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STATE REGULATION OF THE INSTITUTE OF INSURANCE: ON NEW FORMS AND INSTRUMENTS

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Abstract: The article considers the conceptual foundations of the regulators of the institution in the conditions of innovative development of the economy. It notes that the institution as a process of defining and securing norms, rules, statuses, roles is regulated and modeled. On the basis of system analysis, a classification is given which, in the author's opinion, is applicable to research and analysis of the internal structure of the system mechanism with the aim to identify effective forms and instruments of state regulation of insurance activities.

Keywords: institution, institution theory, insurance institution, institutional regulation tools, direct regulation, indirect regulation, state regulation, methods of state regulation, forms of state regulation, system of state regulation, prudential regulation. institutional regulation tools.

Introduction

The conceptual basis of the theory of institutions goes back to the idea of equilibrium. As a process of defining and consolidating norms, rules, statuses, roles and bringing them into the system, on the basis of this, the institution is regulated and modeled.

The study of institutional regulators in the context of an innovative economy is becoming especially relevant. In theoretical sources, the institution process is considered as a set of a huge number of institutions. The question of the relationship between the state and other institutions is decided according to the formula "first among equals" and it is noted that the time has come "to consider the state not as sovereignty, but as an institution of institutions" [1].

Reforming the public administration system through its decentralization, a phased reduction of state regulation and administrative impact on the economy sectors, in order to expand market management mechanisms aimed at developing a competitive environment, the introduction of modern public-private partnership mechanisms aimed at increasing the efficiency of mutually beneficial cooperation in the implementation of development objectives country[2].

Analysis and review of the situation.

State regulation in the context of innovative development of the economy needs new forms and tools[3]. The existing trends require a deep study of the problem of the effectiveness of the regulators of the economy. For example, modern problems inherent in developed foreign economic systems (EU countries, USA, etc.) indicate a modification of the practice of state regulation in favor of market regulators. Currently, there is a process of gradual strengthening and complication of state regulation of financial and economic processes.

However, it must be remembered that the theory of state regulation finds expression in the practice of the state's macroeconomic policy. Since real economic systems operate in different economic conditions, the basic prerequisites for

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the development of these systems are significantly different.

In modern conditions of integration of various sectors of financial institutions of the economy (banking, investment and insurance), convergence of products, i.e. modern trends in the development of the innovation market of these industries have necessitated the creation of systems of intersectoral financial regulation[4]. The study of the state regulation system is mainly carried out at the macroeconomic level. But it should be noted that the level of macroeconomic analysis does not allow to fully take into account the specifics of the institution, the sectoral specifics of the regulation system. This is quite true in relation to any branch of the economy, respectively, it is typical for insurance activities.

Main part

Modern achievements in the field of macroeconomic theory do not take into account the proportions and dynamics of development of a particular sector of the economy, which should determine the directions and content of state regulation, in particular, the relationship between the theory and practice of macroeconomic regulation, and the decrease in the role of state regulators are

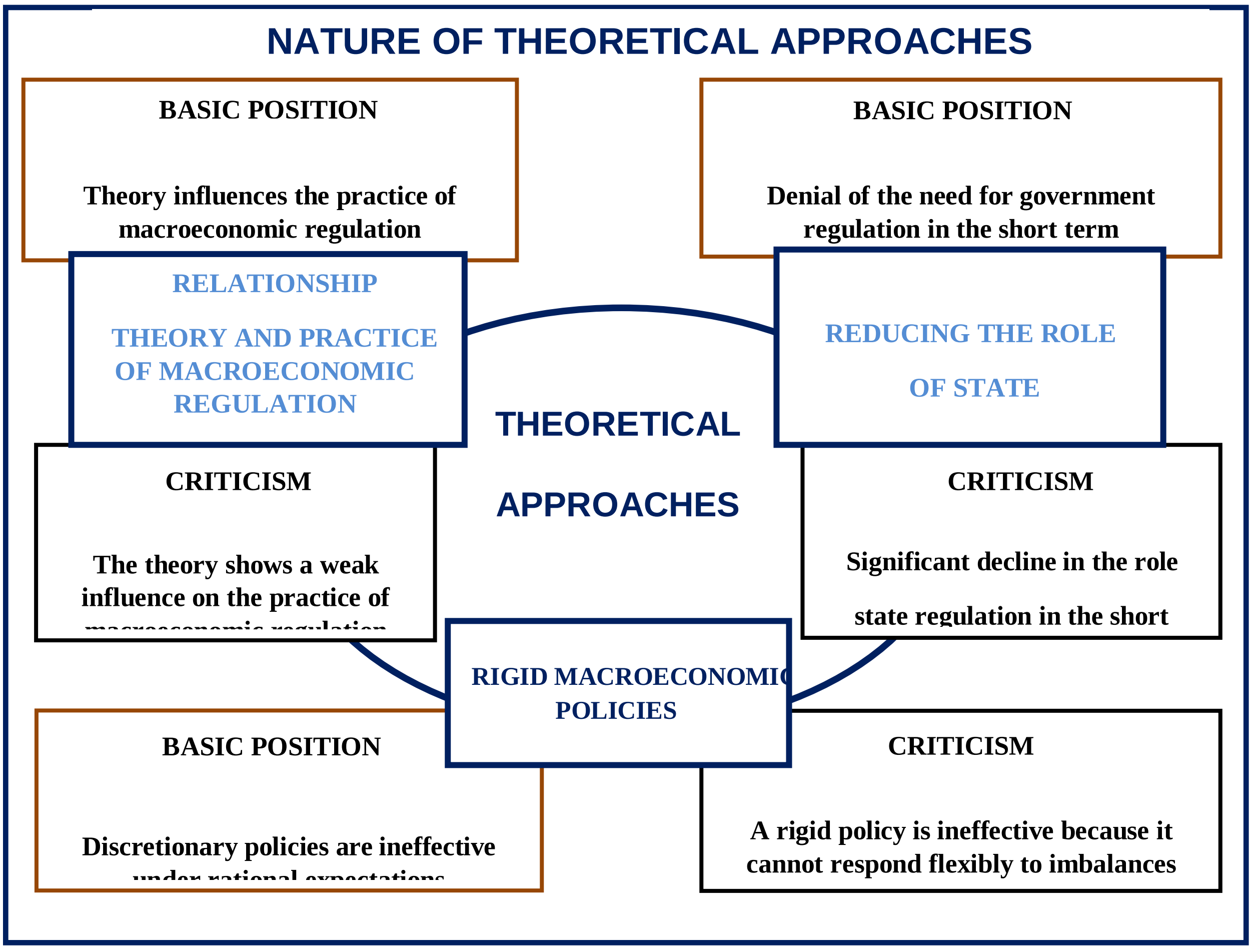

Fig. 1. The nature of theoretical approaches to issues state regulation[5].

Therefore, research is needed at the mesoeconomic level (as industries develop, other indicators will be added for assessment): in relation to a specific industry, an intersectoral complex, in a specialized market, at the level of a separate economic institution. It cannot be

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said that the issues of regulation of insurance activities have not been studied at all. Various aspects of government regulation of insurance have been reviewed in several studies. They are mainly devoted to the control of the solvency of insurance organizations and were practically not tied to the fundamental theory of state regulation of the economy[6].

A number of publications are devoted to such problems of regulating insurance activities, the development and organization of compulsory insurance, the introduction of new compulsory types of insurance, the role and place of state bodies in solving these problems[7]. The result of these studies is the definition of the tasks of state regulation of insurance in one direction or another, however, the institutional aspect of the regulation of insurance activities is practically not considered. At the same time, one of the segments of the financial sector of the economy of Uzbekistan, which has perhaps the most developed and dynamic institutional base, acts as the object of research.

The liberalization of the economy and adequate institutional reforms in insurance during the transition to a market economy have led to the fact that relations in the insurance market began to be largely spontaneous and unregulated. This became one of the main reasons for the bankruptcy of the newly formed insurance companies. This situation was due to the lack of the necessary regulatory norms that would put the activities of capital in the appropriate legislative framework and prevent the penetration of non-professional agents into the market. The institutional foundations of insurance did not correspond to the objective economic needs of society. The insurance institute did not perform many of its inherent functions, such as streamlining and structuring relationships, reducing the risk of uncertainty, and ensuring security. The situation began to change quite quickly as a result of the adoption of the relevant regulatory legal acts: the Law of the Republic of Uzbekistan "On insurance activities" and others[8].

Insurance is an independent institutional form, as well as a subsystem of the economic system of society as a whole. Therefore, it can quite reasonably act as an independent object of analysis of the problems of state regulation. This will allow, with a certain amount of abstraction and assumptions, to approximate and model the regulation process at the macro level, to determine its necessity, basic methods and forms.

Traditionally, the need for state regulation of insurance activities is derived from the social significance of insurance, which consists in the receipt by citizens of compensation for material and financial losses, additional income.

The state determines the priority areas for the development of the industry, targets and mechanisms for their achievement, develops an appropriate regulatory framework and thus forms state policy. At the same time, one of the main tasks of the state is determined by "ensuring the reliability of the activities of insurers"[9]. However, with this approach, in our opinion, the objective perception of insurance as an open, complex, multi-subject system is artificially narrowed and thereby simplified. In this regard, it becomes necessary to conduct an in-depth analysis that allows for a more complete justification, to consider the content and reasons for state regulation of insurance activities, to highlight the most effective regulatory tools.

The reasons for the state regulation of insurance activities are formulated primarily on the basis of its institutional nature. The need for state regulation of insurance activities is caused by the following reasons:

- lack of competition and impossibility of achieving complete equilibrium in the market;

- incompleteness of information and influence of factors;
- the presence of high transaction costs;
- the specificity and social significance of the insurance product.

In practical terms, perfect competition is impossible in the real insurance market. The formation of demand and supply of insurance services occurs differently than in conventional commodity markets. Due to the specificity of the product sold, the insurer contributes to the formation of demand. In addition, the information asymmetry is especially pronounced in the insurance market. The probabilistic and random nature of the insurance product determines the greater awareness of the insurer in relation to the potential client. Lack of information can block communication and contribute to the absence of a contract. In insurance activities, the need to obtain information for conducting more accurate statistical calculations is especially acute. This, in turn, causes an increase in transaction costs, which can be minimized thanks to state control.

As you know, the market does not always provide equilibrium, in connection with which the regulation of the interests of its participants is achieved through state regulation and the social orientation of this industry also presupposes the presence of such regulatory instruments. "With shortcomings or lack of government regulation, it is easy to put your interest ahead of the interests of the policyholders"[10]. Socially important types of insurance are public in nature, therefore, are subject to state regulation.

State regulation is one of the main conditions for ensuring the economic security of society. In addition to the risks inherent in the national economy, modern innovative processes significantly increase the risks of financial security. Therefore, the state is called upon to create conditions for ensuring economic security and compliance with the rule of law.

In addition, one of the tasks of state regulation is the elimination, reduction of negative externalities that take place in almost any sector of the economy, and in insurance activities. In our opinion, an example of externalization within the industry in the future can be the activities of foreign insurance companies that are able to offer a more attractive product, as a result of which the competitiveness of insurance products of domestic insurance organizations will decrease. In this case, it should be noted that the emergence of strong competitors will always stimulate the development of the institution of insurance. "Foreign intervention" in insurance contributes to strengthening the position of economic agents. This is what the positive externalities will be. Outside of insurance activities, the aggressive pricing policy of insurance companies can be called a negative external effect, which leads to an increase in the costs of economic entities and, accordingly, to an increase in prices. Prevention, elimination of negative effects from the functioning of insurance organizations, in fact, is the main goal and reason for state regulation.

Sectoral features of state regulation of insurance activities are fully manifested at the level of its methods, forms and tools. The lack of clarity in the understanding, definition and differentiation of the main methods and forms of state regulation cannot but influence the process of development, formation and implementation of the regulatory mechanism in practice. Most of the studies in this area are general economic, i.e. industry-wide in nature, while the greatest relevance is government regulation in specific industries.

Any industry has special characteristics that greatly influence the determination of the goal-setting of state regulation, the application of its forms and tools. The specifics of insurance activities in Uzbekistan, of course, are reflected in the content and forms of state regulation. Direct and indirect regulation is traditionally distinguished. The structure of the institution of state regulation is described by the totality of its methods, forms and tools.

Until now, there is no consensus on the classification of forms and methods of state regulation of the insurance institution. In order to systematize the definition of methods and forms of regulation, the generally accepted essence of these terms can be taken as a basis. Method as "a way to achieve a goal, to solve a specific problem"[11]. Form - is "the external expression of any content"[12]. A method is a system of some functional actions, while a form is a means of influence using a particular method.

State regulation of insurance activities is carried out by certain methods, which are based on the use of appropriate forms. Direct and indirect regulation are traditionally distinguished (Fig. 2).

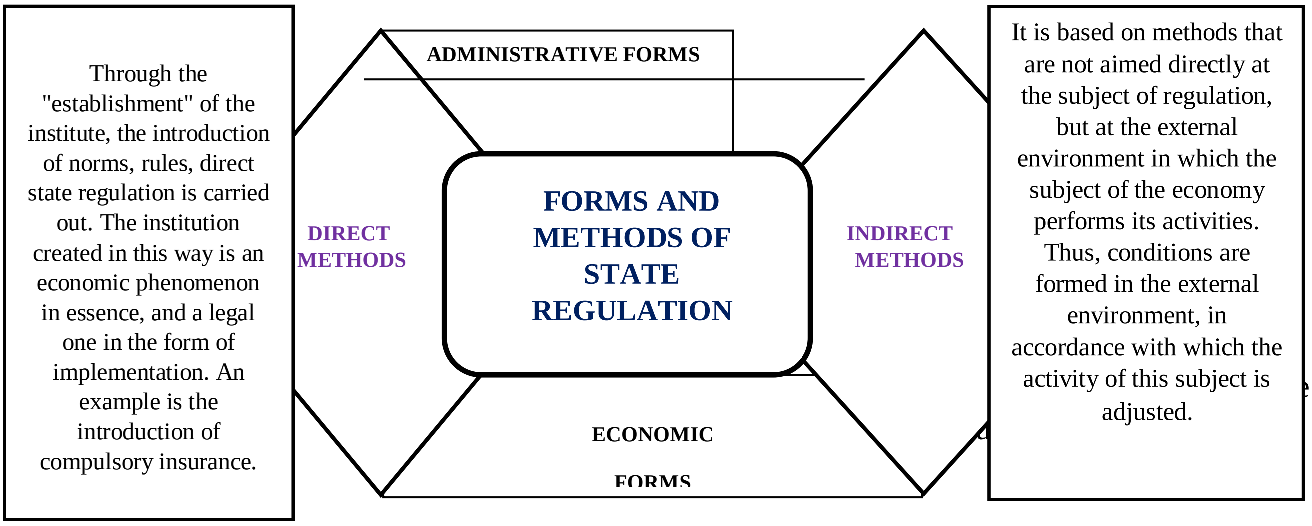

Fig. 2. Forms and methods of state regulation of insurance activities[12].

In this process, the separation of methods is more correct to carry out at the level of government regulation instruments. In this regard, the following arguments about the need to separate methods into direct and indirect (depending on the method of exposure) are confirmed:

- direct regulation, where through the "establishment" of an institution, the introduction of a norm, a rule, direct state essence of this phenomenon is expressed by the economic nature of relations that develop within the framework of compulsory insurance by virtue of the law, i.e. the method of its implementation is exclusively legal in nature, since compulsory insurance is always based on the adoption of an appropriate regulatory act by the state);

- indirect regulation, based on methods that are aimed at the external environment in which the economic entity operates. Thus, conditions are formed in the external environment, in accordance with which the activity of this subject is adjusted. And these methods, as well as methods of direct influence, can be based on regulatory legal acts, rules.

In our opinion, when distinguishing methods of state regulation into direct and indirect, it makes no sense to carry out detailed detailing, which can lead away from the intended goal, i.e. method classification. The separation of methods of state influence in the future will allow to systematize the forms of state regulation. At the same time, the division of regulation methods is proposed to be carried out through their "binding" in accordance with specific areas subject to regulation or with the scope of regulated relations, in this particular case with an insurance institution.

Conclusion

Thus, taking into account the identifying signs, the methods of state influence on the insurance institution can be reduced to economic administration, regulation of financial activities, strategic and tactical forecasting, monetary regulation.

Forms of institutional regulation (administration) consists in determining the external conditions for the functioning of economic entities, the "rules of the game" in the market, the establishment of legal norms in specialized markets.

State regulation is one of the main conditions for ensuring the economic security of society. In addition to the risks inherent in the national economy, modern innovative processes significantly increase the risks of financial security.

Economic regulation is a functional active, direct participation of the state through its authorized bodies. This form of state regulation based on strategic and tactical forecasting makes it possible to determine the directions of development of the economic system as a whole, in particular, of a specific sector of the economy.

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