



Article

Improving The Efficiency of Investment Activities of Insurance Companies As A Guarantee of Their Financial Stability

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Abstract: Insurance companies play a vital role in global economic development by mobilizing financial resources and investing in various sectors. Their financial stability significantly impacts the broader investment environment. In Uzbekistan, enhancing the efficiency of insurance companies' investment activities has become crucial to strengthening their contribution to national economic growth and financial resilience. Despite strategic intentions, there is limited methodological guidance and systemic regulatory support for optimizing investment activities and ensuring financial stability in the insurance sector. This study aims to improve the methodology for assessing the efficiency of insurance companies' investment activities and propose scientifically grounded and practical recommendations to enhance their financial stability. The research reveals that Uzbekistan's insurance companies increasingly rely on bank deposits and securities, with a notable diversification of investment directions. However, imbalances in insurance portfolios and underutilized financial reserves persist. The volume of investments in real estate and loans grew significantly in recent years, while reliance on authorized capital investments declined. The paper integrates theoretical insights, actuarial calculations, and empirical data to build a classification of internal and external factors influencing investment potential. It also introduces a framework for the effective monitoring and risk assessment of insurance companies. The findings underscore the need for regulatory reform, development of national investment strategies, and the introduction of international rating standards to elevate the financial sustainability of insurers. Strengthening investment infrastructure and promoting transparent governance will ultimately ensure a stable insurance sector capable of driving economic modernization in Uzbekistan.

Keywords: financial and investment activities, diversification, financial stability, investment portfolio, investment potential.

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1. Introduction

The role of insurance companies in ensuring the stability and progressive development of the global economy is growing significantly. Insurers make a significant contribution to global economic growth, investing tens of trillions of dollars in assets of various sectors of the global economy[1]. Ensuring the financial stability of insurance companies requires searching for alternative options for the timely fulfillment of their obligations to creditors and policyholders, revising and improving strategies for ensuring the financial stability of insurance companies by diversifying investment activities.

In the course of the development of the insurance market in the world, much attention is paid to scientific research on increasing the efficiency of investment activities of insurers and ensuring their financial stability[2]. In particular, scientific research is carried out related to the definition of classification characteristics of external and internal factors in

assessing and ensuring the financial stability of insurance organizations, the introduction of modern financial instruments in the insurance market, diversification of insurance services, the development of a mechanism for monitoring financial stability, the study of the reasons that have a negative impact on the process of capitalization of insurers and increasing their role in the market of internal investment resources, organizing the assessment of the effectiveness of activities and financial stability of insurance companies[3].

Important priority tasks have been developed to further increase the importance of insurance companies in ensuring the development of the economy of Uzbekistan. In particular, "in order to further strengthen macroeconomic stability in the country and ensure high rates of economic growth, the primary task is to introduce new forms of insurance and other financial services, expand the volume of insurance services by introducing new types and improving their quality." However, it remains obvious that the correct and rational direction of their funds and insurance reserves is of great importance in the investment activities of insurance companies. Insurers conducting active investment activities require studying and analyzing domestic and foreign experience in this area, as well as conducting effective research in this area[4].

Literature review. Research on improving the efficiency and management of investment activities of insurance companies, as well as improving the foundations of proper organization are conducted and implemented by the world's leading higher education institutions, research centers and prestigious international financial and credit organizations, including the University of Colorado (USA), Dortmund University (Germany), Tamkang University (Taiwan), the International Association of Insurance Supervisors (IAIS), AM Best (USA), the International Association for the Study of Insurance Economics, the International Actuarial Association (IAA), The Society for Risk Analysis (SRA), Insurance Europe (EU), the Association of Mutual Insurers and Insurance Cooperatives of Europe (AMICE), Tashkent State University of Economics and Samarkand Institute of Economics and Service (Uzbekistan)[5]. The level of study of the topic of this article in Uzbekistan and abroad differs significantly, since in economically developed countries there has long been an understanding that the insurance market is a strategic sector of the economy and the largest source of investment capital. Theoretical and methodological foundations of the activities of insurance companies and some issues of improving their investment activities are considered in the scientific works of national and a number of foreign researchers. In the studies of leading foreign scientists K. Pfeiffer, D. Bland, G. Chernova, A. Artamonov, Yu. Akhvlediani, A. Fedorova, I. Balabanov, A. Balabanov, E. Razumovskaya, V. Fomenko, N. Nikulina, S. Berezina, A. Gvozdenko, Yu. Spletukhov, E. Dyuzhikov, E. Artemova, N. Ivanov, I. Tsanev, the directions of increasing the efficiency of investment activities of insurance companies were partially studied. Uzbek economists R. Azimov, T. Karimov, Sh. Imomov, H. Shennaev, K. Kuldoshev, N. Kozieva, M. Khodjaeva, M. Askarova, T. Baimuratov, A. Nurullaev, S. Umarov, I. Abdurakhmanov, H. Boyev, O. Yuldashev, I. Kenjaev, G. Khalikulova, G. Adilova, Sh. Toshmatov conducted scientific research on the issues of effective organization of insurance companies and ensuring their financial stability[6].

2. Materials and Methods

Systematic analysis, generalization, grouping, observation, logical and comparative methods of analysis, abstract-logical thinking, comparative analysis, mathematical modeling, econometric analysis, actuarial calculations, etc. are some of the scientific methods used in this work to study the processes of economic reality.

This study employed a combination of theoretical and empirical methods to assess the efficiency of investment activities of insurance companies and explore mechanisms to strengthen their financial stability. The research utilized systematic analysis, generalization, and observation to identify trends and challenges in the current investment practices of insurance firms in Uzbekistan. Logical and comparative analysis was applied to examine the differences between domestic and international experiences. Abstract-logical thinking, econometric analysis, and mathematical modeling were

employed to interpret financial data, evaluate the structure and dynamics of investment portfolios, and forecast potential financial outcomes. Actuarial calculations were also integrated to estimate insurance-related financial indicators. The study analyzed statistical data from the Ministry of Finance of Uzbekistan, focusing on the volume and structure of insurance investments from 2020 to 2022, particularly in sectors such as bank deposits, securities, and real estate. The methodological framework emphasized both internal and external factors influencing financial stability, including the legal and institutional environment, corporate governance, risk management, and market competitiveness.

3. Results

In the economic scientific literature, a number of authors do not have a unified opinion on the level of participation of the insurance fund in the financial mechanism and the structure of financial relations, in connection with this, the ground is created for the emergence of different views on the organization of finances of the insurance company. Therefore, in economic sciences this issue is considered debatable and includes the following definitions:

Finances of insurance organizations are a set of economic relations associated with the formation of an insurance fund and the use of this fund for the purpose of compensating for losses caused to clients. The finances of an insurance organization are economic, monetary relations that are formed, attracted and regulated by the state when using borrowed funds in order to implement the main task of the insurance organization and ensure the growth of the company's value. The finances of an insurance organization are a set of certain monetary relations regulated by the state for the formation and use of insurance capital and cash flows for the implementation of insurance and investment activities[7].

The finances of an insurance organization are state-regulated monetary relations arising in the process of formation and use of own, as well as borrowed and attracted financial resources.

The main source of inflow of financial resources of insurance organizations are insurance premiums, and the outflow is insurance coverage (insurance payments) and administrative expenses.

One of the main external factors affecting the financial stability of insurance companies is the legal basis for regulating this system in the country. It is the fact that the regulatory documents regulating the insurance market are developed at a perfect level that ensures the effective operation of companies based on the implementation of strategic projects, making optimal decisions and achieving financial stability. In addition, the main internal factors affecting the financial stability of insurance companies include such important factors as the effective organization of the corporate governance mechanism in insurance companies, the possibility of diversifying types of insurance and services, the correct organization of risk management, optimization of the insurance portfolio and the size of insurance reserves. When studying the essence of the financial potential of insurance organizations, it is advisable to conduct research in two directions, the first is the content and essence of the concept of "financial potential", and the second is the creation of a comprehensive system of concepts. reflecting the financial potential of insurance companies (**tab. 1**)[8].

Table 1 show, insurance organizations are becoming large institutional investors, directing temporarily free funds to various sectors of the economy. Today, in terms of the volume of transactions carried out on the main world stock markets, insurers are among the top ten. From this point of view, it is important to effectively use the potential and capabilities of insurers to attract investments necessary for economic development.

Table 1. Classification of indirect indicators of investment potential and factors influencing them

Indicators reflecting the size of investment potential	factors affecting performance	
	External factors	Internal factors
Number of concluded insurance contracts	<ol style="list-style-type: none"> 1. The state of competition in the insurance market. 2. Demand for insurance company services. 3. Insurance company rating and advertising effectiveness. 4. Economic situation in the region and the country as a whole. 	<ol style="list-style-type: none"> 1. Insurance company tariff policy. 2. Useful suggestions for insurance contracts. 3. Large size of the insurance company. 4. Service sales system. 5. Number and location of branches of the insurance company
Insurance amount under concluded insurance contracts	<ol style="list-style-type: none"> 1. Physical condition of insured objects. 2. Priority of interests of insured persons 	<ol style="list-style-type: none"> 1. Types of insurance. 2. Methods and principles of determining the insured amount.
Number of branches of the insurance company	<ol style="list-style-type: none"> 1. The state of competition in the insurance market. 2. Population concentration in the regions. 3. Demographic situation in the country. 4. Crime factors 	<ol style="list-style-type: none"> 1. Small size of the company. 2. Financial position of the insurance company. 3. Qualification level of management and managers
Rating of the insurance company	<ol style="list-style-type: none"> 1. Image of the insurance company. 2. Methodology used to assess the rating. 	<ol style="list-style-type: none"> 1. Large or small size of the company. 2. Size of the authorized capital and equity. 3. Level of financial stability of the company.
Level of tax burden	<ol style="list-style-type: none"> 1. Tax rates. 2. Methods for determining the tax base. 	<ol style="list-style-type: none"> 1. Accounting policy and its elements. 2. Efficiency of the insurance company. 3. Amount of assets.
Income indicators of the financial market	<ol style="list-style-type: none"> 1. Stability at the macro level. 2. Inflation. 3. Money circulation and its state. 	-
Efficiency of economic sectors	<ol style="list-style-type: none"> 1. State economic policy 	<ol style="list-style-type: none"> 1. Organization of the production process
Standard of living of the population	<ol style="list-style-type: none"> 1. Economic state of the country. 2. Social policy of the state. 	<ol style="list-style-type: none"> 1. Economic activity in the economy. 2. Level of professional qualifications.
Net income from investments	<ol style="list-style-type: none"> 1. Refinancing rate. 2. Level of return on invested assets 	<ol style="list-style-type: none"> 1. Directions of the company's investment policy. 2. Volume of investments

In the study and analysis of the current state of investment activities of insurance companies in Uzbekistan, the procedure for assessing the investment potential of the general insurance network and the life insurance industry was studied, and areas for improving the practice and mechanisms of state regulation of the insurance industry were shown[9].

According to analytical data from the Ministry of Finance of Uzbekistan, in 2020, the total amount of insurance premiums collected by insurance organizations in the country

during the pandemic showed a decrease compared to the previous year and amounted to 2.2 trillion soums, which is 5.0% less than the previous year.

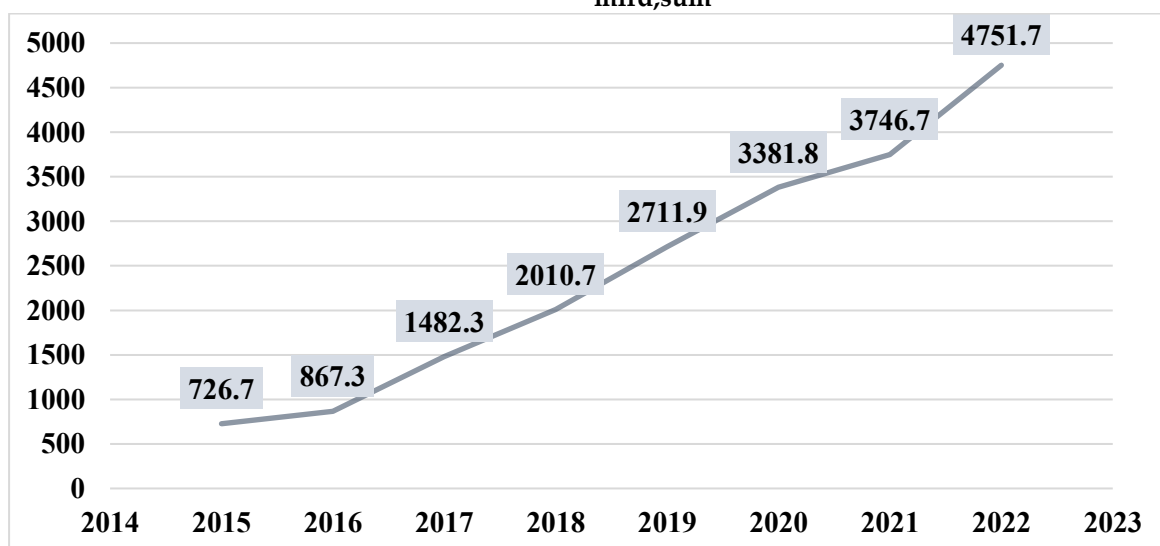
Despite the decrease in some indicators of the insurance market in the analyzed period, there was a slight increase in some types, for example, compulsory types of insurance[10].

In 2020, insurance coverage decreased, as did insurance premiums. In the period under review, company payments decreased by 10.0% compared to last year and amounted to 735.1 billion soums. Such a sharp change can be explained by an increase in premiums under life insurance contracts in 2020. By the end of 2022, the growth of the investment portfolio of insurance companies has increased significantly compared to last year.

According to the Ministry of Finance of the Republic of Uzbekistan, during the analyzed period, the current volume of the investment portfolio of companies increased by 26% and amounted to 4,751.7 billion soums [11].

As shown in **Figure 1**, an increase in equity capital and income of insurance companies allows them to build up insurance reserves and increase the volume of investments.

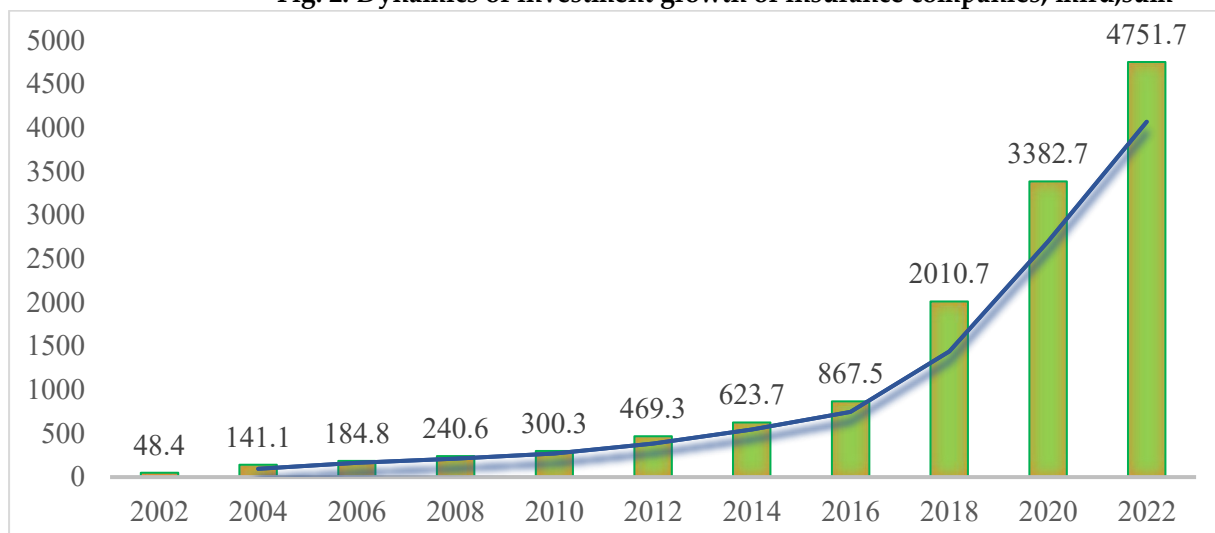
Fig. 1. Dynamics of changes in the investment portfolio of insurance companies, mlrd,sum



A significant part of investments made in 2022 fell on bank deposits. Figure 11 shows that the growth dynamics of insurance organizations' investments in bank deposits increased by 31.2% to 2896.6 billion soums[12]. The volume of investments in securities reached 1287.9 billion soums, which is 17.5% more than in 2021. In addition, compared to the 2021 figures, the volume of investments in real estate, shares in the authorized capital of enterprises, bonds, etc. increased. Enterprise investments aimed at participation in the authorized capital decreased by 16.9% and amounted to 118.2 billion soums. Loans increased by 28.1% and amounted to 60.7 billion soums. Investments in real estate amounted to 358.9 billion soums, which is 45.1% more than last year. Other investments of insurance companies amounted to 29.2 billion soums and increased by 471.1% compared to last year[13].

Figure 2 presents a bar and line chart illustrating the progressive increase in investment volumes by insurance companies in Uzbekistan from 2002 to 2022. The vertical axis measures investment volume in billion soums (mlrd. sum), while the horizontal axis shows the years in two-year intervals.

Fig. 2. Dynamics of investment growth of insurance companies, mlrd,sum



In 2010, the investment resources of insurance organizations directed to securities accounted for 40.8% of the total volume of investment funds, and in 2022, 27.1% were invested in securities. Over the past 20 years, insurers have demonstrated a significant decrease in the share of securities in their investment portfolio.

The results of the analysis of the investment portfolio of insurance companies at the end of 2022 showed that the share of bank deposits in the total volume of investments is high.

Generally speaking, the percentage of investments in bank deposits and securities in insurance companies' investment portfolios rose considerably in 2022, while the percentage of investments in organizations' authorized capital decreased. We also noticed a sharp increase in other insurance companies' investments. As one of the most crucial elements in guaranteeing financial stability, these modifications have a major effect on the qualitative indicators of insurance firms' investment portfolios. National insurance companies now have suboptimal insurance portfolio quality and structure, thus they modify these metrics based on market conditions as well as their organizational and financial capacities.[14].

4. Discussion

Numerous economists' works have been analyzed, and the results indicate that there is currently no distinct system method to managing insurance portfolios. A thorough mechanism for evaluating the insurance portfolio's efficacy and figuring out its ideal structure must be developed in order for theory to stay up with practice.[15]. This issue is crucial to maintaining the nation's growing insurance industry and economic stability. Therefore, it's critical to bridge theoretical gaps and carry out additional study in this field. It is important to highlight that national insurance companies are succeeding in creating a balanced insurance portfolio in spite of the current issues and technical challenges. Building an ideal insurance portfolio is essential to an insurance company's ability to function in the market as well as a means of guaranteeing its financial stability. It should be noted that the role of insurance companies in Uzbekistan in increasing the investment potential of the country is still not noticeable. The main reason for this is that the financial capabilities of insurers are not at the level of investing large amounts. The source of investment for insurers simply depends on the volume of insurance premiums. The more insurance premiums are received by policyholders, the more insurance reserves and assets increase.

It is suggested that the securities market, as well as the market for corporate, municipal, and government bonds, be developed in Uzbekistan in order to enhance the role of insurance firms in raising the nation's investment potential. Above all, it is essential

to guarantee the securities' high liquidity and appeal to investors, including insurance firms.

As a result of scientific research to ensure the effectiveness of investment activities of insurance companies, the following main conclusions were formed.

It is known from foreign practical experience that today the requirement for the minimum size of the authorized capital of insurance organizations is high compared to other macroeconomic indicators. The implementation of additional services by the company, the increase in financial and investment opportunities directly depend on this type of resources. Therefore, a gradual reduction in the minimum required amount by insurance companies, based on international practical experience, will serve to increase the opportunities for additional comprehensive development of companies in the future.

Assessment of the financial stability of insurance organizations is one of the important issues for all participants in the financial market. The financial stability of insurance companies is a complex process that can be assessed only by certain indicators. Today, although a regulatory document has been developed to assess the effectiveness of joint-stock companies with a state share in the authorized capital, the rules of this Regulation do not apply to commercial banks and insurance organizations. It is necessary to develop a Regulation based on international standards and the methodology of calculations of international rating agencies for assessing the effectiveness and financial stability of insurance companies and implement it in practice.

The volume and efficiency of financial resources are of great importance in ensuring the financial stability of insurance organizations. Today, it is necessary to form additional reserve funds in insurance companies and gradually reduce the standards established for them. In particular, the abolition of the practice of forming a reserve of preventive measures will create the possibility of forming a reserve of double financial resources at the disposal of insurance companies.

When the system for keeping an eye on insurance firms' financial health is well-organized, fewer opportunities are lost to accomplish the company's strategic objectives, which are based on econometric financial stability forecasts and risk assessment. The implementation of the due diligence process in insurance firms is based on global real-world experience and serves to both guarantee information transparency and evaluate the company's potential for future investment.

5. Conclusion

The need to develop an investment strategy for a corporate structure is determined by changes in external and internal conditions of the external environment. Effective investment management can only be organized on the basis of a clear investment strategy adapted to possible changes in the external investment environment, in other words, the possibility of contradictory investment decisions of individual divisions of the corporate structure reduces the effectiveness of investment activities. Changes in the factors of the external financial environment of the corporate structure may be associated with significant changes in the objectives of operating activities or with upcoming changes in the stages of the life cycle. The discovery of new commercial opportunities causes a change in the objectives of the operating activities of the corporate structure. In this case, the developed investment strategy provides a forecast for the growth of investment activity of the corporate structure and diversification of investment activities. In order to achieve these goals, in addition to making decisions on the effective organization of financial, investment and operating activities, appropriate measures are developed and implemented for the effective organization of the assessment and management of financial risks. All activities related to financial risks ultimately prevent future financial losses and ensure the financial stability of the enterprise. In order to effectively organize the process of assessing and managing financial risks in corporate finance management, it is necessary first of all to understand the stages of development, types, assessment and management of existing financial risks.

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