

## ANALYSIS OF THE FORMATION OF NEW RISKS IN THE DEVELOPMENT OF INSURANCE RELATIONS

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### **Annotation.**

*In the article, the concept of risk is explained by the author after studying the opinions of scientists. As a result of the analysis of new risks emerging in the insurance relations of our republic, in particular, natural disasters, economic changes, low water, etc., which have often occurred recently, proposals and recommendations were developed on the impact on human health, its solution in foreign practice.*

### **Keywords.**

*Risk, insurance contract, insurance risk, insured event, environmental insurance, abnormal weather.*

**Introduction.** There is always a possibility that a business that is established will be successful or not. Therefore, it is emphasized by many scientists that the first condition of any entrepreneurship is risk-taking.

**Literature review.** So far, the concept of "risk" has been defined differently by scientists, in particular, our local scientists M. Eshov, A. Burkhanov, H. Khasanov, D. Baratova, J. If the Nosyrov's associate the term risk with the Arabic "risq", Latin "risicum", Greek "rizha"[1], foreign scientists V.M. Granaturov[2] mentioned that it was derived from Spanish "ridsico" (cliff), Italian "risco" (danger, threat). In Europe[3], the term began to be widely used since the Middle Ages, mainly as a threat to maritime trade. Today, it can be seen that most scientists connect the term risk to such concepts as risk, probability, uncertainty, expected damage, risk, probability of failure.

S.Kerkegaard[4], a scientist who made a great contribution to the study of risks, divides fear into several classes and evaluates fear in the decision-making process of human nature as a risk. Local scientist Q. And Koldoshev in his researches, "risk is the possibility of the occurrence of some kind of dangerous situation, but not the occurrence of this situation. This risk is present in every step we take, in the food we

eat, in the water we drink, and in the work we do towards a goal. He put forward the idea that the occurrence of risk is an event [5]. Based on the above, in our opinion, threats, losses, risks that may occur during any economic activity can be understood as economic risks. From this point of view, despite the fact that the causes of the risk are different, we believe that its consequences are of an economic nature.

**Research objective and methods.** The purpose of the research is to assess the state of new risks in the insurance relations of Uzbekistan and to develop proposals and recommendations aimed at evaluating them based on analyzes and foreign experiences. Logical and structural analysis, grouping, and economic-statistical analysis methods were used in the implementation of the set goals.

**Analysis and results.** One of the main conditions for the development of the insurance industry is to ensure the financial stability of the insurance company. The uniqueness of insurance activity is that it is not possible to predict the time of occurrence of the insurance event, and it is not known whether the insurance operation will be successful or vice versa. This abstraction creates complexity in the operation and solvency of insurance companies. According to scientists, "risks reflected in insurance contracts are insurance risks, and the expression of the risk assessment in money is the insurance rate" [6]. According to the legislation of the Republic of Uzbekistan, Article 3 of the Law "On Insurance Activities" states that "insurance risk is an anticipated event, and in the event of this event, insurance is implemented"[7].

As it can be seen, insurance risk and risk are synonymous, so we used the term risk in our work based on foreign scientific literature.

In scientific literature, the classification of risks is given in different ways. In particular, Dj.M. Keynes[8] is one of the first to describe risks from the economic side and divide them into several classes (classifications). In his research, he distinguishes between two main types of individual risks, entrepreneurial risk and creditor risk. American scientist A. Marshall's developments [9] covered the main issues of the theory and practice of economic risk assessment.

Uzbek scientist Q. Koldoshev[10] divided risks into types according to the sources of origin and reasons for their occurrence. M. Mahmudova[11] additionally mentions several types of financial risks and divides them into fiscal risk, banking risk, insurance risk and financial literacy risks.

It should be noted that although all research scientists have focused on the classification of risks, there is no consensus on this issue in scientific and other

literature. In particular, there are 220 risks and more than 40 types of risks according to the classification system.

Depending on whether one or another risk group is insured, the legislation of each country provides for its classification. According to it, activity in the insurance market of Uzbekistan is divided into two main sectors, general and life insurance, and appropriate classifications have been developed.

Fulfillment of the insurer's obligations in insurance relations also depends on the correct formation of insurance reserves. Account groups are developed based on the term distribution of risks by insurance types. According to the legislation of the Republic of Uzbekistan, the insurance activity is divided into four account groups to calculate IMZ (unearned premium reserve) in the formation of insurance reserves of insurers[12]. Risks are equally distributed to the first account group for the entire insurance period of the insurance contract.

The second group includes contracts provided that the occurrence of the insured event occurs after the insurance period.

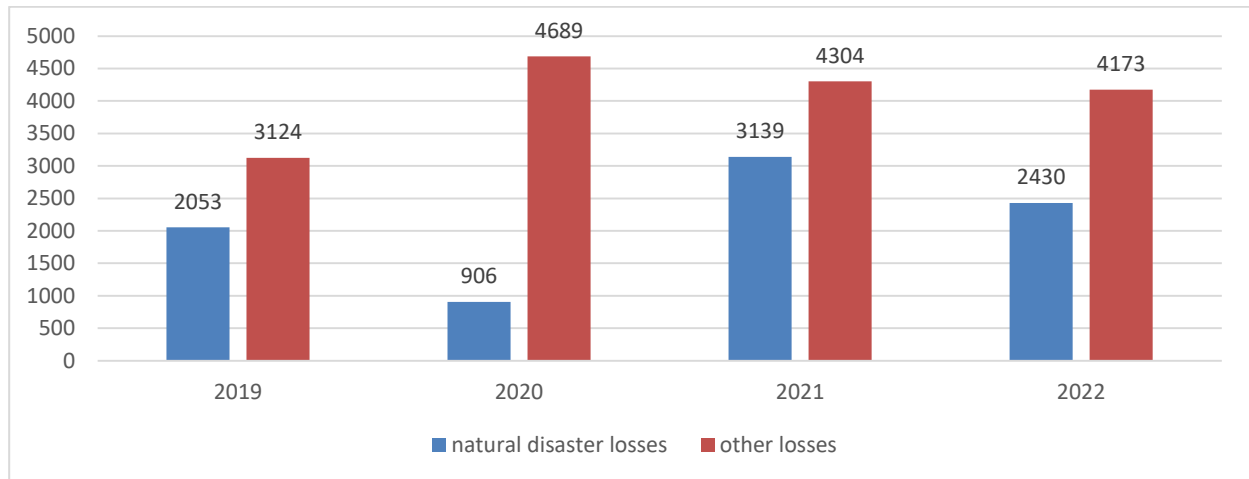
The third group includes contracts in which the occurrence of the insurance event and the period of implementation of the insurance obligation are uncertain.

The fourth group includes insurance of agricultural products. So, from the above, we have seen the time-related grouping of insurable risks. In this direction, there are many insurance products in the national insurance market. Nevertheless, the expansion of production and its impact on the environment, the outbreak of various diseases and the emergence of new forms due to environmental damage, the emergence of new cyber risks as a result of the acceleration of information processes, and at the same time, the formation of new risks based on the demand for modern approaches in the insurance industry analysis is important.

As production and industry develop, along with protection from the risks associated with economic activity, there is a need to identify and eliminate or protect against environmental damage caused by these economic entities. This means the formation of environmental and man-made risks in insurance relations.

Today, a number of environmental changes are taking place in the countries of the world due to natural disasters and the human factor. Climate and weather are changing significantly in all regions of the globe, water and soil are becoming increasingly polluted, and plant and animal species are declining. This, in turn, has a negative impact on the environment and the health of all people on our planet [13]. Environmental law (Umweitrecht), one of the developed countries of the world, has a special place for Germany as the regulatory legal documents defining the legal basis of environmental insurance. In 2016, the country's largest reinsurance company

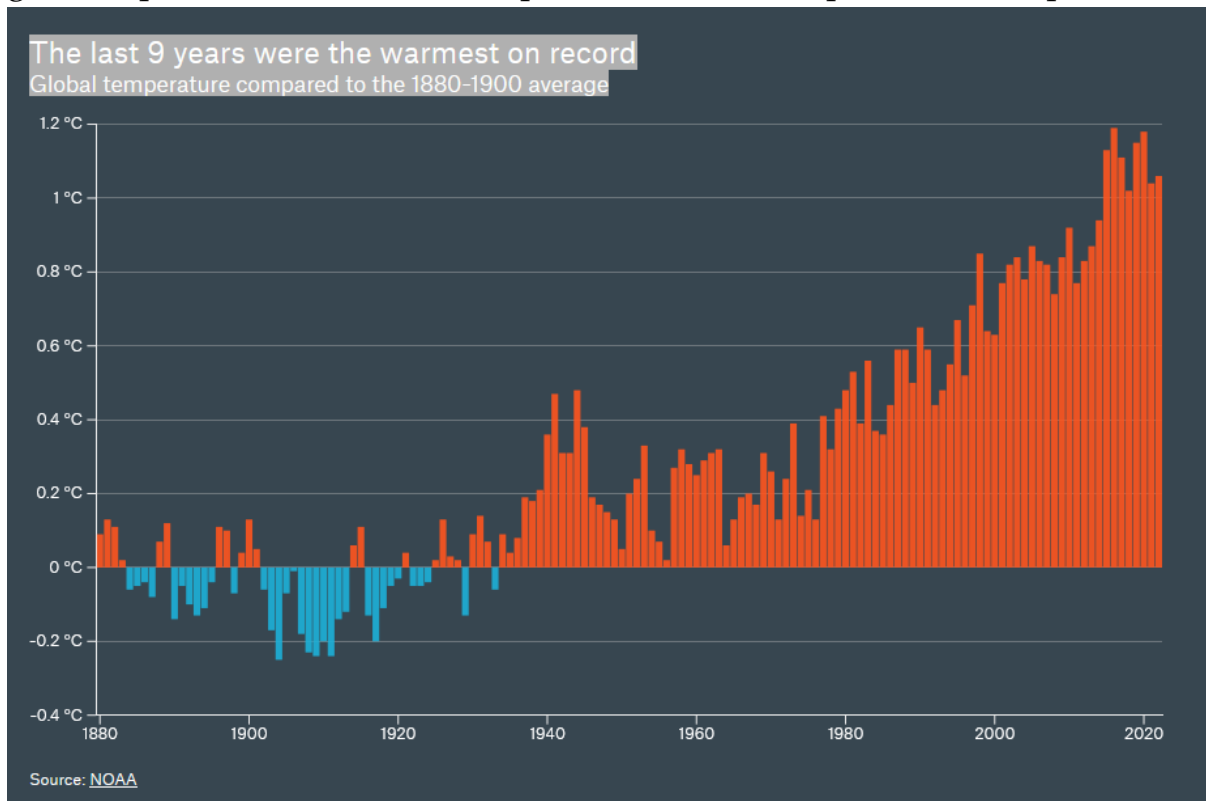
MunichRe (2017) identified 750 major global losses, which resulted in about 8,700 deaths and a total of 175 billion. amounted to a dollar loss. In the picture below, we can see the analysis of the previous years 2019-2022.



**Figure 1. Dynamics of Munich Re's natural disaster reinsurance coverage for 2019-2022[14], million euros**

According to Munich Re[15], the world's largest reinsurance organization, losses from natural disasters in 2022 amounted to 2.4 billion US dollars, of which 44 percent or 120 billion dollars were covered by reinsurance. This figure is \$23 billion higher than the last five years. According to Thomas Blank, Chairman of the Board of Management of the company, "According to the results of the latest research, natural disaster figures for 2022 dominated as frequent events. Another concern that we see time and time again is that natural disasters can particularly affect the population of underdeveloped and developing countries. Therefore, more importance should be

given to prevention and financial protection, for example, insurance protection" [16].



**Figure 2. Global climate indicators (1880-2022)[17]**

According to NCEI (National Center for Environmental Information), the past 9 years have been anomalously warm on record. As a result, the sea level is rising, and glaciers are melting at an average rate of 3 mm per year. Higher temperatures lead to more evaporation, which increases the energy content of the atmosphere. If extreme weather events become more frequent and/or severe, and effective mitigation measures are not taken, losses will continue to increase. There is scientific evidence of the effects of climate change, such as severe thunderstorms in North America and Europe, major earthquakes in Turkey and Syria, wildfires in California, and heat and drought in Central Asia. In recent years, tropical storms (called hurricanes, typhoons or cyclones depending on the area where they occur) have been accompanied by increasingly heavy rainfall. There are also indications that the proportion of severe storms is increasing. Individual loss events cannot be attributed solely to climate change. However, long-term trends in meteorological data, when analyzed together with insurance companies and socio-economic data, reveal important information about the changing risks posed by weather hazards.

USA environmental legislation and its provisions on environmental liability are also based on the "polluter pays" principle. This principle was most fully implemented in the federal Comprehensive Responsibility for Environmental Restoration and Conservation Act of 1980, known as Superfund. In addition, the country's Law on

Environmental, Compensation and Liability Actions establishes mandatory insurance of hazardous facilities, including activities related to waste collection and processing. According to the law, environmental damage is applied equally to the defendant regardless of when it was caused (that is, before the adoption of this law or after the adoption of the law), and regardless of the degree of environmental pollution, each polluter must fully compensate for the damage caused.

Currently, not only in European countries, but also in the national legislation of the Russian Federation, the Republic of Kazakhstan, and the Republic of Azerbaijan, a mandatory type of environmental insurance has been put into practice. Article 36 of the Law on Nature Protection of December 9, 1992 provides that "in the Republic of Uzbekistan, the property and income of enterprises, institutions and organizations, the lives, health and property of citizens, due to environmental pollution and deterioration of the quality of natural resources" Voluntary and mandatory property insurance" serves as the legal basis of environmental insurance, but in current practice, no mechanism has been developed for this type of insurance. It is not a secret to anyone that in recent years, extreme weather events, which are considered global problems, and many losses as a result of them, have been occurring in our country. Especially during the last three years, as a result of environmental problems such as dust storms, heat and as a result drought in some areas, strong winds, floods in settlements, heavy rains, anomalous heat/cold, people's property, agriculture, and business activities are seriously damaged. In 2018 alone, as a result of floods observed in Samarkand, Navoi, Surkhandarya, Kashkadarya regions and Fergana valley of our country, serious damage was done in agriculture. "KAFOLAT insurance company" JSC received only 25 applications as a result of the flood in the village of Uyshun, Chirakchi district, Kashkadarya region (there are 1214 households in this village, approximately 130 of them were damaged as a result of the flood), a total of 25.64 million. we can see that the property interests of the citizens who insured their property have been paid and the insurance coverage has been paid [18].

**Conclusion.** Environmental insurance, i.e. environmental security, nature protection and self-sustainability is of great importance due to the changes in the life cycle, which has undergone its own changes around the world. The main goal of environmental insurance is to protect against the negative effects of human activities that change nature, in particular, it serves the purpose of nature protection, effective use of natural resources and their sustainable preservation, as well as the improvement of human potential and ecological culture. Also, environmental insurance is more than the economic benefits that lead to the

minimization of the impact of human activities on nature. Quality natural resources and ecological systems lead to the creation of productive uses for many occupations, including the food industry, tourism, education and other sectors. It is important to solve global problems such as natural problems and diseases occurring around the world, including growth, abnormal heat, drought and the prevention of catastrophic consequences on the ozone layer. environmental protection. This sentence includes collecting information based on biological, chemical, hydrological, geological and other fields, assessing the environmental effects of human activity and dealing with its consequences.

In the world's experience, there are mainly three methods of compensation for the damage caused to the economy as a result of anthropogenic activity on the environment, and they are carried out from the state budget, from the personal funds of the person who caused the damage, and from the funds embodied in the insurance business. Levers of state regulation of damage compensation create opportunities for direct and indirect influence on the insurance market and serve to improve relations in the field of environmental insurance, taking into account the real state of the economy and ecology. Environmental risk insurance is also the practice of transferring risk from one entity to another for a fee. Especially if one lives, owns property, or owns a business in a disaster-prone area, it is important to obtain insurance coverage for the various storms, catastrophic events, and natural disasters that can damage real estate. In this context, no one can predict where a natural disaster will occur and the devastation it may cause when it does, or their economic impact, but insurance can help mitigate the damage.

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