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WAYS TO IMPROVE THE EFFICIENCY OF INSURANCE ORGANIZATIONS' ACTIVITIES AND BUSINESS PROCESSES IN UZBEKISTAN

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Abstract - The article demonstrates that the efficiency of insurance activity can be increased by structurally optimizing business processes. This is achieved through the implementation of practices to minimize risks in the subject's activities, specifically by identifying, comparing, assessing, prioritizing, and portfolioing risks—especially by conducting multi-directional diversification of correlated risks according to the chosen strategy for business processes.

Keywords - insurance, business, risk, reengineering, insurance coverage, economics, global economy, finance, insurance premium, insurance market, transformation, insurance activity.

INTRODUCTION

In the second decade of the 21st century, global economic recovery is projected to exceed 3%. Since this global economic revival is the main factor contributing to the growth of insurance premiums, it is forecasted that “*in 2024, the volume of global insurance premiums will increase by 3.7% or reach 9 trillion USD.*”

Over the past twenty years, the most significant increase in tariff rates in the global insurance market has been observed in non-life insurance, which remains the main factor behind the growing volume of premium income. Consequently, the demand for the efficient organization of business processes—recognized as the key mechanism of protection against risk and a major driver of insurance activity—has significantly increased.

MAIN PART

From the perspective of global practice, insurance business processes are inherently dynamic and constantly require improvement. Therefore, both developed and developing countries pay particular attention to enhancing these processes. Such transformations often involve achieving success through *reengineering*, implementing fundamental changes in the *corporate governance system*, and introducing *targeted modeling of business processes*. These changes, in turn, bring about structural

transformations within organizations, the establishment of new departments, and the fundamental revision of their functions. Thus, business processes in the insurance sector remain a key determinant of global insurance premium growth.

The main efficiency indicator of insurance activity is determined by the ratio of *insurance services produced and sold*. Accordingly, it should be noted that the terms “insurance product” and “insurance service” cannot be considered identical, yet they are interrelated and operate within a single chain. In insurance theory and practice, there is ongoing debate over whether insurance operations should be classified as services, products, or goods.

This distinction arises from the specific nature of insurance operations, which are essentially *intangible*—that is, they do not possess a material form until the operations are executed. Insurance operations can be regarded as the result of labor, associated with the costs of their implementation. At the same time, the essence of insurance activity is inherently connected with *probabilistic characteristics*.

Taking into account the specific features of a given organization, particularly an insurance company, its activities—such as service provision (production or task performance), sales, financial and personnel policy, information support, and operational control—can be interpreted as components of its *internal environment* (see Figure 1).

The business processes of an insurance organization encompass activities such as the *development and sale of insurance products*, which together contribute to the creation of both internal and external value. It should be emphasized that *secondary insurance business processes* do not directly contribute to value addition.

Table 1.

Functional directions of the Insurance organization based on its operational features

Functional Directions	Content of Business Processes
Service Provision	• Making decisions based on underwriting of insurance partners and pricing of insurance services. • Providing services to insurance partners. • Analyzing risk factors and combinations of risk factors. • Assessing insurance risks and transferring them.
Planning	• Collection of insurance premiums. • Making payments on insurance claims. • Developing types of new insurance services. • Forming the company’s overall strategy, tactical management, and administrative business processes.
Financial Activity	• Maintaining accounting records, statistics, and management accounting. • Planning and managing financial flows. • Allocating insurance reserves and insurance capital.
Marketing Services	• Marketing insurance products, including forming pricing and service delivery systems. • Advertising and expanding the sales of insurance products to

Functional Directions	Content of Business Processes
	targeted market segments. • Analyzing and forecasting demand and supply for insurance products.
Human Resources	• Developing personnel policy, including ensuring sales of insurance products through insurance agents. • Implementing policies for staff recruitment and professional development in the insurance sector.
Information and Communication Technologies	• Providing advertising services. • Developing and introducing information technologies in insurance activities.
Monitoring and Control	• Monitoring and evaluating the work of employees. • Forming a database for decision-making and control functions.

In the insurance sector, rapid adaptation to changes and organizing insurance activities in accordance with these directions require the following:

- introducing information, communication, and digital technologies, including mobile insurance services;
- developing electronic marketing and e-commerce;
- applying modular systems for insurance services and products;
- improving insurance management;
- developing and implementing business models aimed at providing reliable and high-quality insurance services to clients;
- applying new approaches aimed at creating and developing a national insurance cluster.

For example, in order to provide insurance services more efficiently and improve their quality, claim applications submitted through the **ONLINE AMT system** are reviewed by insurance organizations. This system allows monitoring and continuous improvement of control and quality management models to ensure their effective implementation.

Through this system, the continuity of insurance service quality management processes is ensured by the following:

- parameters of services specified in regulatory documents;
- delivery of information to clients;
- mechanisms for implementing parameters defined in the consumption process of insurance products (claim compensation, consultation services);
- facilitation of mutual two-way relationships;
- analysis of operational performance;
- identification and assessment of risks;
- hypothesis and critical evaluation of the causes of insurance events;
- developing algorithms that describe the continuous functioning of business processes in the implementation environment;
- designing, approving, and implementing programs aligned with the classification (purpose) of business process improvement;

- developing business process reengineering programs;
- improving and restructuring operational processes aimed at delivering insurance services according to new quality standards.

In insurance activities, the interconnection of the parties' interests is reflected in the proportional implementation of liability volumes defined within the system of loss distribution relations. In this regard, the specific nature of insurance activities manifests itself in the closed implementation of loss distributionю

The Role of Risk Transfer in Insurance Activities as an Institution for Minimizing the Negative Consequences of Exogenous Factors in an Innovative Economy

In the context of an innovative economy, the implementation of risk transfer within insurance activities serves as an institutional mechanism for minimizing the negative effects of exogenous factors. This process is determined both financially and functionally by the specific characteristics of business processes at various levels of economic entities.

In this regard, the economic essence of the insurance market and the peculiarities of the activities of its participants highlight the importance of studying the multidimensional nature of the category of “risk transfer,” which defines different approaches to interpreting the functions and roles of these entities.

It should be noted that Uzbekistan has set a goal to achieve a gross domestic product (GDP) of **176.8 billion USD by 2030**, nearly doubling the current volume, while **GDP per capita** is expected to **triple**, and **life expectancy** to increase to **78–80 years**. From this perspective, it is necessary to emphasize the importance of developing **life insurance**, particularly through the introduction of **innovative types of insurance services** within this sector.

In Uzbekistan, a **Target Program for the Development of the Insurance Market of the Republic of Uzbekistan** has been developed and a **systematic monitoring mechanism** has been established. In particular, in the near future, the volume of **insurance premiums per capita** is expected to **increase threefold — from 60,000 to 200,000 soums**.

In this context, **foresight research** (from the English “*foresight*” — meaning “looking ahead” or “anticipation”) is of particular interest. The advantage of this technology lies in its focus on developing forecasts for changes in the external financial environment, the service infrastructure, and, notably, the **development of business processes in insurance activities**.

From this point of view, insurance activities, based on the specific features of risk transfer services in society, act as an **objective form of expressing economic relations**. As a system of relations aimed at protecting the **property interests of economic entities and the state**, insurance payments (compensations) represent an institutional mechanism for reimbursing losses (damages) incurred as a result of insured events, as prescribed by law, from funds accumulated through insurance premiums, in accordance with the established level of liability.

Risk-Based Approaches in the Financial Evaluation of Subjects under Globalization and Their Application in Insurance Activities

In the rapidly advancing conditions of globalization, the role of **risk-based approach instruments** in assessing the financial condition of economic entities within the **functionality of competitive mechanisms** is steadily increasing.

Systematic business processes, formed on the basis of the **fundamental principles of insurance activities** and **accumulated practical experience**, serve as the foundation for the improvement of insurance services.

As a result of the conducted research, the study examined the application of **modified business processes** based on **differentiated tariff rates**, which are determined by the direct variability of combined **risk–income indicators** across specific sectors. In particular, it was revealed that within the ratio reflecting the interrelation between **expected income and risk transfer**, as income increases, the probability of obtaining it decreases; however, it remains possible to secure a **certain minimum guaranteed income**.

An **optimal ratio between income and risk** can be achieved, where the “income–risk” combination reaches its **maximum efficiency level**. In this regard, the income–risk ratio proceeds in **direct correlation with the level of risk**, meaning that **higher risk can potentially yield higher income**.

In the context of sectors characterized by diverse combinations of risk–income indicators, the application of a **modified business process** based on **differentiated insurance tariff rates** within the operations of **Uzagrosugurta JSC** resulted, in 2024, in an **18.9% increase** in the total number of insurance contracts compared to the previous year. Furthermore, the **average tariff rate** rose by **27.6 points**, reaching **0.6%**.

However, it should be noted that, in practice, under conditions of **expanding risk coverage**, the use of **optimal tariff rates** is considered the most effective. Therefore, achieving a **balance between risk and income** requires the use of the **approximation method**.

The implementation of insurance activity not only involves the **acceptance of certain risks**, but also necessitates ensuring the **generation of corresponding income**. Assuming that the minimum income level depends directly on the respective degree of risk, it becomes possible to identify cases characterized by a specific **combination of income and risk**. Business processes that fail to ensure even a minimal level of income are considered **inefficient**.

At present, under the influence of both **external environmental factors** and **strategic development**, the process of **structural-technological, motivational, and corporate culture transformation**—based on a **systemic concept of managing financial instruments and assets**—requires the integration of **digital technologies** for the analysis of large-scale data through the implementation of a **multicomponent matrix-type functional business model**, which embodies the potential for providing **competitive insurance services**.

However, it should be noted that, in practice, under conditions of increasing risk

coverage in insurance activities, the application of optimal tariff rates is considered to be the most effective approach. Therefore, to achieve a balance between risk and income, it is necessary to use the approximation method.

The analysis of the performance parameters of „Uzagrosugurta” JSC demonstrated the levels of equilibrium between these indicators (see Table 2).

Table 2.

Parameters of “Uzagrosugurta” JSC’s Activity Indicators

№	Uzagrosugurta” JSC’s Activity Indicators	Indicators	Years				
			2016	2018	2020	2022	2024
1		Volume of insurance premiums (billion soums)	142.6	134.3	178.0	252.6	178.2
2		Volume of compensations (billion soums)	29.4	93.3	65.6	97.6	91.4
3		Volume of revenues(billion soums)	113.2	41.0	113.4	155.0	86.8
4		Deviation ($ x_i - \bar{x} $)	11.4	60.8	11.6	53.2	15.0
5		Risk(percent) $\left(\frac{ x_i - \bar{x} }{\bar{x}}\right)$	11.2	59.7	11.4	52.2	14.7

The analysis of the performance indicators of “Uzagrosugurta” JSC shows that during the years 2016, 2018, and 2020, the revenue indicators amounted to 113.2 / 113.4 / 155.0 billion soums, respectively, demonstrating a consistent upward trend. However, in 2022 and 2024, these figures amounted to 41.0 and 86.8 billion soums respectively, indicating a decline compared to previous years.

Based on the above tables, regression and dispersion analyses were carried out using the following formulas:

$$\begin{cases} a \sum_{i=1}^n n_{x_i} x_i^4 + b \sum_{i=1}^n n_{x_i} x_i^3 + c \sum_{i=1}^n n_{x_i} x_i^2 = \sum_{i=1}^n n_{x_i} x_i^2 \overline{y_{x_i}}, \\ a \sum_{i=1}^n n_{x_i} x_i^3 + b \sum_{i=1}^n n_{x_i} x_i^2 + c \sum_{i=1}^n n_{x_i} x_i = \sum_{i=1}^n n_{x_i} x_i \overline{y_{x_i}}, \\ a \sum_{i=1}^n n_{x_i} x_i^2 + b \sum_{i=1}^n n_{x_i} x_i + cn = \sum_{i=1}^n n_{x_i} \overline{y_{x_i}}. \end{cases}$$

$$\bar{x} = \frac{\sum_{i=1}^n k_i x_i}{N}, D = \overline{x^2} - (\bar{x})^2, \sigma_x = \sqrt{D} \quad (|x_i - \bar{x}|), \left(\frac{|x_i - \bar{x}|}{\bar{x}}\right) - \text{risk}.$$

Regression Equation of Income/Risk in the Activities of Insurance Organizations of Uzbekistan.

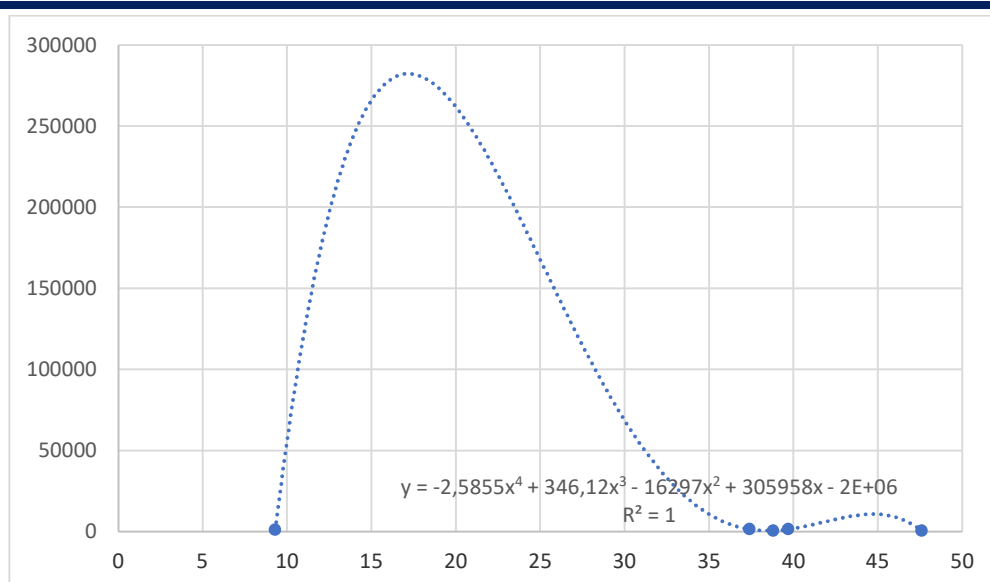


Figure 1. Risk regression line

It can be seen from the regression line that an increase or decrease in risk (x) has been a factor disrupting the uniformity of income (y) in the organization(s). Therefore, in insurance activities, it is advisable to achieve a stable balance between income and risk conditions.

In this regard, it is important to consider the instruments of managing the insurer's financial assets and the external factors that may influence this process. In business processes, the management of financial assets — for instance, the method of generating income — can be modeled according to the functional characteristics of asset types.

Developing a consistent system of categories and instruments used in financial asset management requires studying the opportunities of insurance companies in using financial instruments, as well as examining the integrated system of financial asset management within these companies.

The task of the subject is to define the methodology and ensure the modeling of business processes for financial asset management. The business model of insurance activity constitutes the internal environment of the organization; however, modifications consistent with strategic requirements should be introduced under the influence of external factors.

While business process models remain under managerial control, the strategy is implemented in close connection with external environmental trends. In this context, the structure of business processes, information technologies, corporate culture, and changes in restructuring strategies must develop in an interrelated manner.

In the financial asset market, the risks and potential losses resulting from them play a significant role in insurance activity, as business processes aim to prevent bankruptcy and crisis situations. In this process, the use of derivative financial instruments contributes to the socio-economic development of advanced economies, particularly enhancing the economic stability of insurance activities.

It should be noted that the modeling of financial asset management in business

processes:

- presupposes the creation of a system of financial asset management,
- and the introduction of systematic changes in this process, taking into account the influence of the external environment.

In line with the objectives of targeted modeling, the organizational structure may be modified — including the establishment of new departments or revision of existing functions — serving as a factor in achieving the expected outcomes.

Based on specific methods and approaches, it is crucial to implement risk portfolio diversification, particularly the multidimensional distribution of risks correlated with the chosen business process strategy.

Risk diversification refers to the distribution of an insurer’s investment-oriented portfolio using methods and techniques based on various criteria. Specifically, the interconnection of diversified portfolio assets implies that a loss incurred from one asset can be compensated by the profit gained from another.

Identification and Optimization of Risks in the Subject’s Activity

The implementation of practical measures aimed at identifying, classifying, comparing, evaluating, prioritizing, and portfolio management of risks — particularly through multi-directional diversification of risks correlated with the chosen business process strategy — has resulted in their minimization. As a result, due to the structural optimization of the business process, the operational efficiency of “Uzagrosugurta” JSC increased by 34%, and its profitability indicator rose by 2.7 times.

Improving the organizational structure of the insurance company, particularly by establishing clear regulation-based relations among its structural divisions and forming a system for business process optimization, can significantly enhance the efficiency of these processes.

The existence of a concept for improving the organizational structure of the insurance company creates objective conditions for forming a specialized department responsible for the selection and training of employees, as well as defining the company’s tasks, functions, rights, and obligations.

CONCLUSION

The theoretical and practical study of the economic relations arising from the systematic approach to improving the essence and factors of insurance activity and business processes has led to the following conclusions:

Firstly, as global economic recovery exceeded 3% in the second decade of the 21st century, this growth has been identified as one of the main factors driving the increase in insurance premiums. Consequently, it is projected that *“in 2024, the volume of global insurance premiums will rise by 3.7%, reaching USD 9 trillion.”* This, in turn, strengthens the demand for the effective organization of business processes in insurance activities.

Secondly, given the inherent variability of business processes in global insurance practice, these processes are constantly in need of improvement. Both developed and

developing countries are paying increased attention to enhancing these processes. Such transformations involve achieving success through reengineering, implementing fundamental changes in corporate governance systems, and purposeful modeling of business processes, which necessitate structural transformations within organizations — including the establishment of new divisions and a fundamental revision of their functions.

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