organizations, income and other interests. Insurance is a necessary element of the production relationship, which is related to compensation of material losses in the social production process. Regular renewal of production is necessary to meet the needs of people in all socio-economic formats, including the developed society.

The risk of a social product based on the conflict between man and nature, in the first place, can be prevented, the damage caused by natural and other disasters caused and eliminated. These objective relationships reflect the real and present need of people to survive. This relationship is characterized by special features and the sum of them constitutes the economic category of insurance protection of social production. Insurance is a component of the financial category as an economic category. However, when the finance transaction is related to revenue distribution, the insurance covers only redistribution relationships.

The official definition of the insurance concept is given in Article 3 of the Law on Insurance Activities: "Insurance is the payment of insurance compensation (insurance premium) to persons in accordance with the insurance contract upon the occurrence of a specific event (insurance case) at the expense of funds formed from insurance premiums, paid by legal entities or individuals through the protection of their interests. Insurance is a collection of insurance indemnities at its expense among its participants by a separate indirect re-allocation relationship, which is intended to compensate the undertaking, or equals family income as a result of the insured accident.

The characteristics of the insurance are as follows:

1. There is a sudden, unplanned and unsuccessful situation in insurance, ie re-allocation, which is based on the availability of insurance events.

2. Damage to insurance is made between insurance participants, ie insurers. The method of such compensation is based on the fact that the number of loss-making companies is less than the number of insurance holders, especially when the number of participants is sufficient. A target-oriented insurance fund is established to cover such losses. This fund is formed at the expense of the participants of the insurance

market. Funds of the insurance fund are used only among those who created it, and the size of the insurance fund represents the share of each participant in compensation of damage. Therefore, the larger the coverage of insurance participants, the lower the insurance base and the more effective the insurance.

3. Insurance indemnity covers regional unit and time-consuming. At the same time, insurers are required to insure sufficient funds for the effective re-allocation of the territories and insurable objects throughout the year. The role of insurance in our economy is growing thanks to the legislative base and guarantees created in our country for the development of the insurance system. In recent years, social insurance, medical insurance and life insurance have also increased. Social insurance funds are allocated to state, enterprises and organizations, as well as to personal funds for the disabled, unsuitable parts of society. Insurance premium is the amount of money that the insurer must pay to the insurer in accordance with the contract of compulsory insurance.

Table 2.
Comparable data on the insurance market of Uzbekistan for the first half of 2018 and the corresponding period of 2017⁸
(million soums)

	1st half of 2017	1st half of 2018	The change is in percentage
Insurance premiums, including:	435 976,4	817 604,9	188
Voluntary insurance	312 466,3	675 719,4	216
Compulsory insurance, including:	123 510,1	141 885,5	115

Total insurance premiums in our country at the end of the first half of 2017 amounted to 435976.4 million soums. In comparison with the same period of 2018, the amount of 817 604.9 mln. soums. Voluntary insurance premiums for the first half of 2017 amounted to 312466.3 million soums, the results of the first half of 2018 amounted to 675719.4 million soums. Compulsory insurance premiums for the first half of 2017 amounted to UZS 123510.1 million, and the results of the first half of 2018 amounted to 141885.5 million soums. Thus, according to the data, we can see that insurance premiums have increased by 2018. The key factors in the development of the insurance market are the increase in the trust and interest of the population in insurance companies and the extent to which they are insured by insurance companies. Because, the higher the amount of insurance coverage paid, the greater the confidence in these organizations, and the greater the number of insurers as a result. Therefore, the development of insurance relations requires further improvement in the following areas: increasing the activity of enterprises and organizations in the establishment of insurance relationships;

⁸ Based on the data of Stat.uz site.

In order to ensure the economic stability of enterprises it is necessary to fully cover the insurance coverage of their property, personnel and types of activities; expanding the capacity of the insurance company; formation of insurance culture at the required level; we believe that companies that can handle additional services and services will need to set up a mechanism for the sale of insurance products and thus improve their financial capabilities. At the same time, it should be possible to improve the quality of insurance services provided, to formulate individual approach to each customer, to update or renew insurance agreement at any point of the country, regardless of when and where the client is. Based on the information provided above, it can be said that insurance is one of the key factors ensuring sustainable development of the country's economy, as it provides social protection of the population through insurance, and also plays a special role in attracting investments into the insurance economy. For the further development of the insurance market in our country, it is necessary to consider the following:

- Formation of insurance culture in our country;
- Development and expansion of trade channels with the use of new insurance products and the use of ICT;
- Development of health insurance in rural areas and public health by promoting broad coverage of rural health insurance;
- Stable development of the system of training and retraining of personnel involved in insurance activity;
- Better understanding of the population with insurance activity, introduction of periodic publication on the insurance market for formation of the population's interest in insurance;
- Providing free competition in the insurance market;
- Improvement of the state regulation mechanism of the insurance market in line with modern requirements;
- Integration of banking and insurance sectors, etc.

In the context of deepening market relations, expanding the economy and expanding integration processes, the importance of insurance activities is growing. Especially in the conditions of modernization of the economy, expansion of insurance activity, improvement in accordance with the requirements of the time, effective use of international experience is required.

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