



THE PROCESS OF ESTABLISHING VOLUNTARY PENSION INSURANCE RELATIONSHIPS IN A DIGITAL ENVIRONMENT: PROBLEMS AND SOLUTIONS

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INTRODUCTION

Regardless of the form of society, for all times and places, man has engaged in work to satisfy his needs. There comes a day when a big event happens in a person's life. We collectively call this change aging.

A person wants to spend his old age in peace, calm and healthy. It is for this purpose that he brings up a child, works and accumulates property.

Everyone has the right to receive social security in the event of old age, loss of working capacity, as well as in the event of loss of a breadwinner and in other cases provided for by law.

In the Republic of Uzbekistan, consistent reforms aimed at strengthening social protection of the population, especially persons with disabilities, ensuring their rights and freedoms, material support based on the principles of social justice, and raising the standard of living are being implemented.

At the same time, there is a need to further improve the well-being of persons with disabilities and to review the effectiveness of social protection programs based on the principle of "For human dignity".

There have been many changes in the insurance market in recent years. Their original purpose was based on the principle of serving people. These include reforming the insurance market, digitizing the insurance market, expanding the classification of the life insurance industry.

The development of the economy of any state, including the national economy of the Republic of Uzbekistan, requires reforms aimed at changing the organization of pension systems in the future.

When developing a road map for such reforms, economists and specialists of relevant ministries do not seek to use new mechanisms that have not been tested so far - this is very dangerous. In many cases, countries refer to the recommendations developed by international organizations such as the Organization for Economic Co-operation and Development (<https://www.OECD.org/>) or the World Bank (<https://www.worldbank.org/>) or to the successful experience of other countries.

The pension system, which is recognized as the best practice in developed countries, has two common features: firstly, the pension insurance products that are accumulated are used in harmony with each other, and secondly, the social protection function of pension funds formed by the state is considered important.

Research on the world practice of pension law reform shows that pension reform is a continuous process, and even the countries of the world whose pension systems we consider benchmarks are no exception. At first glance, their pension systems may appear stable and their established principles unblemished. However, since new problems are constantly emerging, pension systems must be reformed to maintain the effectiveness of their functions. The main problem of the pension systems of almost all developed countries is the increase of the elderly population. This problem is evident in the fact that the rate of accumulation decreases as life expectancy increases. This, in turn, requires the government to increase socially oriented public expenditures. The state authorities prioritize tasks such as encouraging the use of alternative pension mechanisms among its citizens during the pension reform.

For this purpose, the practice of stratification of indexation norms of voluntary pension insurance contracts accumulated in recent years is increasingly used.

There is a need to introduce new types of insurance that help to cover the population with this type of insurance service and ensure the preservation of the value of savings in the long term. However, the task of achieving the adequacy of the discounted rate of return of these funds is a more complex task.

According to the opinion of a number of experts in this field, in the development or improvement of legislation on voluntary pension insurance system, it should be implemented taking into account the existing world



experience and the current legislation of the Republic of Uzbekistan. These measures will help to avoid common mistakes in pension reform. At the same time, the pension system in the Republic of Uzbekistan has its own characteristics - it is related to the existing experience of the reform of the pension system, which was accumulated during the period of being part of the Soviet Union.

It should be clearly distinguished that the state pension system follows this principle of generality, while the long-term voluntary pension insurance relationship applies voluntarily based on the client's capabilities.

In order to ensure the implementation of the Decree of the President of the Republic of Uzbekistan dated October 23, 2021 PP-5265 "On additional measures to digitalize the insurance market and develop the life insurance sector" and expand the classification of insurance activities, thereby popularizing the types of insurance services in the life insurance industry and in the personal insurance, developing insurance products that serve the needs of the population and the economy, the Resolution of the Cabinet of Ministers dated June 9, 2022 No. 323 "On amendments to some decisions of the Government of the Republic of Uzbekistan, as well as on the recognition of some of them as invalid" was adopted.

In accordance with the decree, the Insurance activity classifier approved on the basis of Appendix 6 of the unified regulation "On the procedure for licensing certain types of activities through a special electronic system" approved by the decision of the Cabinet of Ministers No. 805 of February 21, 2022 was expanded by adding additional insurance classes.

In particular, the life insurance sector includes V-class "Liability insurance", VI-class "Long-term voluntary pension insurance" and VII-class "Life insurance with return of capital", while the general insurance sector includes 18th class "Medical "Insurance" class was introduced.

These new additions to the insurance classification serve to expand the range of services in the insurance market of our country and increase the standard of living of the population.

It is no exaggeration to say that the period of severe testing and responsibility has come for the life insurance companies operating in the Republic of Uzbekistan. Because recent changes in legislation have eliminated the existing tax credit on long-term life insurance from April 1, 2023. This event completely ended the savings function of long-term life insurance.

According to skeptical experts, this way the government planned to sort out life insurance companies and significantly increase budget revenues.

If analyze the numbers. According to the Insurance Market Development Agency under the Ministry of Finance, the situation in the life insurance market in the last three years is as follows:

Insurance market structure	31.12.2020	31.12.2021	31.12.2022
Number of insurance organizations	40	42 (+5%)	41(-2.4%)
including on life insurance	8	8	8

(Table 1)

Types of insurance	Insurance Premiums, Million Soms		
	31.12.2020	31.12.2021	31.12.2022
The field of life insurance, including:			
Class I - Life and Annuities	163 752	305 349 (+86,5%)	520 350 (+70,4%)
Class II – Marriage and birth	16	21 (+30,9%)	1 (-93,4%)
Class III – Long-term life insurance	136 147	385 234 (+183,0%)	976 648 (+153,5%)
Class IV – Health insurance	3	700 (>+1000%)	25 (-96,5%)
Insurance for two or more classes	48	40 (-16,2%)	888 (>+1000%)

(Table 2)

As can be seen from the data in the table, the total insurance premiums collected in the I, III classes of the life insurance sector during 2020-2022 amounted to 2,487,480.0 million soums. So, if we consider that 12% income tax of customers is included in these collected rewards, the total amount of taxes is 298,497.6 million soums. These numbers look like this when broken down by year. In 2020 - 35,987.9 million soums, in 2021 - 82,869.9 million soums, and in 2022 - 179,639.7 million soums.



We will continue to analyze this situation. In the period we are analyzing, insurance companies also carried out investment activities at the expense of the insurance premiums they received. This activity looks like this in numbers:

Investment activities of insurers

Indicator name	Investment activity, million soms		
	31.12.2020	31.12.2021	31.12.2022
Deposits	1 818 925	2 208 573 (+21,4%)	2 896 636 (+31,2%)
Securities	958 552	1 095 976 (+14,3%)	1 287 917 (+17,5%)
Loans	42 054	47 449 (+12,8%)	60 776 (+28,1%)
Real estate	285 320	247 351 (-13,3%)	358 944 (+45,1%)
Participation in the charter fund of organizations	272 143	142 203 (-47,7%)	118 221 (-16,9%)
Other investments	5 691	5 122 (-10,0%)	29 252 (+471,1%)
Total:	3 382 685	3 746 676	4 751 745
including on life insurance	456 662	505 801	641 486

(Table 3)

Among these numbers, the share of life insurance companies is on average 13-14%. In 2022, the amount of investments directed by life insurance companies was almost 3.6 times more than the amount of income tax to be paid by clients (179,639.7 million soums). From the above information, it is possible to conclude how much benefit the investment funds can bring to the economy. In addition, considering that these taxes will be returned to the customers who signed the insurance contract, it will increase their solvency and increase their gross income. A growth trend is observed in the gross national product multiplier.

Voluntary pension insurance and long-term insurance by insurance organizations in the measures listed in the road map developed for the development of the life insurance industry and personal insurance types of the Republic of Uzbekistan in 2021-2023 (appendix to the decision of the President of the Republic of Uzbekistan No. PQ-5265 of October 23, 2021) It is envisaged to develop proposals and recommendations for the purpose of investing the funds formed at the expense of insurance premiums for types of life insurance (five years and more) and directing them to inflation-linked state securities.

Although the deadline for the implementation of these organizational measures is set for June 1, 2022, no concrete solution has yet been proposed for the implementation of these measures. There are several reasons for this. Firstly, there is a lack of personnel with sufficient knowledge in this area among the employees of life insurance companies, and secondly, the government has not issued government securities indexed to the real inflation rate.

We will analyze the situation in the Russian Federation, which is our strategic partner, regarding the practice of voluntary pension insurance. For information, supervision and regulation of compliance of insurance organizations with the requirements of insurance legislation in the Russian Federation is carried out by the "Insurance Market Department" of the Central Bank of Russia. In the Republic of Uzbekistan, the "Insurance Market Development Department" of the Ministry of Finance deals with these tasks.

It is known that one of the signs of the social orientation of the state policy is measured by the fact that the amount of the basic pension is set at an appropriate level. Therefore, the development of the voluntary pension insurance system needs serious support from the state, as well as its promotion to the public. In 2013, Russia adopted a strategy for the development of insurance activities until 2020, according to which it is envisaged to implement certain measures aimed at the development of voluntary types of insurance, especially life insurance, and based on it, measures aimed at the development of voluntary pension insurance were developed. Also, in the strategy, appropriate conditions were created for insurers to participate more actively in the pension system.



In the Republic of Uzbekistan, it would be appropriate to implement the following measures to encourage the conclusion of life insurance contracts for legal entities and individuals:

- improvement of preferential tax system;
- ensuring the availability of this type of insurance for low-income citizens;
- creation of a mechanism of interaction between insurers and specialized depositories.

According to the used analytical tools, the set of factors is usually divided into two groups — quantitative and qualitative indicators. Using the "correlation analysis" statistical method, it is possible to estimate the influence of the first group of factors in the most general form. The influence of the second group of factors is determined only by the "expert approach", which includes a part of the subjective approach in drawing final conclusions. For the analysis, we used statistics on voluntary pension insurance for the last eight years. It should be noted that it was during this period that the official statistical base was collected. The data we used for the correlation analysis are presented in Table 4, and the calculation results are shown in Table 5. The data of both tables are taken from the official website of the Central Bank of the Russian Federation.

Dynamics of the main indicators of voluntary pension insurance in Russia in 2011-2018.

Years	Insurance premiums for voluntary pension insurance, million rubles.	Number of new voluntary pension insurance contracts	Number of valid voluntary pension insurance contracts
2011	1 020	8 391	20 488
2012	1 078	10 251	28 226
2013	1 585	11 791	32 614
2014	1 587	9 410	33 808
2015	1 475	7 391	32 217
2016	1 394	4 520	31 940
2017	1 439	3 745	30 273
2018	1 560	6 951	34 660

(Table 4)

Values of correlation coefficients

Indicators	The value of the correlation coefficient	Interpretation of the result
The effect of the number of newly concluded voluntary pension insurance contracts on the amount of insurance premiums	-0,1	No contact
The effect of the number of active voluntary pension insurance contracts on the amount of insurance premiums	0,9	Strong contact
Impact of the number of newly concluded voluntary pension insurance contracts on the number of existing insurance contracts	0,1	No contact

(5-жадвал)

The obtained calculations show that the volume of collected insurance premiums is closely related to the number of valid insurance contracts, the impact of voluntary pension insurance on the development of the state general pension insurance system is almost not felt. In general, in our opinion, this formation of the situation depends on the following reasons:

- decrease in solvency demand (decrease in real incomes in the population and business environment);
- reduction of personal savings of the population (the main reason is the development of the mechanism for the purchase of household appliances and electrical appliances by installments by microcredit organizations and special stores and its active promotion among the people, for information, this trend is also observed in our country);



- decrease in the potential income of citizens' deposits and savings (decrease in the refinancing rate of the Central Bank, decrease in the national currency rate, increase in domestic inflation).

The results of the analysis of the situation in the Russian Federation show that for the implementation and development of voluntary pension insurance in Uzbekistan, it is necessary to take into account the following influencing factors:

- the number of the economically active population in the country (the higher the number of able-bodied and employed population, the higher the probability of concluding new insurance contracts);
- the amount of gross income of the population (the higher they are, the higher the ability to pay);
- the average profitability index of the country's financial market (the more efficient the financial market is, the higher the index of long-term insurance contracts);
- the size of free funds of the population (the more they are, the more the opportunity to use other financial instruments increases);
- the volume of the given loans (the more they are, the less the accumulated and targeted funds are in the hands of the population);
- quick implementation of coverage and maintenance money provided under insurance contracts by insurance companies (accelerates the process of gaining the trust of the population);
- the level of inflation in the society (the more it increases, the more funds allocated to voluntary pension insurance in the hands of the population will decrease);
- gross domestic product (the more stable the domestic economy develops, the more people's incomes will grow at the same rate, and people will sign voluntary pension insurance contracts so that they can live well in old age);
- the national currency rate (the more stable it becomes, the national economy enters the growth phase and the population's solvency increases in proportion to its income).

In conclusion, it can be said that in the near future, in order to implement mechanisms for encouraging voluntary pension insurance types, introducing the practice of giving tax incentives again, limiting the conclusion of annuity-paying contracts by insurance companies before one year is paid, adding attractive elements for the customer to long-term life insurance contracts (optional there was a need to implement urgent tasks such as creating a system of linking the sums accumulated through pension insurance to the minimum wage, collecting money for marriage and birth, and x.o), restoring lost jobs.

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