

SPECIFIC CHARACTERISTICS OF MICROINSURANCE

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The development of microinsurance is also beneficial for the development of the entire integrated insurance market for the following reasons:

Microinsurance is a new promising direction of insurance activity. For insurance companies, this allows them to diversify their activities and get additional profits; microinsurance can be seen as a field for innovation. The specifics of this activity force insurance companies to look for ways to reduce the price of microinsurance products, which can later be applied to traditional insurance types;

Microinsurance is a type of social responsibility of business, the implementation of which will not fail to have a positive effect on the image of the insurance company. Microinsurance and traditional insurance products operate within the same market, but do not replace each other. The insurance market as a system of economic relations includes a number of high-level systems that directly or indirectly determine its development opportunities and trends. Therefore, the development vector of the national insurance market should be evaluated from the point of view of its compatibility with the development goals of the "risk management" and "socio-economic", "social protection systems" macrosystem. By introducing microinsurance (including for the poor) products aimed at increasing the insurance capacity and opportunities, the positive impact of the insurance market on these macrosystems will be enhanced. It is unacceptable for the state to use coercive measures to develop microinsurance in the national insurance market.

At the level of regulation of insurance relations, the development of microinsurance processes, the balanced use of economic-legal and control methods allow to support the development of the national insurance system. Thus, the main factor for the successful development of the microinsurance system is the increase in financial literacy aimed at the knowledge of insurance in the general public and especially in our people. In this regard, it is necessary to popularize knowledge about microinsurance and to revive research and development in this regard. In turn, the development of microinsurance serves the social interests of the country's population and helps the underprivileged as a means of social support and is an important form of poverty reduction mechanism. Specific features of microinsurance are as follows:



- Simplicity of insurance products. It is important to promote confidence in this type of insurance and to promote insurance literacy. Therefore, one of the main principles of microinsurance is simplicity and customer focus.

- A simplified way to issue a policy, issue it and make payments. For the same reason as mentioned above. The simpler the entire underwriting process, the easier it is to distribute the product.

- High risk for the insurer. Microinsurance is characterized by low insurance premiums, and since the target group, as a rule, consists of people with a low standard of living, who may have a slightly higher probability of an insured event, the insurer has a much higher risk in this type of insurance. However, this is balanced by the fact that microinsurance payments are also usually small. The lower the premium, the easier it is for low-income citizens to become clients of microinsurance organizations, but the more difficult it is for the insurer to achieve efficiency. On the other hand, a lower premium may lead to more policies, which may be sufficient to achieve efficient scale.

- low level of state regulation. In many countries, the government does not regulate the microinsurance market in any way, which may be one of the main factors slowing down the market's development. The reason for the low level of regulation by the state may be that microinsurance has started to appear relatively recently and the legislative bodies have not yet issued the framework for regulating the market, or they may not be suitable for the market of a particular country.

The development of microinsurance has a positive effect on many market participants from different sides. The benefits of microinsurance for different stakeholder groups are discussed below.

For policy holders:

· The possibility of reducing the level of poverty due to the "Peace Effect". Poor people have less money in "reserves" if they are insured, so they can invest more in risky assets with higher returns. Or, insurance can expand access to credit by covering some of the risks the lender is unwilling to take.

Protection. Insurance can protect the policyholder against the financial consequences of various risks, including illness and death. It is easier for the poor to cope with large losses if the risk that caused them is insured. It is easier to regularly pay small bonuses to the population than the large direct costs that accompany crises.

For microinsurance product providers:



Insurance can help cooperatives, unions, NGOs, self-help groups, and other organizations primarily interested in helping their members overcome risks and achieve their social goals. Insurance can be an ideal vehicle to complement other services they may provide, including loss prevention, financial education, savings and term loans. Microinsurance helps businesses enter a new market or expand their services in an existing market.

For supply chains such as retailers, utilities, and agricultural suppliers, microinsurance is not only a source of additional revenue, but if designed correctly, can also provide additional turnover to their core business. A microfinance organization can partner with microinsurance organizations to offer better services to clients with less risk.

Even the government can fall into this category of suppliers. Where there is an interest in extending social protection coverage to certain groups of the population, microinsurance can be a means of achieving this goal. In addition, microinsurance can help meet public policy goals and expand social protection by better covering the increased risk of natural disasters.

For society and the whole country:

Various studies have shown a causal relationship between the development of the insurance industry in general (not microinsurance in particular) and national economic development. This is partly due to the support of entrepreneurship. For example, insurance allows businesses to generate income with less volatility (less risk) and thus can contribute to economic stability.

Insurance, as mentioned above, can be used to manage certain risks faced by lenders and borrowers. In doing so, insurance manages risks more effectively than other financial instruments, which facilitates access to credit and encourages entrepreneurship. Insurance also helps encourage high-return business investments by helping to measure and manage high risks. Investing in high-return activities, in turn, promotes productivity and economic growth.

Microinsurance by itself is unlikely to raise living standards, but it is a valuable tool in the fight against poverty. In combination with risk mitigation and mitigation, as well as other financial services related to risk management such as savings and term loans, insurance can play an important role in effective risk management, reducing vulnerability and alleviating poverty as much as possible.



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More broadly, by mobilizing long-term savings, insurers are an important source of long-term assets that can be invested in initiatives such as infrastructure improvements. They also serve as an important factor for the development of debt and equity markets.



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