



THE ECONOMIC AND SOCIAL ESSENCE OF RISK TRANSFER AND RISK TRANSFORMATION IN INSURANCE ACTIVITIES

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Annotation . This study examines the economic and social essence of risk transfer and risk transformation in insurance activities. It highlights the role of insurance as an effective mechanism for managing risks, ensuring financial stability, and protecting individuals and businesses from potential losses. The paper analyzes the processes of risk transfer and risk transformation, their significance for economic development, social welfare, and the sustainability of the insurance system. The study also emphasizes the contribution of these mechanisms to reducing uncertainty and enhancing social protection.

Keywords: insurance, risk management, risk transfer, risk transformation, insurance activities, financial stability, social protection, economic development, reinsurance, risk diversification, insurance market, sustainability.

Introduction. The empirical research conducted in the developed countries of the world up to the present day of the 21st century shows that various phenomena occur. The most effective method of covering potential losses [1] is the transfer [2] and transformation [3] of risks in insurance activities .

In the conditions of the innovative development of the economy, "... institutional gradual development, which is becoming more and more important in the world economy as a comprehensive and effective risk transfer (transformation) system based on the rules of theory ..." [4]. "... improvement of the insurance



institution ..." [5] it creates wide guaranteed opportunities for the development of any country . Such "... the basis of systemic activity is the subject of insurance organizations " [6].

it is important to identify, assess and minimize risks within the framework of insurance contracts .

At the same time, the category of "risk" is essentially an economic category. theoretical -methodological complexity , multifaceted interpretations of scientific and economic developments , and systematic definition in a holistic way lack of formation therefore, the definition of this category requires a complex - universal approach .

Global trends in the development of risk transfer and transformation in insurance activities are not the result of transferring the results achieved in the past into the future , but , on the contrary, are currently being developed on the basis of prospective parallel projection methods. It is advisable to focus on developing effective configuration and functional mechanisms for providing guaranteed services to a qualitatively new level .

It can be noted that in the last decades of the 21st century, in research on insurance activities, ideas for the development of insurance activities were put forward based on the methodology of mechanically transferring outdated traditions into the future, applying the experience gained in this regard by a number of countries as the most promising practices in a separate country(ies) with radically different conditions [7]. In this context, it is intended that such ideas for the development of insurance activities were put forward as follows: "...as mentioned in previous studies, insurance companies should increase their competitiveness for the insured (client) not only among themselves, but also with credit and financial institutions..."[8].

In particular, if we approach it from the perspective of the emergence of global trends in the development of insurance activities in the process of developing



promising ideas for world insurance, then a comprehensive study of the traditions of the development of the insurance system of a particular country is of great importance in studying the gradual development of insurance activities not from the point of view of its history, but from the point of view of its usefulness for the future of society and the transfer (transformation) of risks.

In addition, changes in the insurance system are taking place in accordance with the traditions of macroeconomic changes. At this point, it should be noted that the general economic traditions also change during the implementation of political, economic and social tasks.

What is unique about the current developments is that it is fundamentally different from any other turning point in human history in terms of its potential consequences for the insurance industry.

Although a number of fundamental developments [9] have been carried out to date aimed at the systematic study of this topic based on various approaches, in particular, risk itself is considered a systematized factor of general social importance from the point of view of its comprehensive nature, and is recognized as the initial process of the formation of a "risk society", in the process of searching for ways to develop insurance activities, it is still difficult to find a historical example of increasing trust in this guaranteed service.

The practical-conceptual holistic systematic study of the problem is based on the principle that "...scientific rationality without practice becomes emptiness, and practice without science becomes blind" [10], and the extremely urgent problem of the risk society, namely, its globalization, which has become so extensive that it has erased the borders of the world's countries, is ultimately reflected in its increasing impact on society as a whole, including people.



have interpreted risk as an event that, according to probability, may result in failure, material or other loss, or the implementation of a decision .

Literature Review. Fundamental developments in risk theory include "...methods for identifying, assessing, and managing risk..." [10], while other studies have defined it as "...the uncertainty of expected returns from risky investments..." [11], and have viewed "...the cause of uncertainty as a product of the future-oriented nature of the economic process..." and have emphasized "...the need to strengthen the role of the state to minimize the level of uncertainty in the economy..."

Some studies have distinguished and described entrepreneurial risk and personal risk according to their characteristics. In particular, entrepreneurial risk is "...associated with fluctuations in the markets for raw materials and finished products, unexpected product changes, new inventions, and the entry of new and strong competitors into a certain area..." and "...it is appropriate to call it personal risk, since its burden does not belong to anyone except the person operating with borrowed capital" [12].

It should be noted here that determining the most effective way to achieve a certain goal requires "...the application of mathematical calculation, based on the normative nature of utility theory, that is, the need for a person to make an alternative choice that maximizes expected utility..." cited.

In the second half of the last century, the theory of profit was widely introduced into economics and management. It is no coincidence that in a number of scientific works the development of this theory is considered one of the intellectual achievements of this era.

Research Methodology



This study employs a combination of theoretical and analytical research methods to examine the economic and social essence of risk transfer and risk transformation in insurance activities.

The dialectical method was used to investigate the nature, functions, and interrelationships of risk transfer and risk transformation within the insurance system. This approach made it possible to analyze these concepts in the context of economic and social development.

The comparative analysis method was applied to compare different theoretical approaches and scholarly views regarding risk management, insurance mechanisms, and the role of insurance in economic stability. This method also facilitated the identification of similarities and differences between risk transfer and risk transformation processes.

The systematic approach was employed to assess insurance activities as an integrated system consisting of insurers, policyholders, reinsurers, and regulatory institutions. Through this approach, the study examined how risk transfer and transformation contribute to the overall effectiveness and sustainability of the insurance market.

Results. Today, the theory of profit and its various modifications serve as the basis for modeling decision-making processes by economic entities in certain areas.

At this point, although the features and definitions of the "risk" and "uncertainty" categories have been revealed to a certain extent in the fundamental studies related to the topic, it is observed that the practical aspects, methods and methods of the impact aimed at minimizing the risk have not been fully studied due to the fact that the scope of the research is clearly limited in them.

It should be noted that significant results have been achieved in the interpretation of the essence of risk transfer (transformation) in insurance activities



. In particular, in the classic work of the famous economist Frank Heinemann Knight "Risk, Uncertainty and Profit", he approaches the phenomenon of "profit" from the point of view of the fact that "...a specific type of risk, which is considered a priority factor in the emergence of the "profit" phenomenon - uncertainty, has an unconditional priority...", and shows that "...the main source of uninsurable uncertainty is the inevitable differences in economic development and people's business capabilities." According to this approach, it is necessary to "describe in depth the main conditions of the theory of perfect competition before basing the conclusions drawn in the end..." and " ... analyze the modifications that arise as a result of the uncertainty factor..." in these processes.

It is precisely in understanding the nature and importance of the uncertainty factor and the problem of risk that the priority is not on evidence of continuous change, but on the imperfection of knowledge regarding the ultimate consequence(s) of such change.

The emergence of market institutions specializing in risk management has transformed unexpected losses into permanent, predictable costs by increasing the ability to accurately calculate probabilities while covering objects and statistical materials.

Such specific costs, of course, are required to be fully accounted for, but it is worth mentioning that they are nothing more than production costs that can be strategically forecasted and amount to the same amount as any other unavoidable costs.

It should be noted that "...the diversity and complexity of the development of insurance activities is explained, on the one hand, by the fact that this process is taking place under the influence of fundamental changes in market relations, and on the other hand, by the formation of innovative principles for the development of insurance services."



If the insurance company has the ability to assess the risk, it can transfer the risk by assuming it for a certain premium. In this process, the counterparty's ability or willingness to manage the risk, in particular project risk, also implies the collection of a certain premium for the transfer (transformation) of the risk.

The problem with this option of risk transfer in insurance activities is that in many cases it is difficult for the insurance broker to predict the risk event and its consequences, he does not know the specifics of the project, or the process is expensive to assess.

Modern fundamental research and foreign practice have expanded the essence and role of insurance activity, and have led to a systematic clarification of its functions that determine its content.

"...it can be emphasized that the development of insurance activity, which is constantly improving, has been gradual." In particular, the emergence of this activity served as the basis for the organization of a closed system of events leading to various losses (damages) and protection against them (in a separate group section). "The role of insurance activity is manifested in ensuring socio-economic stability by protecting property interests from insurance risks."

On the one hand, the objective function of insurance in terms of the protection of systematically manifested interests of subjects creates favorable conditions, and on the other hand, it is the economic basis for the effective implementation of certain calculations through insurance operations.

In market conditions, the subjective function of insurance is aimed at increasing income and capital, which is reflected in the purpose of a specialized company and its activities in accordance with it, as well as in its integral objective relations with the sectors and sectors of the economy served. It should be noted that "...the development of insurance activities is inextricably linked with the process of



economic development..." It occurs in an immanent (Latin: immanens - internal, i.e. inherent in nature) manner.

Insurance entities operating in Uzbekistan are experiencing problems in selling their products, not due to market saturation, but rather due to weak demand for insurance services. Therefore, insurers are required to diversify their activities in accordance with the needs and requirements of their development strategy.

In a market economy, insurance performs specific functions that reflect the social purpose of its activity. These functions, in their objective meaning, are the core of insurance activity, while obtaining profit (income) characterizes the subjective relations of this activity, that is, internal business processes.

Conclusion. Guaranteed protection of property and interests in insurance activities, as its objective function, implies, on the one hand, the creation of favorable conditions for the development of the industry, and on the other hand, it ensures the strengthening of the economic base through the implementation of calculations aimed at ensuring the efficiency of insurance operations.

The subjective function of an insurance organization, aimed at increasing capital and income as its primary goal, is of particular importance, and is also fully manifested in objective relations with economic entities that are consumers of insurance services. It should be noted that the development of insurance activities is closely linked to the process of economic development of individual countries and regions, precisely in accordance with the periodic oscillatory movement of economic development.

Currently, insurance companies in Uzbekistan are facing problems in selling their products not because of market saturation, but rather because of insufficient demand for insurance services. Therefore, in this process, insurers are required to



effectively use forms and directions of diversification of their activities, based on the needs and development strategy.

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