American Journal of Interdisciplinary Research and Development
ISSN Online: 2771-8948
Website: www.ajird.journalspark.org
Volume 22, November, 2023

IMPROVING THE INTEGRATION OF INSURANCE COMPANIES AND COMMERCIAL BANKS

Kenjayev Ilhom Giyozovich
Doctor of Philosophy (PhD) in Economics, Associate Professor of the Department "Insurance and Pension" Tashkent Institute of Finance
E-mail:kenjayev_i1982@mail.ru

Ganiev Shahriddin Vokhidovich
Professor of ISFT Institute
E-mail: ganiyev_sh@mail.ru

Abstract
The article presents the economic essence of the process of integration of insurance companies and commercial banks, their classification, and analysis of mutual cooperation between insurance companies and commercial banks. The advantages of cooperation between insurance companies and commercial banks, as well as the classification criteria for bancassurance and international legal norms were also studied.

Keywords: insurance companies, commercial banks, integration process, bancassurance, insurance premiums, insurance payments, insurance money, insurance liability, insurance events, insurance contracts, investment activities of.

Introduction

Due to the instability of the political and economic situation in the world economy, preventing economic instability through the development of cooperation between banks and insurance companies is one of the pressing issues. The process of integration of banks and insurance companies is not only about internal investment and accumulation of resources, but also about ensuring the stability of the entire financial system. This will improve the standard of living of the population, provide social protection and, of course, stability of the country's economy.

If we talk about bancassurance, which is currently rapidly developing in the global financial market and helps eliminate a number of shortcomings and problems in the banking sector of our republic, the bancassurance model plays the role of cooperation between banks and insurance companies or a single integrated organization. As a result, the insurance company sells its insurance products through the bank's customer channel. The insurance company also establishes cooperation with the bank on the basis of a mutual agreement in order to be able to sell its products through the bank's client base. The bancassurance model allows the insurance company to sell its product directly to the bank and through small groups of bank employees.

Cooperation between commercial banks and insurance companies is developing in our republic. Areas and areas such as banking risk insurance are developing rapidly, but despite this, relationships with commercial banks require certain conditions for the transition to an innovative economy and mutual activity in the age of information technology.

Literature Review

Within the framework of the analyzed topic, we will compare the definitions and theoretical views of economists on the process of integration of insurance companies and commercial banks.

The insurance industry, like other financial institutions, is divided into several types. One of them is bancassurance. Bank insurance is one of the most active and rapidly developing types of insurance and one of the leading types of the global insurance market. This insurance service is very developed in the countries of southern Europe: the share of bancassurance in life insurance is 74.1% in Portugal, 71.4% in Spain, 71.9% in Italy, and in general insurance in Portugal it is - 15.3%, in France -12%, in Spain 10.2% [23].

Also, foreign scientists have given various definitions of bancassurance. In particular, according to I.A. Gabidulina and V.N. Lushnichenko: "...bank insurance is the way to create a unified information system between banks and insurance organizations - the absorption of banks by insurance companies and the acquisition of insurance companies by banks." According to A. Messiash-Handschke: "bank insurance is a form of distribution activity, i.e. distribution and distribution agreement, merger and acquisition agreement, strategic collaboration and share purchase." And O. Kovalevsky's opinion that "bank insurance is a strategic alliance, a general strategy of an enterprise, a strategy for creating one's own institution and a consolidated model" caused a lot of discussion.

The "Strategy of Action for Five Priority Areas of Development of the Republic of Uzbekistan for 2017-2021", adopted on the initiative of Honorary President Sh.M. Mirziyoyev, also noted excellent points in this regard, identified the main priorities, in particular, "In order to further strengthen the macroeconomic stability and maintaining high rates of economic growth, expand the scope of insurance, leasing and other financial services by introducing new types and improving their quality, as well as developing the stock market as an alternative source of attracting capital and placing free resources of enterprises, financial institutions and the population, further development international economic cooperation, including expanding relations with leading international and foreign financial institutions, continue to implement a sound foreign debt policy, and effectively use attracted foreign investments and loans" [6]

Analysis and Results

The first stage of interaction between commercial banks and insurance companies took place in Western Europe in 1967-1985. In 1985, the first strategic alliance with banks was formed by insurance companies in Great Britain and France. British insurer Standard Lífe invested in Bank of Scotland, and French insurer GAN bought Credít Índastríel et Commercíal. At the same time, in France, in 1980, the Banque Nationale de París Paribas established the insurance company Natío Víe. It is safe to say that this form of integration of banks and insurance companies has paid off in practice. An example of this is the Paribas group, which is currently operating effectively in France and has a clear advantage. At this stage, bancassurance developed rapidly in Western European countries during 1986-1995. In 1996-2007, the stage of rapid development of bancassurance continued in Western European countries.

Also, the variety of risks inherent in banking activities requires their classification and made it possible to classify the main risks of banking activities. We see the classification of the main risks of banking activities from the table below (Table 1).

Table 1 Classification of the main risks of banking activity*

№	Classification	Type of risk
1.	By time	Retrospective
		Current
		Prospective
2.	In relation to banking	External risk
		Internal risk
3.	By the factors of occurrence	Economical
		Political
		Natural
		Anthropogenic
4.	On the dynamics of development	Dynamic
		Statistics
5.	By scope	International
		Regional
		Territorial
		Inter-industry
		Enterprise risk
6.	Relative to the market	Regular
		Irregular
7.	Financial risk	Liquidity
		Credit risk
		Due to inflation
		Percent
		Capital risk
		Currency risk
		Risk of regulation of accounts

* *Developed by the authors.*

External Factors:

• fluctuations in prices for credit resources;
• economic growth and increased demand for loans;
• changes in inflation and bank interest rates;

- change in the refinancing rate;
- technology development;
- political situation;
- economic policy, tax policy;
- environmental legislation;

Internal factors of the bank include factors directly related to the activities of the bank. They are as follows.

- operating and maintenance costs;
- level of use of credit resources.

Based on the main factors, banking risks can be divided into economic and political.

Political risks are factors that arise as a result of the political situation and have a negative impact on banking activities (changes in the tax regime, closure of borders, ban on the export of goods to other countries, the presence of martial law in the country). [7].

Economic (commercial) risks are the occurrence of unpleasant changes in the country's economy or banking economy. The most common type of economic risk is unbalanced liquidity (untimely fulfillment of payment obligations). In practice, it is difficult to distinguish between these two main types of risk. In turn, political and economic risks can be divided into external and internal risks [8].

As we already mentioned above, the period of the first formation of bancassurance does not go back into long history; on the contrary, this type of insurance has been introduced into practice since the 20s of the 20th century and is developing together with banks. in different countries over the years. Opinions and academic views on bancassurance are not enough. But at the same time, foreign scientists studied this type of insurance and put it into practice. It will not be a mistake to say that mutual cooperation between insurance organizations and banks arose 150 years ago. F.V. Raiffeisen, the founder of credit unions, theoretically substantiated and practically proved the advantages of mutual integration of insurance and financial and credit activities. Systematic approaches of domestic and foreign scientists confirm that bancassurance does not have a single model and form.

Bancassurance is regulated differently depending on demographic, economic and legal conditions and traditions. There is no common experience in organizing bancassurance for all countries. It should be noted that the distribution of insurance policies through banks plays a very large role in the overall sales of insurance companies, especially in the life insurance sector. In Europe this figure is 70%.

The motives for insurance companies' participation in bancassurance are systematized in Figure 1 below.

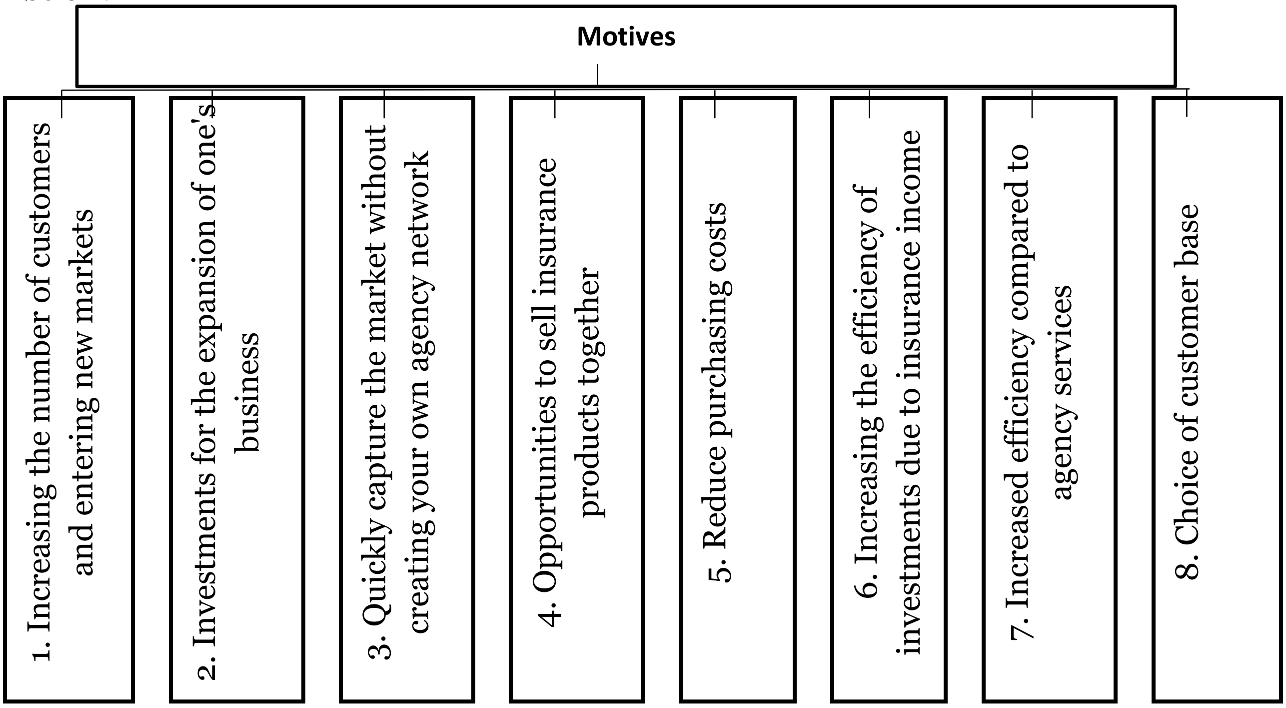

Figure 1. Motives for participation of insurers in bancassurance *
* *Developed by the authors.*

After knowing the reasons for mutual cooperation between banks and insurance companies, we can consider the theoretical basis of bancassurance.

The theory of bancassurance includes the theory of selling insurance products to the bank and its employees, as well as to corporate and retail banking customers. In this case, the theory of bancassurance is a personal phenomenon of the theory of banking sales, and it involves the sale of insurance services by bank employees independently, without recourse to the insurance company.

The theory of bancassurance is the theory of actions of a bank and an insurance company to trade with each other. Thus, the first step in the implementation of the theory of sales of banks was selected according to certain criteria by creating a database about banks and establishing an interaction with banks.

Conclusion

In today's globalization, the integration of banks and insurance companies is very important. According to the nature of the integration process, mergers and acquisitions in the financial sector of the economy (especially insurance companies and commercial banks) can be called vertical mergers and acquisitions. Vertical integration allows customers to save costs due to increased quantity and quality of products and services. There are a number of reasons for the merger of banking and insurance businesses. **Firstly**, the advantages of joint development of new joint financial products, profitability of bank deposits, insurance make them competitive and in demand.

Secondly, it expands the customer base that generates additional income.

Thirdly, there are many risks in banking activities, and they cannot cover these risks from their own funds, and usually, in such cases, these losses are covered by comprehensive insurance by insurance companies (Bankers Blanket Bond - BBB).

An insurer is an organization capable of protecting the bank from various risks arising from its work (insurance of risks of credit and various practical operations), as well as in the process of working with clients (for example, mortgaged property of creditors, life and health insurance programs, etc.) participates"[8].

Mutual cooperation of insurance companies and commercial banks, first of all, helps to generate additional funds in banks and increase bank income.

The next one, a thorough knowledge of the banking and insurance industry will introduce personnel training and training between the two parties. As a result, new additional jobs will be created. Commercial banks and insurance companies of our country create a number of conveniences and advantages not only for themselves, but also for our citizens in their merger, integration, cooperation and mutual operation.

References

1. Law of the Republic of Uzbekistan "On insurance activities" No. 730 of November 23 , 2021.
2. Law of the Republic of Uzbekistan "On Compulsory Third Party Liability Insurance of Vehicle Owners" No. 155 of April 21, 2008.
3. Law of the Republic of Uzbekistan "On Compulsory Civil Liability Insurance of the Employer" No. 210 of April 16, 2009.
4. Law of the Republic of Uzbekistan "On Compulsory Insurance of Civil Liability of the Carrier" No. 386 of May 26, 2015.
5. Decision of the President of the Republic of Uzbekistan dated on August 2, 2019 No. PQ-4412 "On measures to reform the insurance market of the Republic of Uzbekistan and ensure its rapid development".
6. Decree of the President of the Republic of Uzbekistan dated February 7, 2017 No. PF-4947 "Strategy of actions for further development of the Republic of Uzbekistan".
7. Морозов Д.С. Проектное финансирование: Управление рисками и страхование – издательство «Анкил»,1999 г.
8. Романова Анна Александровна "Формирование механизма взаимодействия страховых компаний с банковскими учреждениями" Москва 2005 г.
9. Мэлоун Патрик. Что менеджер проекта должен знать об анализе проекта. Серия 18 Б в сборнике Управление проектом/ анализ проекта - курс для преподавателей Средней Азии / Алматы, 6-22 мая 2006 г.

10. Kerzner H. Project Management: A. Systems Approach to Planning. Schedulling and Controlling. 4th ed., New York, Van Noatrad Renhold, 2002.
11. Russel D. Archibald. Managing of High - Technology Programs and Projects. 2nd ed., John Wilegs Sons Inc., USA, 2007.
12. Social protection in Europe – Commission of the European Communiteis. Brussels. 1994.
13. Rupp Insurance & Risk Management Glossary. 2002, NILS Publishing.
14. International Association of Insurance Supervisors “Core principles”, 2000, California.
15. Козлова Е., Финогенова Ю., Хоминич И. Основы страхового дела. Учебник и практикум // 978-5-9916-5977-М.: Юрайт, 2016.- 499 стр.
16. Шахов В.В., Ахвледиани Ю.Т. Страхование. Учебник // ISBN 9785238014647.-М.:ЮНИТИ, 2009-243 стр.
17. Карелина С.А., Фролов И.В. Банкротство страховых организаций. Монография.//ISBN 9785720514648.-М.:Юстицинформ, 2018.-128 стр.
18. Лазарова Л.Б., Каирова Ф. А. Ипотечное жилищное кредитование и страхование. Учебное пособие // ISBN 9785907100176.-М.:Прометей, 2019.-186 стр.
19. Роик В. Экономика, финансы и право социального страхования. Институты и страховые механизмы // ISBN 9785961419610.-М.: Альпина Паблишер, 2013.-257 стр.
20. Черных М., Каячев Г., Каячева Л. Страхование: Финансовые аспекты. Учебное пособие//ISBN 9785406072752.-М.: КноРус, 2019.-284 стр.
21. Галаганов В. П. Основы страхования и страхового дела. Учебное пособие // ISBN 978-5-406-06052-0.-М.:КноРус, 2018.-216 стр.
22. Кузнецова О. В. Добровольное страхование. Практичексое пособие // ISBN 978-5-9916-0021-7.-М.:Юрайт, 2008.-182 стр.
23. Бабурина Н.А., Мазаева М.В. Страхование. Страховой рынок России. Учебное пособие // ISBN 9785534035605.-М.:Юрайт,2017.-128 стр.
24. Годин А.М., Демидов С.Р., Фрумина С.В. Страхование. Практикум // ISBN 9785394019920.-М.:Дашков и К, 2017.-208 стр.
25. И.Кенжаев, М.Абдураимова, Н.Абдуллаева. Суғурта бизнеси. Ўқув қўлланма. “Иқтисод-молия”, 2020.-347 стр.
26. Абдурахмонов И.Х., Кенжаев И.Ғ. Суғурта менежменти. Ўқув қўлланма. “Иқтисод-молия”, 2020.-412 стр.
27. Абдураҳмонов И.Х., Казанцева А.К., Носирова Г.А. Теория и практика страхования.Учебное пособие// ISBN 9785394019920.-Т.: “Iqtisod-Moliya”, 2018.-512 стр.
28. https://www.louisepryor.com - Enhanced capital requirements and Individual Capital Assesments Insurers; Comite Europen des Assurances.pdf