Improvement of Insurance Policy Accounting Methods and Increasing the Stability of Insurance Companies

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Abstract. **The article describes the method of accounting for insurance policy and improving the stability of insurance companies. In particular, based on the study of foreign experience, the author classified the stability coefficients of insurance companies.**

Keywords: Insurance, insurance company, insurance policy, criteria for assessing the financial stability.

I. INTRODUCTION

As a result of consistent measures to develop insurance activities in the Republic of Uzbekistan, the relationship between insurers and insurers is rapidly developing in the country. At the same time, the Strategy of Action for the five priority areas of development of the Republic of Uzbekistan in 2017-2021 [1] will also expand the scope of insurance, leasing and other financial services by introducing and enhancing their quality, as well as attracting the stock market and capital. Development of financial institutions and alternative sources of free resources of the population. This in turn creates a need for financial stability of insurance companies.

Financial stability of an insurance organization is defined as its ability to meet its obligations using its existing assets. This is achieved by balancing the expenses and income of the insurance organization or by increasing its income. The solvency of the insurance organization is the ability to meet its obligations under any circumstances. The obligations of the insurance organization can be both internal and external. External liabilities are divided into insurable and non-insured liabilities. As with the case of financial stability, solvency is primarily regarded as the fulfillment of insurance obligations, unless otherwise stated.

Indicators and criteria for assessing the financial stability of business entities may differ. Indicators are defined based on the nature of the activities of the enterprises.

II. ANALYSIS AND RESULTS

There are different approaches to assessing the financial sustainability of insurance companies. In particular, economist M.I. Smorodina recommends that the criteria for financial stability of an insurance organization should be sufficient reserves and insurance resources [2].

Other researchers [3] based their assessment of the financial sustainability of an insurance organization on such indicators as insurance rates, adequacy of insurance reserves in order to meet their obligations under insurance contracts, reinsurance opportunities, and equity.

Local economist J. Nosirov gathered methodology of financial assessment of insurance companies in his work [5]. According him, V.A. Schercherbakov and E.V. Kostyaeva [4] argue that the financial sustainability of an insurance organization should be evaluated as a probability of a deficit of funds and a ratio of profit to expenses.

The authors recommend using Professor F.V.Conshin's coefficient in determining the likelihood of a deficit of funds, and in assessing the profit-cost ratio, the coefficient of financial stability of the insurance fund. The financial stability of the insurance fund is as follows:

$$Ksf = (F+ZF) : X$$

Where F is the sum of the profit; ZF - Reserve Fund funds; X - costs.

Other Russian economists argue that the financial coefficients of an insurance organization should be calculated along with the probability of a deficit and the ratio of profit to costs:

1) level of insurance reserves;
2) ratio of own capital and liabilities;
3) sum of insurance premium and ratio of insurance reserves;
4) the ratio of working capital and non-working capital;
5) the level of capital investment;
6) capital adequacy ratio.

The above analysis shows that the authors' approach to assessing the financial stability of the insurance

organization varies. Consequently, there is no uniform system of coefficients for evaluating the level of financial stability of insurance companies.

Based on the experience of foreign countries and the analysis of industry literature, the following are the key indicators of financial stability of insurance companies:

1. Capital adequacy ratio:

$$K = Ks/M$$

Where Ks is the equity capital of the insurance organization; M - total liability of the insurer.

This figure represents the share of own funds in the total balance sheet capital. High level of the index characterizes financial independence and stability of the insurer, and also guarantees fulfillment of obligations to insurers and other creditors. The equity ratio must be greater than 1.

2. Sufficiency ratio of insurance reserves:

$$Ris = (SZ*100)/JA$$

Here SZ - insurance reserves; JA is total assets.

This ratio is one of the most important indicators of financial stability of the insurance organization and reflects the share of insurance reserves in assets. High value of the indicator means the insurer's financial stability. Normative value of the indicator should be 0.7 and above.

3. Insurance premium adequacy ratio:

$$Kar = (SM*100)/SZ$$

Where SM - insurance premiums on all types of insurance; SZ - insurance reserves.

This indicator indicates that the increase or decrease in the amount of insurance reserves is directly related to the insurance premiums. High coefficient indicates the increase of insurers' confidence in the insurance organization.

4. Investment capital ratio:

$$Icr = (Ium+Ikm)/JA$$

Here Ium is a long-term financial investment; Climate - short-term financial investments; JA is total assets.

This indicator shows the share of long-term and short-term investments in the assets of the insurance organization. Also, changes in the insurance policy of the insurance company can affect the dynamics of the value of the coefficient.

5. Current liquidity ratio:

$$Clr = JA/JP$$

Where JA is current assets; JP - current liabilities (short-term liabilities).

This indicator indicates the sufficiency of working assets to meet the short-term liabilities of the insurance organization. The ratio of the coefficient is 1.25 for the Republic of Uzbekistan.

6. Ratio of own capital.

$$Rown = SF/CC$$

Where SF is the net profit; CC - own capital.

This indicator shows the effectiveness of the insurance organization's own capital. Minimum standard ratio should be 0.15.[5]

Based on the aforementioned indicators, we evaluate and analyze the financial sustainability of Innovative insurance LLC.

Analysis of financial stability indicators of "Innovative insurance" LLC

Indicators	Years			
	2015	2016	2017	2018
Capital adequacy ratio	3,1	2,8	3,5	4,1
Current liquidity ratio	4,0	3,9	7,9	9,15
Sufficiency ratio of insurance reserves	0,48	0,49	0,52	0,67
Insurance premium adequacy ratio	1,47	1,65	1,03	1,01
Equity Profitability Ratio	0,32	0,11	0,40	0,01
Investment capital ratio	0,46	0,44	0,71	0,63

Source: Calculated by the author based on the annual reports of LLC "Innovative insurance".

The table shows that during the analyzed period, the current liquidity and capital adequacy ratios of "Innovative insurance" provided financial stability. However, financial stability of the organization in terms of profitability of its own capital and adequacy of insurance reserves is not ensured. Non-fulfillment of normative requirements of these coefficients is explained by:

1. The reason for the failure to meet the regulatory requirement of return on equity in 2018 is that the net profit in comparison with 2017 is almost 10 times lower. The decrease was due to a sharp increase in organization costs. Specifically, in 2018, operating expenses increased 2-fold compared to the previous year.

2. Sufficiency ratio of insurance reserves in the company is lower than the normative level, as a result of the fact that the total assets of the insurance organization are increasing year by year, while the insurance reserves are not properly formed. In addition, the growth rate of the Company's insurance reserves during the analyzed period remains below the growth rate of assets.

3. The ratio of investment capital decreased in the last year compared to the previous year. This is explained by the fact that this year the total assets of the company increased significantly due to the increase in accounts receivable and cash, and the share of long-term and short-term investments in total assets decreased.

Based on the above analysis, in order to ensure the financial sustainability of "Innovative insurance" IC it is advisable to take the following measures:

1. Increase in net profit through the development and implementation of measures to reduce the administrative, periodic and operating costs of the company to maintain the standard of return on equity.

2. Availability of growth rates of insurance reserves from growth rates of assets. At the same time, it is necessary to achieve the increase of insurance reserves by increasing the share of reinsurers in insurance reserves.

3. In order to maintain a high level of investment capital, first of all, take measures to eliminate accounts receivable and, secondly, to reduce the amount of current assets through timely settlement of funds in the settlement accounts.

Issues of valuation of property in the insurance market and its improvement

According to the current procedures, the premises, construction facilities, vehicles, inventories, inventories, means of production and other property of economic entities, as well as the property temporarily acquired, stored, processed, transported may be insured. In agriculture, livestock, poultry, crop and other property are insured.

The property of economic entities is insured in the following structure:

1. Buildings, buildings and structures, transmission devices, power machines, machinery, vehicles, objects of uncompleted capital construction, inventories, inventories, and other property with the basic contract.

2. Property (goods) for commission, storage, processing, repair, transportation and logistics services to the economic entity through additional contract.

3. Agricultural animals, fur animals, poultry, bee families and others.

4. Harvest of agricultural crops.

Property and balance sheets are classified in accordance with IPSAS 21 and are recorded at their carrying amount: "Receipt of Transfer of Property Facility" Form AV-1 - Act of Inspection "- Form AV-3," Inventory Card for Registration of Fixed Assets "- AV-6," Inventory Book for Registration of Fixed Assets "- Form AV-11. rdagi lading and invoice invoice and trade data, the insured value of the property.

Assessment of property, reflected on the balance sheet of economic entities, is carried out on the basis of international financial reporting standards, National accounting standards of the Republic of Uzbekistan and National Property Valuation Standards of the Republic of Uzbekistan. Below, we will review the practices and standards for determining valuations in these documents.

Article 7 of the National Property Valuation Standard (IAS 10) states that "… the results of valuation of real property can be used by the persons on the balance sheet to adjust the accounting and reporting data. unless the statutory acts of accounting and reporting provide for a deduction from the general rules for the valuation of assets according to their initial (historical) value. "[7]

The main criterion for selecting the type of value is the purpose of evaluation. The main type of value in real estate valuation is market value. Other types of values that can be determined in the evaluation of real estate value - investment value; replacement residual value; insurance cost; liquidation cost; taxable value and so on

According to Article 8 of IAS 10, when conducting an appraisal for the purpose of preparing financial statements, real property is divided into the following categories:

- real estate used in manufacturing (business) activity;
- investment real estate used to maintain or increase capital value;
- surplus real estate for business (business) needs;
- real estate for development and development [7].

The real estate valuation base used as a stock is to use current market value and replacement residual value.

In assessing real estate, which is used as commodity stocks and which are current assets, the accounting features of these assets are taken into account.

The following methods of cost estimation are used in property insurance:

a) book value for fixed assets valuation but shall not exceed the cost of recovery at the date of the insured event;

b) the actual cost, at the production cost and the cost of selling the finished product, taking into account the average market for working capital;

(c) the actual cost of materials and labor costs incurred in the production of unfinished construction;

d) the value of the documents received at the time of the property receipt from the population and economic entities in the evaluation of property received for commission, storage, processing, repair, logistics and forwarding.

The concept of value varies in accounting, property valuation and revaluation. In particular, as defined in Article 6 of IAS 16, Property, Plant and Equipment, the carrying amount is the amount recognized for the asset after deducting any accumulated depreciation and accumulated impairment losses [6]. The principal cost is the amount of cash or cash equivalents paid for the acquisition or purchase of the asset at the time of its acquisition or construction, or the fair value of the other type of compensation, or ... the initial recognition of the asset.

IPSAS 16 also states that "Fair value is the price that would be received to sell an asset or paid to transfer a liability in a normal transaction between market participants at the valuation date (see IFRS 13 Fair Value Measurement) [7]. Article 16 states that the cost structure of fixed assets comprises:

(a) its purchase price, including import duties and non-refundable taxes, at a discount of trade discounts and benefits;

b) direct costs associated with bringing the asset to the location and condition needed for use by the management of the business entity;

c) purchase of an object by the entrepreneur for the purposes not related to the creation of inventories [7]. Article 17 states that direct expenditures for the acquisition of fixed assets include: - direct labor costs associated with the construction (construction) or acquisition of fixed assets; Installation and assembly costs; net proceeds from sales; Includes fees for qualified services.

The cost of property, plant and equipment is described in accordance with Article 24 of IAS 16 as follows: "The cost of an item of property, plant and equipment is measured at its fair value, except when: the fair value of the transferred asset cannot be estimated reliably. The acquired asset is measured at its fair value if the business entity cannot immediately deduct the transferred asset. If the asset received cannot be measured at its fair value, the carrying amount of the asset will be the carrying amount of the asset "[6].

Article 30 of IAS 16 reminds us that after the recognition of an asset as a principal, any accumulated depreciation and any accumulated impairment losses are recognized at a deductible value. This explains the cost model. Article 31 "Once recognized as an asset, an item of property, plant and equipment whose fair value can be reliably measured shall be accounted for at its revalued amount. In this case, the revalued amount is the amount of depreciation and subsequent accumulated impairment losses over its fair value at the date of revaluation. Reassessments should be regularly performed to ensure that the carrying value of the asset does not differ materially from its fair value at the end of the reporting period. " This represents a revaluation model [6].

In paragraph 35 of IAS 16, we read: "Any depreciation accumulated before the revaluation date is reversed by one of the following methods: a) the carrying amount of the asset, after revaluation, is reversed. is equal to its revalued value. This method is often used when an index is used to determine the asset's recoverable value (see IFRS 13) b) is deducted from the gross carrying amount of the asset and reflected in the net realizable value of the asset. This method is often used for buildings" [6].

For the valuation and recording of property in Uzbekistan, the reference to IPSAS 5 Property, Plant and Equipment is also referred to in IPSAS 4. - with consideration of paid and non-paid taxes (fees), as well as delivery and installation, installation, commissioning and any other costs directly related to the asset's operation for its intended use , Cost of repair (construction and construction) or acquisition of fixed assets; Here are a few comments on the value.

In international practice, the rules set out in IAS 2 "Inventories" apply to the valuation and accounting of movable property. The standard "inventories" includes finished goods produced by an economic entity, raw materials and materials for incomplete production and use in the production process. Inventories also include goods purchased for sale and stored for resale by the business entity, or land and other property intended for resale" [7].

The procedure and rules for the evaluation of movable property are clearly defined in the International Accounting Standards II. Please read: "Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the valuation date (see IFRS 13 Fair Value Measurement)", "Net realizable value" the cost of completion of production during the period and the estimated and the estimated costs necessary to carry out the sale are the discounted sale price" [8].

Fair value is the price at which the fair value transaction can be performed between market participants on the sale date of the TMZ in the same or principal interest market. Article 9 of IFRS 13 Fair Value Measurement describes "IFRS as the price at which an asset can be received or sold in a normal transaction between market participants at the date of fair value measurement", Article 15 "Assessment of an asset or liability will be

exchanged in the ordinary course of sale or transfer of assets between market participants at the valuation date based on current market conditions." Article 24 "Fair value is the price that can be received or sold at the time of sale of an asset in a normal (or preferably) market transaction at the date of the valuation under the current market conditions (that is, the selling price), regardless of whether that price is directly observable or otherwise valued look" [9].

Article 10 of IAS 2 "Inventories" aims to clarify the cost of inventories. It specifies that the cost of inventories must include all the other costs incurred to acquire, process, and locate and dispose of TMFs [7].

IAS 4 "Inventories" The cost of inventories at current market prices at a certain date, or the amount sufficient to purchase an asset or settle a transaction between an informed party willing to effect a transaction [8]. Article 13 provides that inventories are included in the book value of the organization at cost, which includes the purchase price (amounts paid to the supplier) and all costs associated with their purchase.

Expenses related to the acquisition of inventories and their cost include:

- customs duties and taxes;
- sums of taxes and fees associated with the acquisition of inventories (if not covered);
- commission fees paid to suppliers and intermediary organizations through which the inventories were purchased;
- costs of certification of inventories and their testing in accordance with the technical specifications related to the acquisition of inventories;
- transportation costs for the preparation of inventories and their delivery to the current location or use;
- other costs directly related to the acquisition of inventories [10].

The insurer plans to bring its financial statements to the users to evaluate the nature and extent of the risks arising from the insurance contracts, to bring them into line with international financial reporting standards and to establish common practice in valuing property.

III. CONCLUSION

It is necessary for all insurers to develop and implement accounting policies and a single regulatory document that meets international financial reporting standards for property insurance and valuation.

In the conditions of modernization of the economy of the country it is necessary to take measures for the gradual transition of the concept of financial accounting and financial reporting in insurance organizations to international financial reporting and accounting standards.

Proper property insurance requires accurate and accurate accounting of property, methods of valuation and valuation. In this regard, it is useful to apply international accounting standards and improve existing standards.

The financial stability of insurance companies is the main condition, through which the institution of insurance can fully carry out its multifaceted role in the social reproduction process, since it is solvency that acts as one of the main criteria when potential policyholders select an insurer, and as the basis for the successful functioning and development of the said institution.

An adequate level of financial stability of insurers is, therefore, the main condition for:

- the provision of the insurance coverage for the social reproduction and for the maintenance of the standard of living achieved by the population;
- the full and timely compliance with insurance obligations;
- the efficient and competitive functioning of an insurer in the future;
- the development of the country's economy as a whole.

The economic and social importance of insurance is such that the intervention of public authorities, in the form of prudential supervision, is generally accepted to be necessary. The intervention of public authorities has tended to focus on introducing the measures that seek to guarantee the solvency of undertakings or minimise the disruption and loss caused by insolvency.

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