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**THE ISSUES OF IMPROVEMENT THEORETICAL AND
PRACTICAL BASES OF REINSURANCE.**

Specialization 5A231201-«Insurance»

Thesis for the academic degree of Master

DISSERTATION

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INTRODUCTION

The relevance of the research topic. Insurance companies are among the main elements of the financial system of the country, providing compensation for losses and stabilizing the sustainable development of the national economy and the social sphere. At the same time, insurance companies have also become subject to the impact of negative factors. The insurer liability should match its financial capacity to fulfill all obligations in full. Accordingly, the insurer is a problem of management of financial stability and solvency of the whole. The direction of solving this problem is reinsurance. The insurer by passing one or more reinsurers that part of the risk, which exceeds its financial capacity, provides the financial stability of the company. Taking into consideration, the low level of capitalization of reinsurers, they can be left on their own holding the major risks. While a substantial payment could undermine the financial stability of the insurance company, and even lead to bankruptcy. The presence of various forms and methods of reinsurance allows insurance companies to not only choose a method of protection of the insurance portfolio, but also to optimize the value of their own retention.

Currently, however, virtually no studies that allow insurance companies decide to optimize the reinsurance program and evaluate its impact on financial stability. Considering that, insurance companies use different approaches for constructing the maximum retention limits, the decision on reinsurance protection is intuitive, based on the experience of underwriters and not evidence-based task.

The scrutiny extent of a problem. The essence of reinsurance and its role in insurance relationship were considered in a number of foreign scientific monographs and periodicals. Among the Russian and Uzbek authors' works should be noted: В.В. Шахов, Ю. Журавлев, А.А. Гвозденко, Е. Качалова, Н.П Сахирова, И. Ю. Постников, Т.Фёдорова, В.Сухов, Н. Н Никулина, Р .Юлдашев, Ҳ.Р Собиров, Т.К.Иминов, Ш.Имомов, М.А.Мирсодиқов, С.А.Умаров, Х.М. Шеннаев.; among foreign authors: K. Pfeiffer, J. Bland, L. Reitman, R. Carter.

The methodological and theoretical basis for the implementation of thesis was the works and Decrees of the President of the Republic Uzbekistan, laws and regulations of the Oliy Majlis and Government of the Republic Uzbekistan.

The aim of the research. Improving the theoretical and practical bases of reinsurance, and to find new ways and methods of expansion of reinsurance business in the insurance market of Uzbekistan.

To achieve the goals it took to set following tasks:

- to define the essence of organizing reinsurance activity in insurance sphere;
- to study developing features of reinsurance activity in the Uzbekistan insurance market;
- justify the importance of reinsurance for the development of the national insurance market;
- to develop offers and recommendations on increasing role of reinsurance in order to integrate into international insurance market;
- to analyze the financial performance of reinsurance companies which are expressing report data;
- to develop the scientific proposals and practical recommendations that are relevant to reinsurance, determine the increasing ways of effectiveness of reinsurance companies according to development opportunities of insurance in Uzbekistan.

The object and subject of research.

The object of research is reinsurance operations of national insurance companies.

The subject of research is the economic relations of improving reinsurance services in Uzbekistan.

The scientific novelty, theoretical and practical importance master's thesis. Research in this sphere of the thesis, serves as a scientific and practical base on the offer and the recommendation developed at the heart of analyses, improvement of reinsurance activities in the national insurance market and action is carried out on improving the solvency of reinsurance companies.

The structure of the work. Master's thesis consists of an introduction, three chapters, conclusion and bibliography. the introduction of the urgency of the problem under investigation, it highlighted the extent of knowledge, articulated the purpose and objectives study revealed scientific novelty, theoretical and practical significance.

In the first chapter “The essence and theoretical-practical bases of reinsurance” is defined the essence of reinsurance and its role in insurance relationship and developing tendency of reinsurance in international practice.

In the second chapter “The analysis and conditions of reinsurance in today (at present)” is developed organizational-juridical bases of reinsurance activity and the analysis of indicators of Uzbekistan reinsurance market.

In the third chapter “The directions of improvement of the Uzbekistan reinsurance market” is studied the improvement of solvency of reinsurers and role of reinsurance in stable development of Uzbekistan’s economy.

In conclusion, the thesis summing up the results of studies made certain conclusions derived from the literature review and analysis.

CHAPTER-I. THE ESSENCE AND THEORETICAL AND PRACTICAL BASES OF REINSURANCE.

1.1 The essence and theoretical basis of reinsurance.

Reinsurance is a prerequisite for ensuring the financial stability of insurance operations and normal activities of any insurance company. We know that insurance is based on the theory of probability and the law of large numbers. Under this law, the cumulative effect of a large number of random factors resulting in some very general terms to the result, almost independent of the case Randomness is manifested as a pattern. In most cases, insurance companies are not able to create a perfectly balanced portfolio of risks, as the number of objects of insurance small or portfolio contains large and dangerous risks that contribute to the portfolio elements imbalances. In addition, experience has shown that any insurance company even with careful selection of risks when taking their insurance cannot create a portfolio of fully isolated from each other objects of insurance, as the insurance conditions are usually covered a variety of hazards to which the insured objects can be exposed at the same time upon the occurrence of disasters floods, hurricanes, earthquakes, devastating fires, etc. However, due to the fact that the funds and even all of the assets of any insurer is only a small fraction of the total amount of his liability to the policyholders for the entire portfolio of insured objects, these disasters (insurance cases) can not only significantly undermine the financial base of the insurance company, but also lead it to complete bankruptcy.

To align the insurance sums accepted on insurance risks and thus balance the insurance portfolio, bringing the total potential liability of the sum insured in accordance with the financial capacity of the insurer and thus to ensure the financial stability of insurance operations and their profitability, obtaining mutual participation in risks accepted on insurance other insurers, there is an institute of reinsurance.

Reinsurance is a system of economic relations, in which the insurer is taking on the insurance risks of the responsibility on them (taking into account their

financial capabilities) to the agreed terms to other insurers in order to create a balanced portfolio of insurance contracts, to ensure financial stability and profitability of insurance operations.

Reinsurance is achieved not only the protection of the insurance portfolio of the impact that a series of large insurance claims or even one catastrophic event, but also the fact that the payment of sums of insurance compensation in such cases is not a heavy burden for one insurance company, and is carried out collectively by all participants.

The insurer accepted the insurance risk and to allocate it in whole or in part in the reinsurance of another insurer, called the reinsurer or the assignor. The insurer, to the reinsurance, the reinsurer is called. Facilitating the transfer of risk to reinsurers often provides reinsurance broker. Taking the risk to reinsurance, the reinsurer may partially transmit it to a third insurer. Such an operation usually called retrocession and reinsurer, transmission risk retrocession - retro concessionaire.

During the period of scientific and technical progress is an enormous concentration of wealth and, consequently, the growth of insurance premiums from a large number of objects of insurance: increasing capacity ships and as a result of this - the cost of the vessels and their loads, build factories giants significantly increases the cost of long-haul airplanes etc. No insurance company cannot take on such large risks insurance, without having solid reinsurance ensure excess of the amounts that it will keep to its responsibility

In many cases, the cost of the insurance of insurable risks are so great (or dangerous) that the capacity of individual markets is not sufficient to provide insurance for the full amount.

Reinsurance - insurance by one insurer (the reinsurer) under certain conditions the risk of execution of all or part of its obligations to the insured, the beneficiary or other person with another insurer (reinsurer).

With this method, the original insurer enters into a contract of insurance with the insurer under which assumes all the obligations under the insurance benefits

received by the insured and the insurance premium owed. But some of these obligations may be transferred to one or more reinsurers by entering into a reinsurance agreement between the reinsurer (which is referred to in this agreement as the assignor) and the reinsurer. This pays the reinsurer and the reinsurer of the insurer received from the insurance premium as a fee for accepting the reinsurer to assume the share of liability. In the insurance case the policyholder or another beneficiary makes demands on insurance payments only to the insurer, which performs all calculations under the insurance contract. And the insurer, in turn, requires reinsurers to those he listed their commitments.

When reinsurance policyholder is dealing with only one insurance organization, which is obliged to fulfill all obligations under the contract of insurance, regardless of their relationship with reinsurers. In turn, reinsurers do not have any formal obligations to the insured, and are responsible only for the claims of the assignor. Thus, the essence of reinsurance is to redistribute obligation for damages incurred by the insurer for insurance contracts between two or more organizations in order to ensure the financial stability of the insurer.

It should be borne in mind that reinsurers may similarly reinsure its commitments. In this case, the signed agreement will be referred to the agreement retrocession; the transferor commitment to the further reinsurance - retrocedent and the person accepting the obligation - retrotsessionar. The purpose of conclusion of the contract retrocession - further redistribution of risks and balancing the reinsurer has obligations to ensure its financial stability. ¹

Functions of reinsurance. The value of reinsurance in today's global insurance sector due to the discharge of the following core functions:

1. providing additional financial capacity (capital) for making a direct insurer of risks insurance;
2. adopted at the secondary redistribution of insurance risk (risks);
3. to balance the performance of the insurer for each fiscal year;
4. protection of the annual balance sheet of the insurer;

¹ Шахов В.В. Страхование. М, 2008.

5. participation in tax planning direct insurer;
6. Providing conditions for the accumulation of assets by direct fears;
7. the impact on the improvement in the solvency of the direct insurer;
8. providing liquid assets for a quick settlement of losses directly by the insurer upon the occurrence of insured events with over-insure risks.

In its essence it is the international reinsurance business, as it has a secondary purpose, subsequent distribution of risks accepted on insurance, which can be achieved mainly foreign capital. Modern global reinsurance market to a greater extent than direct insurance market, is subject to the processes of globalization and the merging of insurance, banking and the stock of capital.

These processes are the result of the need to increase the capitalization of reinsurers to provide the required financial capacities for the reinsurance of natural disasters, losses from the occurrence of which is estimated at tens of billions of dollars.

The role of reinsurance in the insurance market is:

- ◆ Use of reinsurance, insurers can form at a more balanced insurance portfolio. Formation of such a portfolio means that the insurance organization has a sufficiently large number of insurance contracts of similar objects, are not concentrated in a small area, with the same range of insurance risks and were not significantly different between a sum insured. The lack of a balanced portfolio seriously violates optimal proportions, creating a foundation for financial stability.

- ◆ Use the reinsurance reduces the risk that the insurer's losses from carrying out insurance operations due to the excess amount of insurance payments on the value of the resulting insurance premiums.

- ◆ Reinsurance helps to increase the capacity of the insurer to enter into contracts of insurance on the high sums insured.

- ◆ Conclusion of reinsurance contracts allows insurers to adjust the ratio between the amount of equity capital and the amount of insurance operations in order to ensure its financial stability.

- ◆ Having the opportunity to enter into the reinsurance contract allows

insurers to more easily engage in the operations of new types of insurance.²

There are two ways of reinsurance:

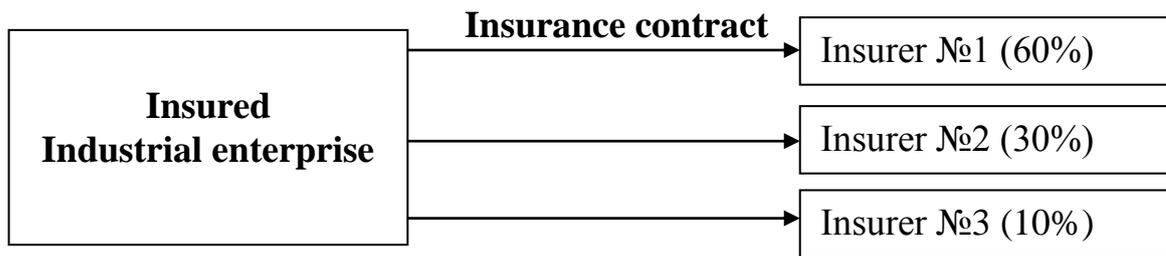


Figure 1. Co-insurance.³

When coinsurance primary insurer received the largest risk that exceeds its ability to pay the insurance indemnity in the event of a loss is shared with another insurer, certain portions of liability on the same terms on which he received this risk. Participating in co-insurance underwriters receive part of the insurance premium and bear some responsibility accordingly for possible losses. This method is used by insurers and rarely refers to the friendly insurance companies, companies within the group or as a friendly act in relation to the partner.

Reinsurance

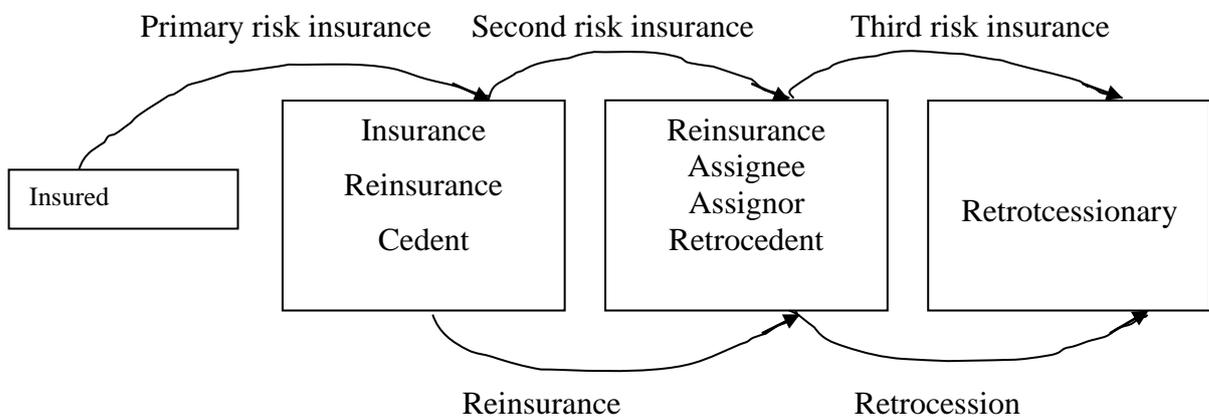


Figure 2. Insurance risk transfer scheme:⁴

Cedent (the insurer, reinsurer) - it is the insurer that transfers risk to reinsurance.

Assignor (assignee reinsurer) - is the insurer accepts the risk in reinsurance

Retrocedent - is an insurer or reinsurer, transmits the received reinsurance risk

³ А.А. Гвозденко. "Основы страхования", М., "Финансы и статистика", 1998г.

⁴

retrocession (reinsurance secondary).

Retrocession - is the process of further transmission of the wound received in the insurance risk.

Retrosessionary - a reinsurer, taking the risk of retrocedent.

Liability limit - a sum that limits financial liability of the reinsurer on the contract.

Priority - the sum within which the transferor is liable under the insurance contract.

Reinsurance with him assignor retains its liability only certain, consistent with its financial possibilities, the proportion of each potential insured event, which is called retention. All that exceeds the limit of own deduction is transferred to reinsurance.

The basic principles of reinsurance are absolutely the same as for the insurance. For reinsurance also important to have insurable interest, the principle of compensation for damages and the principle of the highest integrity. By analogy with what insurance may be carried out only if the insured interest in the subject of insurance, to reinsure only really existing interest in the insurer.

The insurer accepts the risk, take some responsibility, and therefore, this responsibility has an insurable interest, which is subject to reinsurance. Only established in the insurance policy guarantees and can be shared with reinsurers, otherwise the insurer intentionally divided nonexistent or exaggerated risks.

The principle of compensation for damages, as well as insurance, is a major in the reinsurance contract. On the basis of the treaty itself is constructed, assuming that when the insured event the assignor (the insurer that made the insurance risk and to allocate it in whole or in part in the reinsurance of another insurer) has paid the indemnity payable to the insured, thus obliging the reinsurer (the assignee) to pay the assignor partial refund proportional to its share of participation in this risk.

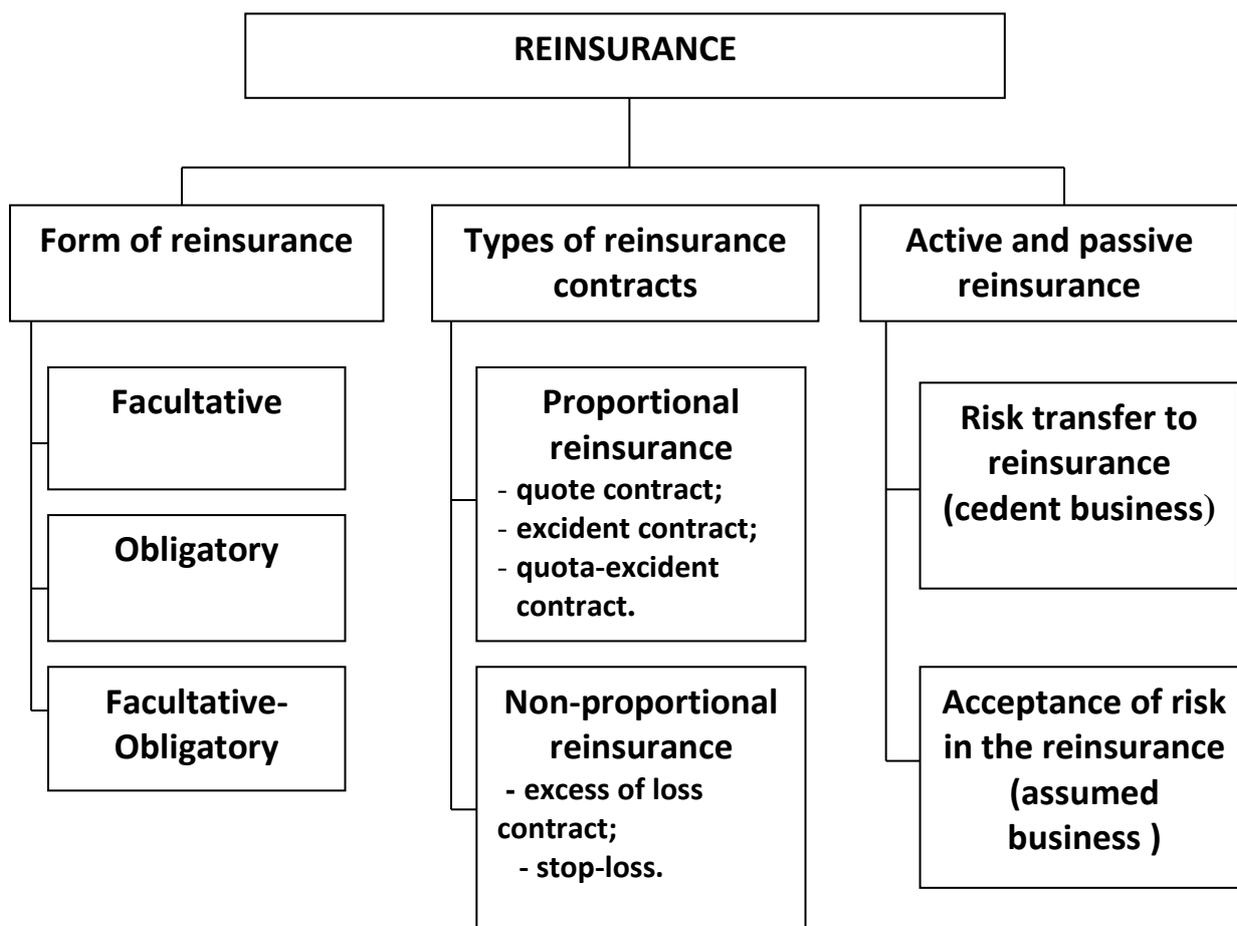


Figure 3. Interconnection elements of reinsurance.⁵

There are three forms of reinsurance:

facultative;

obligatory;

facultative-obligatory (mixed).

The optional form of reinsurance is the earliest form of this type of activity. This provides reinsurance for reinsurers and the assignor's right to choose. For the first - whether to accept any proposal for the reinsurance of the original contract, and the second - whether to pass, and if so, to whom, of each exposure of reinsurers in reinsurance, based in each case subject to certain conditions. *Facultative reinsurance* is the kind of reinsurance, the reinsurer that allows even before the obligations under the contract carefully consider a particular individual

⁵ Шахов В.В. Страхование. М, 2008

or a particular risk, responsibility for which he is going to take over. The company-assignor assuming transfer part of its responsibility to the individual risk elective reinsurer must provide the latest information in this volume, as if it had passed the responsibility for the risk of direct insurance. On the one hand such a detailed and thorough examination of the partner, as well as his proposals is justified and appropriate, especially if it is one of the first taken from the assignor's company, on the other hand requires significant expenses for both parties reinsurance relationship: find the relevant documents, a detailed presentation of the nature of risk, a detailed study of all the nuances, check and document processing.

The need to accelerate the mechanisms of risk transfer in reinsurance relationships associated with an increase in insurance operations, resulted in the production of some form of reinsurance, the insurer has made the provision of more opportunities in the implementation of insurance operations and reduces the cost of handling a significant amount of risk. Thus, the need to address these problems has led the development of reinsurance.

Obligatory reinsurance - a form of reinsurance, suggesting that the reinsurer is obliged to transfer part of the responsibility of each individual risk of the total portfolio of a particular type of insurance under the terms of the agreement, reinsurance and the reinsurer is obliged to accept each such process. In addition to the risks subject to obligatory reinsurance treaty specifies the conditions on which the reinsurance liability limits, reinsurance premium, reinsurance commission and other conditions.

Under the terms of obligatory contract the insurer is obliged to transfer all risks to reinsurance provided by the contract. For example all the risks under the insurance against fire and related risks - in Germany, all risks under the contract of motor insurance - in the UK and Germany, all risks under a contract of marine insurance - in France.

Reinsurer, in turn, is obliged to take all sent him to reinsurance risks under the contract. Such decision are automatic and do not require confirmation by the reinsurer in each case. Assignor independently carries out a risk assessment to be

transferred in accordance with the reinsurance contract. If an insurer, the risk of transmitting reinsurance acts negligently, without complying with the interests of the reinsurer, the latter the right to not abide by the decisions and actions of the assignor.

Facultative obligatory provides a form of reinsurance reinsured freedom of decision - which, and to what extent it can transfer risk to the reinsurer. In turn, the reinsurer is required to adopt the proposed risk or share on a pre-agreed terms. In other words, optional in this case is assumed for the reinsurer, and the obligatory part refers to the reinsurer.

For him, the contract may be unattractive and unsafe, as the reinsurer, making the selection of risks in the insurance portfolio may be ceded most insecure.

Therefore, such agreements are concluded only with reinsurers, enjoys the full confidence of the reinsurers. Used sometimes obligatory, facultative reinsurance contracts. At the same time, respectively, are assumed to be bound - to the reinsurer and optional - for the reinsurer.

Basic types of contracts proportional and non-proportional reinsurance.

Proportional reinsurance - the most ancient and historically on the merits before the end of the XIX century. the only universal form of redistribution of risk. From this perspective, proportional reinsurance is still the name of the traditional reinsurance. Proportional reinsurance treaty provides that the reinsurer's share in each transmitted it to cover the risk is defined at a predetermined ratio of the assignor's own participation.

Participation of reinsurer in payments and damages occurs at the same ratio as that of his involvement in covering risks. In the generalized form of proportional reinsurance operates on the principle "the reinsurer shares the risk of the assignor." This principle, as will be seen below, not used in contracts of insurance disproportionate. In practice, insurance work formed the following forms of proportional reinsurance treaties:

- quota;
- excident;

- quota-excident or mixed.

The contract quota reinsurance assignor is obliged to transfer to the reinsurer share in all the risks of this kind, and the reinsurer agrees to accept these shares. Typically, the share of reinsurance is expressed as a percentage of the sum insured. Sometimes part reinsurer can be specified particular amount (quota). In addition, agreements of this type at the request of the reinsurer are established for various classes of risk upper bounds (limits) of liability reinsurer.

Treaty reinsurance excident has some differences from the quota reinsurance contract. Excident reinsurance can lead to a complete alignment of the part of the insurance portfolio, which remained as the assignor's own participation in covering risks. Getting excident reinsurance treaty, the parties determine the maximum amount of own participation of the insurer in the coating of certain risk groups. To do this, resorting to the analysis of statistical data and conduct actuarial calculations. Maximum own participation of the insurer is called the excess.

Excess insurance amounts over a set level (line) own participation of the insurer covering the risk is transferred to the reinsurance of one or more reinsurers. This excess risk of insurance premiums transferred to reinsurance, called excess property.

Treaty reinsurance excident determines the maximum level of risk in each group, which the reinsurer is obliged to accept the coating. Maximum participation of the reinsurer to cover the risk is called the multiplicity of the assignor's own participation. If, for example, the maximum participation of the reinsurer is 9 shares of own participation of the assignor, then, the language of the insurance terms, the reinsurance contract provides cover 9 share (lines), or 9 reinsurance highs.

When a contract of reinsurance excident excluded any risks, the sum insured is less than or equal to the set number of shares of the portfolio of own participation of the insurer. Conversely, the risks, the insured amount exceeds own participation of the insurer shall be deemed to be reinsured. The percentage of reinsurance will be greater, the higher the sum insured for this risk.

Treaty reinsurance mixed - excident quota - is used in practice is relatively rare. It is a combination of the above two types of reinsurance contracts. The portfolio of this type of insurance is reinsured quota and the excess of the amount of insurance risk in excess of the quota (norm), in turn, is subject to the principles excident reinsurance contract.

Not proportional reinsurance is known from XIX century. However, on a large scale was applied after the Second World War. It is used in various kinds of insurance, but is most often used for civil liability insurance of vehicle owners for damage caused to third parties as a result of the accident. Not proportional reinsurance is also used in all types of insurance, where there is no upper limit (limit) liability insurer.

In the practice of disproportionate reinsurance is not changed when the principle of participation, reinsurance payments and you pay the insurance indemnity on the basis of percentage of reinsurance. With proportional reinsurance interests of the assignor and the reinsurer generally coincide. On the contrary, if not proportional reinsurance interests of the parties may purchase contradictory. The meaning of the contradiction lies in the fact that the achievement of additional financial results of the assignor is not accompanied by similar results achieved by the reinsurer. On the contrary, the reinsurer may suffer losses.

The motivation for the development of disproportionate reinsurance by the assignor was to give some assurance to all available financial interests, which are subject to a small number of very large losses or a large number of very small losses. In view of these needs have evolved two types of non-proportional reinsurance - reinsurance and excess of loss reinsurance unprofitable excess of a certain kind of risk. Certain difficulties in the practice of disproportionate reinsurance were related to the calculation of reinsurance payments that would be adequate to the commitments taken by the reinsurer under the terms of the reinsurance agreement entered into. Only the development of modern methods of actuarial possible to solve these problems.

Statistical analysis of major losses allowed to make their probability

distribution table, to estimate their probable size and the probability of deviation of the actual damage from the expected. Taking into account the historical data loss around insurance portfolio assignor actuarial practice allowed calculate the expected value of loss (the forecast) and the likelihood of future deviations of the loss.

Service disproportionate reinsurance contracts simply not cumbersome, cheaper than the service contracts of proportional reinsurance.

Settlements between the parties to the agreement include the final financial results of the assignor (or just reparation for only large losses) rather than individual insurance contracts and losses, as is the case at the conclusion of contracts of proportional reinsurance. It's one of the reasons the growing popularity of disproportionate reinsurance and the emergence of its new variants and modifications.

Reinsurance is used then the excess losses. when the insurer is committed not to equalize individual risks of this type, and directly to ensure the financial equilibrium of insurance operations as a whole, which could be disrupted causing damage in a large scale of certain risks insurance portfolio.

Contracts of this type are usually reinsurance in the obligatory form. In terms of the reinsurance contract consistently listed risks to be reinsurance, as well as those that are not included in this contract.

Based on the terms of the contract signed, the reinsurer assumes the obligation to cover that part of the loss that exceeds the sum of the assignor's own participation, but below the amount specified in the agreement, part of the upper limit of liability of reinsurer. Certain obligations thus apply to all damages that were caused by natural disaster components of insurance risk. If as a result of an insured event caused damage to many insurers, this damage is considered only as a group damage. The obligations of the insurer are set in relation to group losses. Own part of the assignor in the coating damage called priority or deductible, and the upper limit of the maximum liability of the reinsurer for the consequences of natural disaster causing damage, - reinsurance coverage limit. risk. Treaty

reinsurance excess damage is now widely used in the following types of insurance: civil liability, accident, fire, of the transport (cargo and Casco insurance), aviation. Where practically possible catastrophic damage to the group.

Another type of non-proportional reinsurance is reinsurance excess of loss. This applies to all insurance reinsurance portfolio and aims to protect the financial interests of the insurer of the consequences of an extremely large loss (defined as the percentage of the insurance indemnity to the amount of collected insurance payments). The reason is extremely large loss could be the emergence of a small number of very large losses or substantial number of small losses. Reinsurance contracts exceeding loss can be your own distinct contracts or act as a supplement to the surplus reinsurance. And in fact, and in another case the contract of reinsurance is limited to only part of the portfolio of the assignor having excess loss.

Active and passive reinsurance.

Active reinsurance is to transfer passive - to accept the risk. In practice, active and passive reinsurance is often carried out by the same insurance company at the same time. It is involved in three persons: the insurer, reinsurer and the reinsurer, depending on the types of insurance. Interest transferred to reinsurance, international practice is called cedent business, and the resulting - assumed business. Based on the above it can be stated the following main provisions of reinsurance.

Reinsurance as "insurance insurers" is a secondary distribution of risk, ie taking on the responsibility of the reinsurer on the risks insured company are in the assignor (direct insurers). Because of its nature and mechanism of reinsurance protection it creates thus additional opportunities for insurers, allowing not only to significantly increase the amount of insurance coverage, but also to develop new types of insurance, especially in tourism.

There are three main methods of reinsurance: facultative, and mixed, obligatory (facultative, obligatory), which correspond to certain types of reinsurance contracts. And, in addition, proportional and non-proportional, based

on the difference between which is binding to the value or the sum insured or loss.

As a result of practical use for a long time the general principles and practices of reinsurance has developed specific sphere of legal regulation, qualified as the "right of reinsurance."

Reinsurance contract - an agreement between the assignor and the company are in the reinsurer. According to it, shall transfer to the reinsurer and the reinsurer - to accept reinsurance wholly or partly responsible for a particular risk to the conditions provided in some kind of an agreement, in exchange for the benefit of the assignor to reinsurer parts of the original award of the relevant portfolio.

Reinsurance is currently taken shape in a separate specific in terms of the regulatory area of civil legal relations of an international character. They especially in a country only complement and enrich the practice, developing and detailing the fundamental provisions and principles of the institute of reinsurance.

1.2 Developing tendency of reinsurance in international practice.

With the development of insurance, originating from offshore cash loans at the end of the middle Ages, there was a need for reinsurance. This need has risen steadily over time, although the first reinsurance has not concerned the insurance of fire risks, and only the field of maritime security.

The oldest known to us contracts with the legal characteristic of the reinsurance agreement was signed in Genoa in 1370 by two merchants, acting as reinsurers, and, on the other hand, the third dealer, acting as an agent of the insurer. This contract provides insurance of goods transported by ship from Genoa to Bruges. It was a special case, which in financial terms is pure speculation. With the development of trade relations and the development of new business in the city states of Italy, Flanders, and the Hanseatic cities, reinsurance has become increasingly important

Speculation and abuse, particularly in "deals with the difference in premiums," when insurers offer reinsurance to the size premium is lower than first

offered them, of course, led to delays in the development of reinsurance, such as the prohibition of marine reinsurance in England from 1746 to 1864 year. This fact seems more remarkable when you consider that during this period Britain has become a country with a leading insurance market in the world. But if we consider this issue in further detail, it becomes clear that the ban on reinsurance market was favorable Lloyds, this one thriving group of individual insurers. It is because of the prohibition of reinsurance in England its system of separation of the original risk has become a primary method of separating large risks. Incidentally, the first Lloyd acted as a corporation co-insurer, Lloyds and today, in addition, is the reinsurance market.

As soon after the formation of the first insurance joint-stock companies on the European continent there is a need for reinsurance fire risks. Until that time, the scope of the limited reinsurance risks associated with maritime transport of goods. The reason for which the effect of reinsurance is not spread to the fire risk was twofold: - firstly, the insurance risk in case of fire, unlike the insurance of marine risks was more difficult, as there were no separate market entities acting on the type of exchange (while as marine risks distributed directly to the larger ports.) Secondly steady increase of insurance premiums has made a particularly important risk allocation. Another reason is the intense competition between the newly emerging and rapidly developing companies, each of which was to protect itself from that of its competitors on the market does not get a chance to use coinsurance major risk as an opportunity to open a window in its own business.

Demand for reinsurance increasing with the development of industry in Europe, first appeared in the early 19th century and was satisfied primarily by insurers, has long operating in the insurance market and has considerable financial resources, and the advantage was given to the insurers who had their offices abroad. In order to simplify the facultative reinsurance individual risk was replaced by new types of reinsurance contracts are fully covered portfolio or parts there of (continuing reinsurance). The oldest of this type of agreement was signed in 1821.

It soon became apparent that the reinsurance contracts concluded with

insurers in order to obtain a permanent cover, no longer meet the increasing demand for reinsurance. Consequently, in Cologne in 1846, it was created by an independent company engaged in only reinsurance. After overcoming many difficulties and political situation 1848-1849 years, the new company was able to start its activities in 1852 and successfully operates in the global reinsurance market to date, and is well known on the market- is Cologne Reinsurance Company.

For the first time in the history of the company began to offer specialized reinsurance, which was an event of great importance for the entire insurance business, its methods and techniques. Now to cover the risks appeared more resources. Insurers had no more reason to fear that competitors with the help of insurance is imbued in their business and that they transferred reinsurance premiums will strengthen competition in the insurance market. Through specialization in reinsurance New Reinsurance Company has a greater ability to meet the individual requirements of insurers. Achieving a better balance in the different areas of insurance activity in the different geographical zones of other countries, as well as the experience gained in this - all this serves to improve reinsurance protection and thus also improve the terms and conditions of contracts, insurers are now able to guarantee to its customers.

In subsequent decades, other independent societies were formed, specializing in reinsurance, which in modern terminology are called "professional reinsurers." Two of them are of great importance today in the market- is Munich Re and Swiss insurance company. In addition, insurers have created so-called "internal" reinsurance company, whose capital was either completely or largely in the hands of the insurance company, which aired its reinsurance activities are fully or partially re-educated "internal" to the reinsurer.

After losing their business ties with foreign partners, and greatly suffered due to the depreciation of its assets after the First World War, the German reinsurance company were forced to rebuild their activities with very weak and uncompetitive position. At the same time, Swiss Reinsurance Company greatly strengthened its

position, it has several subsidiaries abroad and in other markets were also established professional reinsurance companies.

Foreign exchange controls, which began after 1931, strengthening efforts to achieve self-sufficiency because of reduced foreign exchange earnings and the growth of nationalism in the country- all this has created serious obstacles to the recovery of the German reinsurance business. Nevertheless, by 1935 the German reinsurance company again take a leading position in the global market.

After World War II the world reinsurance market has undergone some major changes:

The German reinsurance company could delegate some of their responsibilities abroad due to a complete rupture of business relations with foreign partners, and in 1947 by the decision of the Supervisory Board of allied countries were forbidden to have their assets in foreign countries, which remained in force until 1950. For these reasons, they could not for their limited activities in the country to achieve the necessary balance, they could achieve by using reinsurance contracts with foreign partners. However, after 1950 the German reinsurance company were able to restore their ties with foreign partners. The countries of the socialist camp have created state insurance companies, which are almost completely abandoned reinsurance. This has had a huge impact on the German reinsurance company, which previously had very extensive ties with the countries of Eastern Europe. It should be noted that in recent years the volume of business relations of German reinsurers with these countries, in particular Russia, is growing steadily again.

State reinsurance monopolies were created in other countries (they exist today, for example, in Peru, Brazil, Uruguay, Iran), which significantly reduced business opportunities for other reinsurers and often forcing them to conduct business transactions solely with such national monopolies.

Acting as reinsurers, many insurance companies have been able to gain significant market share. In principle, this was nothing new, but in wartime conditions this development became even stronger, while traditional reinsurance

communications were temporarily suspended. Since the results of activities in the field of transport of reinsurance and reinsurance fire risks have been positive, the desire of insurers to form Departments of reinsurance remained an important factor in their development.

The growing activity of reinsurance brokers has caused the need for the so-called agreement on the basis of reciprocity, ie reinsurance business received in exchange for the two parties to the contract of reinsurance. Although this practice took place before the First World War, at which time it has grown to become a very important factor that promises profits to the reinsurer in any sphere of business. Often and professional reinsurers could not reckon with the need for such a reciprocity, even if they could not meet with the help of this need only partially, as a "full reciprocity" they could not make a profit from its activities.

Some reinsurance contracts, including not only dangerous risks and the possibility of occurrence of large losses, but also complex calculations premiums have become more important than in the past, and in some areas pushed the classic form of reinsurance that with their higher volume of reinsurance premiums were pretty balanced result.

As the vehicle insurance grew faster than all other insurance businesses, reinsurance company faced considerable difficulties in mixing their portfolios and bringing them to the optimal form to achieve a good balance in the received reinsurance business. Car insurance with its huge exposure to risks conjuncture has increased significantly due reinsurance of property and life.

In addition to the basic function of the reinsurer to stabilize the insurer's portfolio and increase its insurance capacity, thus allowing it to take larger risks, professional reinsurer created a new field of activity, which is usually referred to as "service" or service

The main and the main purpose of this service is to collect and process information for solving various problems encountered in the insurance business in almost identical form in all the countries of the world, as well as the accumulation of experience in the insurance business. Professional reinsurers more and to a

greater extent at the disposal of cedents analysis of their international experience, as many insurers consider such an analysis is very useful in the evaluation of their own markets and the ensuing consequences.

In addition, the reinsurance company in the growing volume of services provided special nature, performing functions that insurers cannot or do not want to fulfill their financial considerations. As typical examples include: study and evaluation of specific risks, expert advice on loss prevention, support in the settlement of losses, the provision of statistical insurance services assignor and training on these issues.

Reinsurance is a special kind of insurance economic relations between insurance companies (insurers) on the prisoners with insurers for insurance contracts. Reinsurance is also called "secondary" insurance or insurance underwriters. Reinsurance is not only at the level of the national economy, it has become an international view of the insurance activities. In this regard, greater specialization in insurance business led to the formation of a special group of insurance companies-reinsurers specializing in reinsurance operations.

Reinsurance as a special kind of activity in the insurance appeared in the XIX century. The first reinsurance treaty arose in Germany in 1820 by the middle of the XIX century there were first specializing in this kind of activity reinsurance companies: Cologne Reinsurance Company (1846), Swiss Reinsurance Company (1863), and Munich Re (1880). And in 1895 - Russian Reinsurance Company. During the period since the creation of the first reinsurance companies, humanity has survived two world wars, hundreds of disasters, thousands of major disasters. Reinsurance as a way to ensure the financial stability of insurance companies has confirmed the need for and the possibility of developing this kind of activity in the insurance business. For example, the earthquake in California in 1994, the sum of payments of insurance companies amounted to about \$ 7 billion, which would be impossible without a developed system of international reinsurance. Almost all the major insurance and reinsurance companies in the world participated in the damages caused by natural disasters.

Reinsurance is so specific area relations concerning insurance, which has developed its own terminology. The most common terms used in the reinsurance are as follows:

The reinsured insurer accepted insurance risks and transfer part of these risks, together with a portion of the insurance premium for these risks to another insurer. In return, he received a commitment reimbursement of costs caused by the come to these risks insurance cases. Reinsurer is also called the transmission company or the assignor. Reinsurers referred to as the insurer has accepted reinsurance risks. Reinsurer is also known as the assignee or the concessionaire, and the transfer of risk to reinsurers - process.

Taking the risk to reinsurance, the reinsurer may partially transmit it to another insurer (reinsurer), which in turn can pass it next to the insurer (reinsurer). The operation of the tertiary and subsequent placement of risks is called retrocession and the insurer, in order to assume the risk for the subsequent placement of risks by the assignment called retrotsessionar or retrocessionaire. Reinsurer transmitting risks in retrocession, called retrocedent. Reinsurance is considered the homeland of Germany. First Reinsurance Company was founded in Cologne in 1846.

Reinsurance as an independent institution, emerged soon after the start of the insurance operations. We know of the existence of the reinsurance agreement entered into in 1370, when reinsurance was required when placing the security of cargo in flight Genoa - Bruges (Belgium).

It should be noted that the adoption of foreign reinsurance risks is quite profitable business as reinsurers than commission, bonuses and sometimes do not bear other expenses for the acquisition of insurance (and these costs are substantial. There are insurance companies that specialize only on admission to the reinsurance of foreign risks, and even resorted to direct insurance.

Internationally known are the largest reinsurance companies as "Colony Rhein-shurens" (Cologne, 1846), "The Swiss Reinsurance Company" ("Swiss Re", 1863), "Munich Re" ("Munich Re", 1880).

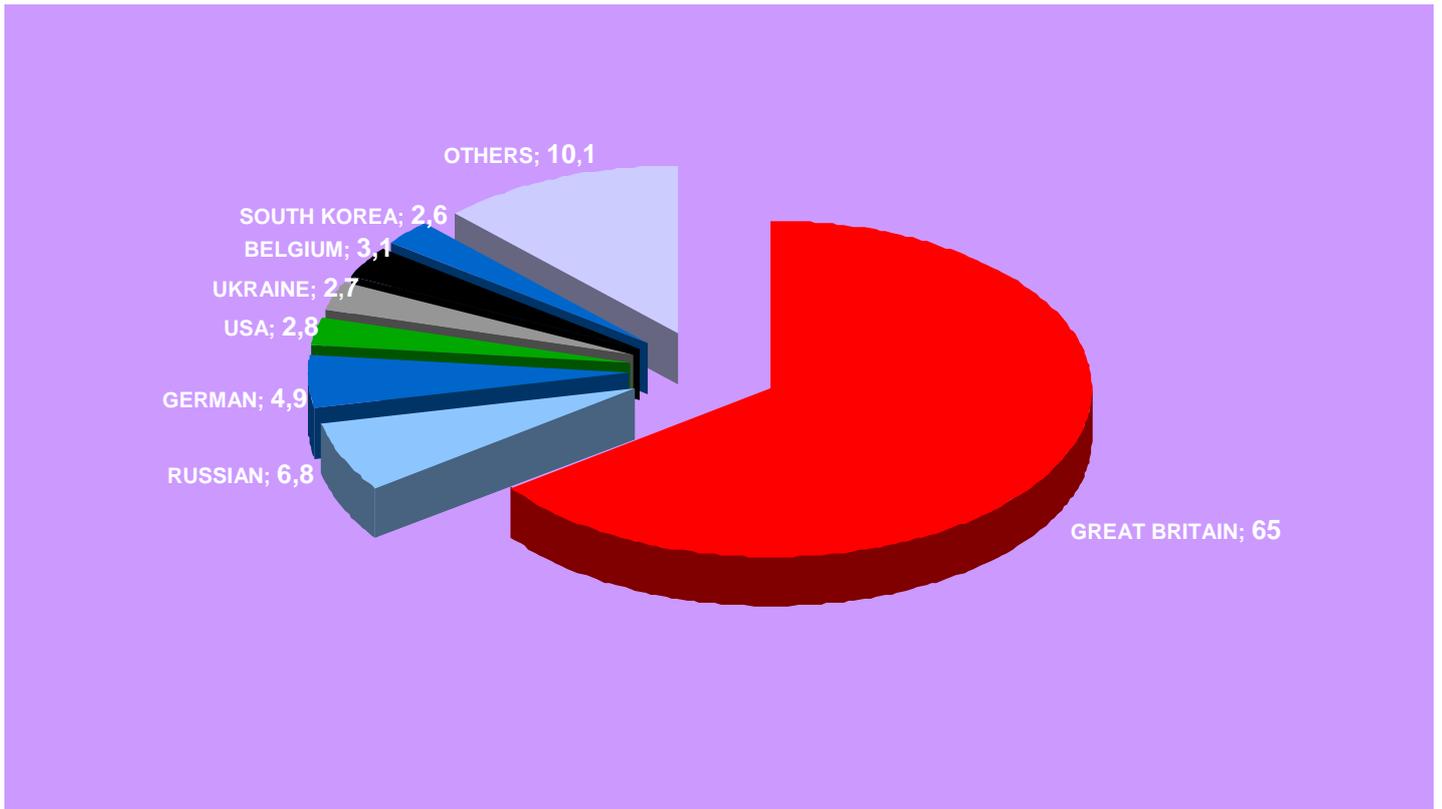


Figure 4. The share of foreign markets in the outward reinsurance.⁶

AXIS Capital and Arch Capital rose into the ranks of the top 25 global non-life reinsurers, but no new names appeared among the top 10, according to a list of non-life leaders extracted from an A.M. Best analysis.

The rating agency's special report on the reinsurance sector, contains a listing of the top 50 global reinsurance groups ranked based on 2013 gross written premiums for life and non-life business taken together.

Extracting just the non-life gross premiums for 2013 and comparing those to 2012 non-life gross premiums presented in a prior A.M. Best report (published last year Aug. 26, 2013) reveals AXIS Capital's repositioning from a 21st place ranking for the prior year to 15th place. The move came from a 16.8 percent jump in gross written reinsurance premiums to over \$2.1 billion.

⁶ www.forinsurer.ru

Top 25 Global Non-Life Reinsurance Groups

Ranked by gross non-life premium written in 2013 (USD Millions)

2013 Ranking	2012 Ranking	Company	Reinsurance Premiums Written Non-Life Only				Non-Life Combined Ratios				
			Gross 2013	Net 2013	Gross 2012	Net 2012	Gross % Change	Net % Change	2013	2012	Change
1	1	Munich Reinsurance Company	23,423	22,355	22,539	22,038	3.9%	1.4%	92.1	91.2	0.9
2	2	Swiss Re Ltd.	20,670	19,636	19,468	15,117	6.2%	29.9%	85.3	83.1	2.2
3	3	Lloyd's	15,594	11,311	15,770	11,358	-1.1%	-0.4%	80.1	91.0	(10.9)
4	4	Hannover Rueckversicherung AG	10,764	9,454	10,201	9,060	5.5%	4.3%	95.1	96.0	(0.9)
5	5	Berkshire Hathaway Inc.	7,339	7,339	9,668	9,668	-24.1%	-24.1%	86.6	99.9	(13.3)
6	6	SCOR S.E.	6,675	5,942	6,146	5,558	8.6%	6.9%	93.4	94.3	(0.9)
7	8	Everest Re Group Ltd.	5,219	5,005	4,311	4,081	21.1%	22.6%	84.5	93.8	(9.3)
8	7	Korean Reinsurance Company	4,995	3,115	5,113	3,390	N/A	-8.1%	97.1	97.9	N/A
9	9	China Reinsurance (Group) Corporation	4,947	4,867	4,184	4,090	18.2%	19.0%	99.8	100.4	(0.6)
10	10	PartnerRe Ltd.	4,590	4,427	3,910	3,768	17.4%	17.5%	85.3	87.8	(2.5)
11	11	Transatlantic Holdings, Inc	3,423	3,248	3,577	3,456	-4.3%	-6.0%	89.8	90.9	(1.0)
12	12	General Insurance Corporation of India	2,356	2,123	2,758	2,520	N/A	-15.7%	90.2	104.8	N/A
13	14	The Toa Reinsurance Company, Limited	2,269	1,907	2,155	1,821	N/A	4.7%	95.3	108.0	N/A
14	13	QBE Insurance Group Limited	2,155	1,575	2,265	1,675	-4.9%	-6.0%	83.6	99.2	(15.5)
15	21	AXIS Capital Holdings Limited	2,138	2,115	1,830	1,815	16.8%	16.5%	82.8	89.4	(6.6)
16	19	MAPFRE RE, Compania de Reaseguros S.A.	2,102	1,811	1,890	1,174	11.2%	54.3%	94.9	97.0	(2.1)
17	17	R+V Versicherung AG	2,058	2,027	1,981	1,955	3.9%	3.7%	114.0	98.6	15.4
18	16	XL Group plc	1,894	1,750	2,008	1,885	-5.7%	-7.1%	81.4	86.9	(5.5)
19	15	Odyssey Re Holdings Corp.	1,868	1,771	2,044	1,916	-8.6%	-7.6%	78.1	84.6	(6.5)
20	20	Catlin Group Limited	1,850	1,630	1,860	1,614	-0.5%	1.0%	75.2	83.4	(8.2)
21	24	Amlin plc	1,701	1,380	1,592	1,278	6.9%	7.9%	83.1	86.9	(3.8)
22	23	Caisse Centrale de Reassurance	1,611	1,560	1,645	1,595	-2.0%	-2.2%	71.0	64.5	6.5
23	25	RenaissanceRe Holdings Ltd.	1,605	1,204	1,552	1,103	3.5%	9.2%	43.8	57.8	(14.0)
24	27	Arch Capital Group Ltd.	1,489	1,403	1,282	1,227	16.2%	14.3%	69.8	80.2	(10.4)
25	22	MS&AD Insurance Group Holdings, Inc.	1,417	N/A	1,700	N/A	-16.7%	N/A	N/A	N/A	N/A

Sources: AM Best data & research, Sept. 8, 2014; 2012 figures from Aug. 26, 2013 Special Report

Notes: NEP used for Munich and Hannover; 2013 figures for General Insurance of India and Toa Re are for fiscal year ended Mar. 31, 2014
2012 figures for Korean Re are for fiscal year ended Mar. 31, 2013.

Table 1. Top 25 Global Non-life Reinsurance Groups.⁷

Arch Capital, posting a 16.2 percent jump to just under \$1.5 billion for 2013, moved from a 27th place spot to 24th place.

Everest Re had the biggest percentage increase in gross premiums—a 21.1 percent jump to \$5.2 billion. With the increase, Everest climbed over Korean Reinsurance Company to take the seventh place ranking, marking the only repositioning among the top 10.

The A.M. Best report, which focuses on total gross reinsurance premiums—life

⁷ www.munich.re.com

and non-life combined—highlights the movement of SCOR to overtake Berkshire Hathaway. With total reinsurance premiums growing 12.3 percent, SCOR secured fifth place, moving up from sixth in the prior ranking.

Top 10 Global Reinsurance Groups
Ranked by gross premium written in 2013. (life & non-life)
(USD Millions)

2013 Ranking	2012 Ranking	Company	Reinsurance Premiums Written Life & Non-Life				Total Shareholders' Funds Year-End 2013
			Gross 2013	Net 2013	Gross 2012	Net 2012	
1	1	Munich Reinsurance Company	38,333	36,638	37,251	36,167	36,108
2	2	Swiss Re Ltd.	32,934	30,478	31,723	25,344	32,977
3	3	Hannover Rueckversicherung AG	19,225	16,833	18,208	16,231	8,991
4	4	Lloyd's	15,614	11,329	15,785	11,371	33,619
5	6	SCOR S.E.	14,116	12,570	12,576	11,286	6,856
6	5	Berkshire Hathaway Inc.	12,776	12,776	15,059	15,059	224,485
7	7	Reinsurance Group of America Inc.	8,573	8,254	8,233	7,907	5,936
8	8	China Reinsurance (Group) Corp.	7,936	7,523	6,708	6,471	7,512
9	9	Korean Reinsurance Company	5,623	3,635	5,113	3,390	1,381
10	10	PartnerRe Ltd.	5,562	5,391	4,712	4,567	6,766

Sources: AM Best data & research, Sept 8, 2014 Special Report; 2012 figures from Aug. 26, 2013 report
Notes: NEP used for Munich, Hannover; 2012 figures for Korean Re are for fiscal year ended Mar. 31, 2013

Table 2. Top 10 Global Reinsurance Groups.⁸

Best attributes Berkshire Hathaway's drop, in part, to the end of its 20 percent quota-share agreement with Swiss Re. The report also notes Berkshire's pullback from property catastrophe reinsurance, where rate competition has been the most severe.

Overall, gross premiums written among the top 50 grew 2.8 percent in 2013, according to the A.M. Best report, which also says that non-life gross premiums alone increased by 1.7 percent for the top 50. The report suggests that selective opportunities in specialty lines, as well as growth into emerging markets by some global players, fueled the small bump in premiums for the group.

Analyzing the non-life premium jumps for AXIS and Arch, Best highlights the growth in specialty lines.

For AXIS, the 16.8 percent jump came mostly from agriculture, which grew to \$133 million in 2013 from \$19 million in 2012, the report says. Other growth

⁸ www.munich.re.com

areas were professional lines (25.8 percent), property (15.3 percent), liability (10.6 percent) and catastrophe business (6.8 percent).

For Arch, double-digit growth came mainly from a 48.5 percent jolt in casualty reinsurance business, which includes professional liability, executive assurance, and healthcare. In addition, the Best report notes a 35.7 percent increase in 2013 for “other specialty” business at Arch—consisting of lines such as trade and credit, surety, workers compensation, and the accident and health lines. In addition, Arch’s reinsurance premiums were up in the mortgage and casualty clash class, as well as property business other than cat, while Arch recorded double-digit drops in marine and aviation premiums and property-cat net premiums.

CHAPTER -II. THE ANALYSIS AND CONDITIONS OF REINSURANCE IN TODAY.

2.1 Organizational-juridical bases of reinsurance activity.

Today, the main special legal documents regulating reinsurance activity in Uzbekistan, the Regulations on the common requirements and standards for the provision of reinsurance services, and the Regulations on the solvency of insurers and reinsurers. Which are designed in accordance Resolution of the President of the Republic of Uzbekistan dated April 10, 2007 № PP-618 "On measures to further reform and develop the insurance market," establishes uniform requirements and standards for the provision of reinsurance services.⁹

It should be noted that the Regulation on common requirements and standards for the provision of reinsurance services is the first separate legal instrument governing the reinsurance activity in the country.

According to the Regulations Uniform requirements established by this Regulation shall be binding on insurers - residents of the Republic of Uzbekistan, providing reinsurance services in the territory of the Republic of Uzbekistan.

Standards for the provision of reinsurance services consist of standard concepts of reinsurance and standard terms and conditions of reinsurance services. Standards for the provision of reinsurance services used in the provision of reinsurance services, unless otherwise provided by law or contract of reinsurance.

Uniform requirements for the provision of reinsurance services mainly concern the procedure for concluding a contract of reinsurance. For example, the Regulation established that reinsurance service is provided under a contract of reinsurance. Reinsurance contract must be concluded in writing. Failure to do so shall result in the invalidity of the reinsurance contract.

With regard to insurance and reinsurance premium amount established that the sum insured and the reinsurance premium under the reinsurance agreement are defined as an absolute value or as specific as agreed mechanism for calculating the amount of the insurance and reinsurance premiums. And in determining the

⁹ Обзор перестраховочного рынка Узбекистана.SAIPRO.2012

validity of the contract of reinsurance (reinsurance period), the parties set the start and end of the contract (entry into force and termination obligations) to within minutes.

Standards for the provision of reinsurance services consist of standard concepts of reinsurance and standard terms and conditions of reinsurance services.

Standard Terms and Conditions of reinsurance services include: ¹⁰

- standard conditions of the conclusion and entry into force of the reinsurance contract;
- standard conditions of payments under the contract of reinsurance;
- standard conditions for the emergence of commitment and payment of insurance indemnity under the reinsurance agreement;
- standard conditions to suspend the obligations of the reinsurer and Extension of insurance under the reinsurance agreement;
- standard conditions for changes and / or additions, as well as early termination of the reinsurance contract.

It should be noted that in order to avoid ambiguity in the interpretation of key terms and definitions used in the provision of reinsurance services, in the position of the set of these are defined.

If the above Regulation establishes the basic requirements and conditions for the provision of reinsurance services, the Regulation on the solvency of insurers and reinsurers establishes requirements for reinsurance transactions in terms of regulating the solvency of insurers and reinsurers.

In particular, the Regulation on the solvency of insurers and reinsurers are set as a minimum requirement for the retention of their own, and the requirements for outward reinsurance.

According to the Regulation on the minimum requirement of net retention is defined relative to a particular risk and the five largest risks assumed by insurers for insurance and reinsurance. Thus, the maximum allowable amount of liabilities of the insurer (reinsurer) for individual risks may not exceed 20% of the amount of

¹⁰ Положение о единых требованиях и стандартах предоставления перестраховочных услуг. 27.12.2011

shareholders' equity and insurance reserves. At the same time, in the case of insurance under the general policy, the size of the insurer's obligations on individual risk is calculated for each insurance policy falling within the general policy

For insurers operating in general insurance or reinsurance activities only, the amount of insurance commitments made by the insurer (reinsurer) five largest individual risks (insurance contracts) and existing at the balance sheet date shall not exceed 200% of the shareholders' equity.

By outgoing reinsurance, the following requirements:

- the reinsurer the right to transfer risks to reinsurance only approved reinsurers.

When this is approved by the reinsurer:

- a) an insurer that is licensed to operate solely on reinsurance;
- b) an insurer that is licensed to conduct insurance business and has a share capital, formed part of which is not less than the minimum capital prescribed by the laws of the insurance business of an insurer carrying on business exclusively reinsurance;
- c) foreign insurance organization with at the beginning of the year one of the following ratings:
 - d) at least "Baa3" by classification rating agency «Moody's Investors Services» (USA);
 - at least "BB +" on the classification of the rating agency «Standard & Poor's Corporation» (USA);
 - at least "BB" on the classification of the rating agency «Fitch, Inc.» (United Kingdom);
 - not lower than "B +" on the classification of the rating agency «AM Best Company, Inc. »(USA);
 - not lower than "A ++" (according to the classification of the rating agency "Expert RA" (Russian Federation).
- e) at reinsurance liabilities in foreign insurance companies the amount of liabilities ceded outside the Republic of Uzbekistan, shall not exceed 95% of

the total liabilities of the insurer (reinsurer) for each individual contract of insurance (reinsurance).

- f) at reinsurance liabilities in foreign insurance organizations the minimum amount of equity retention must be greater than or equal to 5% of the actual solvency margin of the insurer (reinsurer), with the exception of insurance contracts of export contracts from political and commercial risks and contracts of insurance of persons traveling abroad. In this case, to calculate the minimum amount of equity used retention value of the actual solvency margin of the insurer (reinsurer) for the previous quarter.

Resolution of the President of the Republic of Uzbekistan dated April 10, 2007 № PR-618 "On measures to further reform and develop the insurance market," establishes uniform requirements and standards for the provision of reinsurance services.

Uniform Requirements of reinsurance services.

Reinsurance service is provided on the basis of the reinsurance contract. Reinsurance contract must be concluded in writing. Failure to do so shall entail the invalidity of the contract of reinsurance.

1. Reinsurance contract concluded by the direction of the offer (offer to conclude an agreement) by the reinsurer (reinsurance broker) and its acceptance (acceptance of the offer) reinsurer.

2. When transferring the risks to reinsurers by means of a reinsurer (reinsurance broker) reinsurer reinsurance slip on the basis of previously concluded between the general agreements (contract) for reinsurance, the general conditions of the contract (agreement) on reinsurance are an integral part of the reinsurance slip. In addition, each is considered separate slip reinsurance treaty reinsurance.

At the conclusion of the reinsurance contract between insurers - residents of the Republic of Uzbekistan, each party is obliged to require the other party to give up the license for insurance activity. In case of transfer or taking one of the parties to the reinsurance of risks (insurance) of insurance classes other than those indicated in the license for insurance activities, the party which revealed this fact

obliged to terminate (withdraw/reject) the offer or if the risk is passed (transmitted) in reinsurance, to terminate the contract of reinsurance.

The contract of reinsurance shall be indicated:

- the full names of the parties;
- number, place and date of the reinsurance contract;
- term of the reinsurance contract;
- the object of reinsurance;
- Insurance cases and exceptions;
- risks transferred to reinsurance;
- Territory of insurance coverage (the area in which the insurance cover);
- order of transfer and acceptance of risks in reinsurance;
- the insured amount and the reinsurance premium under a reinsurance contract; Reinsurance commission;
- rights and obligations of the parties;
- the procedure, terms and currency payments under the reinsurance premiums, insurance compensations and other payments under the reinsurance agreement;
- actions of the parties when the insured event;
- the procedure for determining the amount of insurance compensation under a contract of reinsurance;
- implications for errors or omissions in the transmission side, and taking risks in reinsurance;
- termination of the contract of reinsurance; responsibility of the parties at default or improper fulfillment of contractual obligations;
- dispute resolution; details of the parties;
- position, name, name of representatives of the parties;
- signed by representatives of the parties, stamped by the parties.

Parties to the reinsurance contract did not have the right to post or otherwise disclose to third parties information that relate to the reinsurance contract or the financial status of the parties.

The information referred to this paragraph may be disclosed to a party reinsurance contract to third parties upon written consent of the other party, as well as in other cases stipulated by law.

The concept of Standard Reinsurance.

In order to avoid discrepancies in the interpretation of key terms and definitions used in the provision of reinsurance services, the following standard terms: Aggregate limit of the reinsurance contract - the maximum amount of claims, which the reinsurer agrees to pay the reinsurer under a reinsurance contract;

aggregation - the sum of all losses in one event, in which the damage is assessed and determined by the amount of insurance compensation under a contract of reinsurance;

addendum - a written addition to the previously signed contract of reinsurance, which contains the changes agreed between the parties previously agreed conditions;

bordereau - a document submitted to the reinsurer in the terms established by the contract of reinsurance, and contains a list of the risks taken in the insurance and reinsurance are subject, as well as their detailed description;

brokerage slip - offer reinsurance broker reinsurer on the contract of reinsurance;

award depot - the premium, temporarily staying in the accounts payable to the reinsurer and the reinsurer under the reinsurance contract;

reinsurance contract - a contract under which the reinsurer undertakes for a fee stipulated by the contract of reinsurance (reinsurance premium) to compensate the reinsurer (or any other person specified by him) on the terms of the reinsurance contract all or part of the costs associated with the obligation to make certain reinsured insurance contract insurance indemnity (the sum insured);

retrocession contract - a contract of reinsurance, under which the reinsurer transfers to another reinsurer in any part or all of the insurance obligations it entered into reinsurance contracts; insurance agreement, adopted in reinsurance -

the insurance contract (coinsurance, reinsurance), the risks of which are accepted in reinsurance;

cash loss - reinsurance contract agreed by the parties on the basic amount of the loss insurance contracts at or above which the reinsurer is obliged to reinsure insurance indemnity in the terms established by the contract of reinsurance;

cover note - certificate of reinsurance, the reinsurer issued reinsurer or reinsurance broker and confirming the acceptance of risks in reinsurance, or the conclusion of the reinsurance contract and a list of reinsurers and their shares;

compromise payment - the payment of insurance compensation reinsurer (the sum insured) under the insurance contract as a result of an event which, according to the insurance contract may not be deemed an insured event, or there are legal or insurance contract grounds for refusal by the reinsurer to the insurance compensation (the sum insured) or reduce its size;

quota reinsurance - kind of proportional reinsurance under which the reinsurer ceded agreed with the reinsurer share in the pre-specified or at all, without exception, accepted on insurance risk for a particular type of insurance, insurance or group of species across the insurance portfolio;

reinsurance contract limit - the maximum amount, within which the reinsurer has outstanding commitments to pay out the insurance indemnity in accordance with the reinsurance contract;

non-proportional reinsurance - reinsurance view, according to which all calculations are based on the amount of losses on the major contracts of insurance or reinsurance, the reinsurer and the obligation to pay insurance compensation occurs when the value of the final loss reinsurer, calculated in the manner specified by the contract of reinsurance, exceeds the value stipulated by the contract of reinsurance;

obligatory reinsurance - a form of reinsurance under which the reinsurer under the terms of the agreement concluded with the reinsurer Reinsurance is obliged to transfer to reinsurance risks to the reinsurer reinsurer signed major contracts of insurance covered by the reinsurance contract and the reinsurer is

obliged to take these risks into reinsurance;

obligatory-facultative reinsurance - a form of reinsurance under which the reinsurer under the terms of the agreement concluded with the reinsurer Reinsurance is obliged to transfer risks in reinsurance and the reinsurer has the right to take risks in the reinsurance of the reinsurer in its sole discretion;

the object of reinsurance - the risk of payment of insurance compensation (the sum insured) under the concluded ceding insurer as a contract of insurance (coinsurance, reinsurance);

reinsurance - total or partial insurance against the risk of payment of insurance compensation (the sum insured), adopted by the insurer under the insurance contract, the other insurer (s) on the last contract signed with the reinsurance

reinsurer - the insurer (reinsurer), transmitting its acceptance of risks in reinsurance;

reinsurance capacity - evaluation of the financial possibilities the reinsurer to assume the risk to reinsurance;

reinsurance commission - remuneration paid to the reinsurer reinsurer or keep the reinsurer of the amount of reinsurance premium under a reinsurance contract under the terms of the reinsurance contract;

reinsurance premium (gross premium) - a certain reinsurance contract fee for reinsurance, which includes reinsurance commission and other deductions specified in the contract of reinsurance;

reinsurance net premium - value equal to the reinsurance premium (gross premium), net of reinsurance commissions and reinsurance brokerage commission, provided by the contract of reinsurance;

reinsurance service - a service provided by the reinsurer based on the contract concluded between them of reinsurance; reinsurance coverage - the obligation to compensate the reinsurer paid their insurance compensation (the sum insured) or part of the main contract of insurance;

reinsurance slip - a document containing the basic terms of insurance risk

transferred to reinsurance, which are offered by means of a risk to reinsurers in reinsurance decision on the basis of general contract (agreement) on reinsurance;

reinsurer - a legal entity which is a commercial organization licensed to operate solely on reinsurance, or a license for insurance activities, foreign insurance organization, which has the right to engage in reinsurance business in accordance with the laws of the State of its location;

proportional reinsurance - type of reinsurance, under which the reinsurer's obligations in terms of payment of insurance compensation determined in proportion (percentage) agreed in the contract of reinsurance; professional reinsurer - a legal entity which is a commercial organization licensed to operate solely on reinsurance;

reinsurance period - the time period during which the reinsurer is liable for payment of insurance compensation under a contract of reinsurance; risks accepted in reinsurance - the risks specified in the main contract of insurance, which in the case of an insured event the reinsurer agrees to indemnify reinsured insurance indemnity paid (sum insured) or its part in accordance with the reinsurance contract;

net retention - the amount, within which the reinsurer leaves its responsibility insurance obligations under the main contract of insurance; term of the reinsurance contract - the period from the date of entry into force of the reinsurance contract until its termination; insurance event - the occurred event, which can be recognized by an insured event under the insurance contract (coinsurance, reinsurance);

the insured event to the contract - to make the event provided by the insurance contract (coinsurance, reinsurance), the occurrence of which arises the duty of the insurer (reinsurer) pay indemnity (sum insured) insured (reinsured) or the beneficiary;

insurance liabilities - liabilities of the insurer to pay the insurance compensation (the sum insured) under insurance (coinsurance, reinsurance);

insurance liabilities ceded - the obligation of the reinsurer for insurance compensation (the sum insured), which compensated the reinsurer under a contract

of reinsurance;

insurance obligations assumed reinsurance - the reinsurer obligation to pay insurance indemnity under the reinsurance agreement;

bonus - the commission on the profits derived by the results of the passage of the reinsurer the reinsurance contract or group of contracts of reinsurance, the reinsurer paid reinsurer;

facultative reinsurance - a form of reinsurance under which the reinsurer transfers and reinsurer reinsures risks in its sole discretion;

facultative obligatory reinsurance - a form of reinsurance, under the terms of which the reinsurer under the terms of the agreement concluded with the reinsurer has the right to transfer to reinsurance risks to the reinsurer in its sole discretion, and the reinsurer is obliged to accept the proposed risk reinsurance.

It is also noted that a stable for a number of years, a budget surplus, a high level of official reserves, a stable banking system and prudent borrowing on international financial markets, protecting the country from the direct effects of the global crisis.

In this regard, the main task of the state policy in the field of insurance is to improve the legislative framework of insurance activities, forms and methods of supervision, the creation of conditions for effective development of the sector and the formation of the modern insurance industry.

In accordance with the Decree of the President of the Republic of Uzbekistan from 26.10.2010y. Number PD-1438 "On priority directions of reforming and increasing sustainability of financial-banking system of the republic in 2011, 2015 and achieving high international rating indicators" identified the main priorities for the development of insurance and insurance business in the country in the coming years.

2.2 The analysis of indicators of Uzbekistan reinsurance market.

Thus, under the reinsurance refers to the system of economic relations, under which the insurer is taking on the insurance risks (initial public risk), part of the responsibility on them (taking into account their financial capabilities) to the agreed terms to other insurers (secondary offering risk) to created the possibility of a balanced insurance portfolio, ensuring financial stability and profitability of insurance operations. The reinsurer does not have any rights and obligations under the insurance contract signed by the assignor.

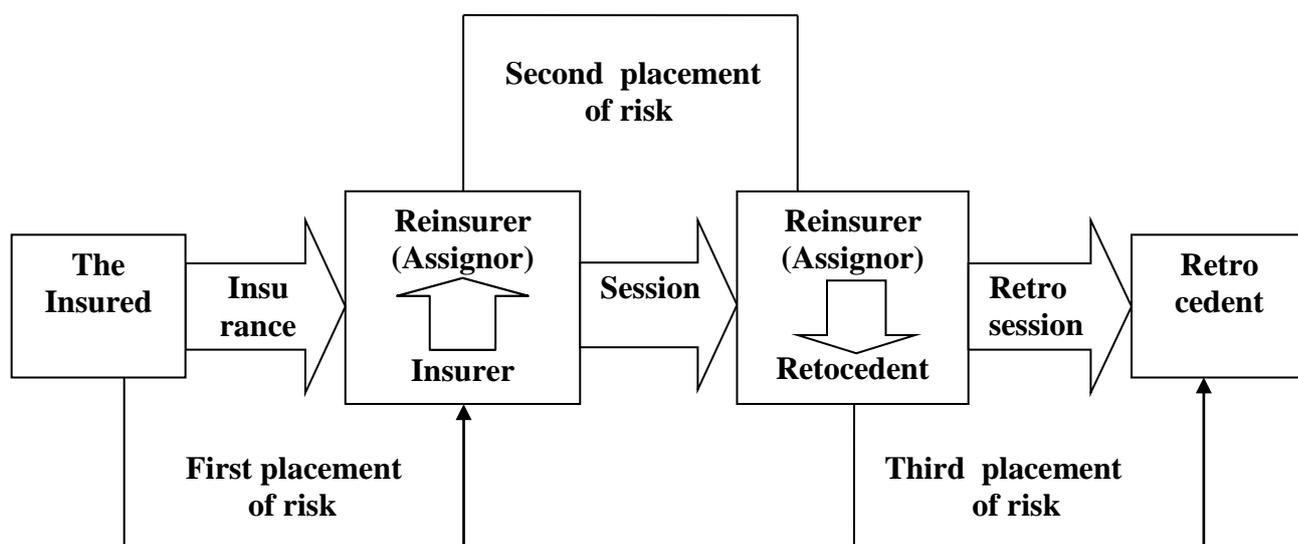


Figure 7. The scheme of interaction between participants of reinsurance.¹¹

Reinsurance risks are not only the protection of the insurance portfolio of the impact that a series of large insurance claims or even one catastrophic, but the fact that payment of the amount of insurance compensation in such cases is not a heavy burden for one insurance company, and is carried out jointly by all the participants involved in reinsurance of the risk involved.

To date, the world has accumulated a wide variety of forms and methods of reinsurance.

At first, isolated optional and obligatory reinsurance.

¹¹ Зайцева М.А. Страховое дело. БГЭУ 2006.

Facultative reinsurance historically arisen before and, therefore, is the first kind of reinsurance. At each facultative reinsurance risk is transferred separately under the contract between the assignor and the assignee. Offering risk facultative reinsurance, the insurer is preparing a special document, the proposal called Slip, which sets out a detailed description of the risk, and sends it to the selected one or more reinsurers. Reinsurer, considered a slip can accept it or reject, or request additional information. After the reinsurer has agreed to adopt the proposed risk reinsurance, facultative reinsurance contracts issued. Thus, when facultative reinsurance individual work is carried out on each transmitted reinsurance risk.

In obligatory reinsurance, unlike the optional transmitted immediately the risks of one kind (one and all). This type of reinsurance involves a mandatory assignment, the assignor of the pre-agreed risk and, therefore, part of the premium for all policies issued by one type of insurance. Assignee, for its part, is committed under the terms of the reinsurance contract to take the risk of these parts.

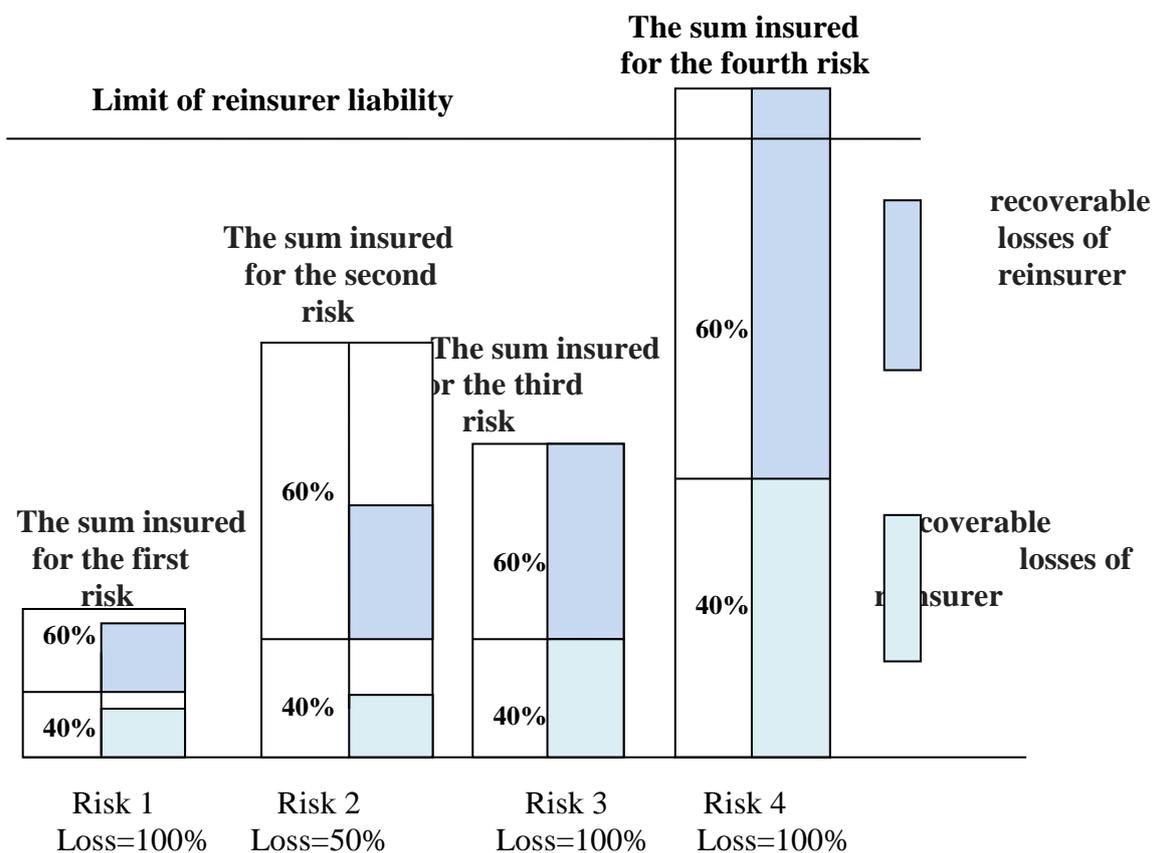
Secondly, release proportional and non-proportional reinsurance. Proportional reinsurance provides that the reinsurer's share (assignee) in each transmitted it risk is defined at a predetermined ratio (aspect ratio) to the share of net retention reinsurer (assignor).

Disproportionate reinsurance occurs when the transfer of risk (assignment) does not occur in the proportion between the assignor and the assignee, and within a pre-agreed amount.

The basis for the construction of proportional reinsurance contracts is equity participation of the parties in the distribution of responsibility. In accordance with the agreed interests in the agreement between the reinsurer and the reinsurer allocated sums insured, premiums and losses. These agreements mostly relate to contracts of obligatory type. The main forms of proportional reinsurance contracts are as follows:

- quota;
- excident;
- quota-excess.

By quota contract, the assignor is obliged to transfer to the insurer and the reinsurer is obliged to accept all share the risks of a certain type. For example, the reinsurer agrees to transfer to reinsurance 60%, leaving a net retention (own responsibility) 40% of all contracts of a particular type (for example, fire insurance). This means that the reinsurer reimburses 40% of the damage, and the reinsurer reimburses 60% damage on all insurance event. Quota Share Treaty may provide the limit of liability of the insurer, ie, the maximum amount that it is reimbursed for certain risks. The scheme of distribution of responsibility between the reinsurer and the reinsurer under the quota agreement is shown in Fig.3



Figurer 8. The division of responsibility between the assignor and sesionar for quota agreement.¹²

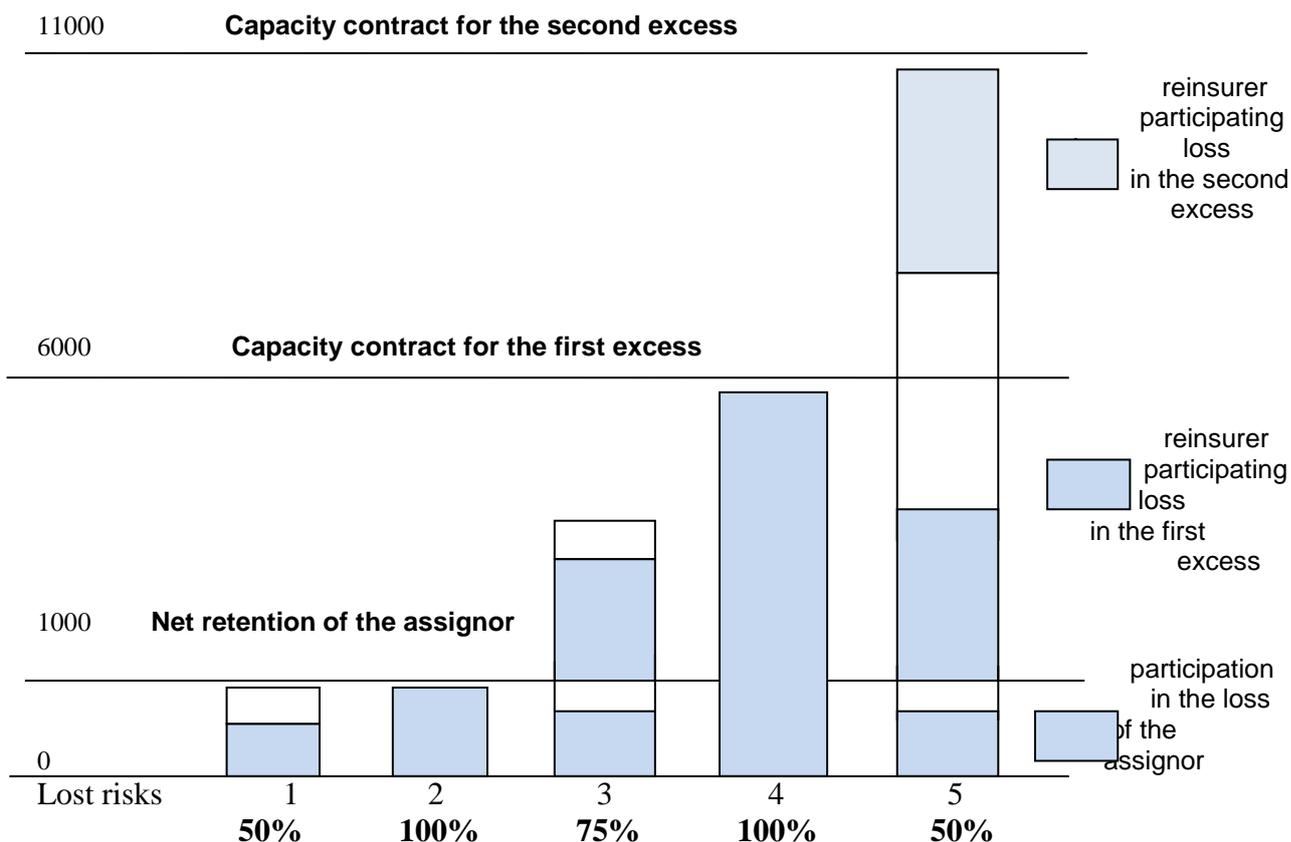
¹² “Основы страхования” С.К. КАЗАНЦЕВ

2 shows that the reinsurer shares the fate of the reinsurer within its limit of liability.

Application quota agreement could be linked to the need a large number of reinsurance roughly homogeneous risks. By resorting quota agreement when necessary financial support for a substantial increase in the volume of insurance when the assignor is not in a position to take all the insurances. The main disadvantage of a quota agreement - the need to transfer in reinsurance mostly small risks in other forms of reinsurance assignor could keep on their own responsibility, saving them the full amount of the premium.

Another kind of quota reinsurance is surplus reinsurance - Reinsurance on the basis of excess amounts. This form of reinsurance involves the transfer of a specified part of the reinsured risks in excess of the net retention. Under the contract accident reinsurance reinsurer transfers for reinsurance risks in excess of the amount of net retention and the reinsurer agrees to accept the reinsurance of these risks. Since the contract may include some risk groups, then it is necessary to limit the application of tables hold their own in these risk groups. Excess of the contract is a multiple of net retention reinsurer. For example, the terms of the contract may provide that the amount of excess of a multiple of four shares (lines) net retention. The capacity of such a contract amounts to 5 shares, respectively. The scheme of distribution of responsibility for accident contract is such that the value of the award and participate in the losses in proportion to the share of the contract adopted. For example, the contract consists of a 5-fold net retention, which for a certain risk groups is 1,000 units. In this case, the insurance in the amount of 5,000 units 1,000 units remain in the proper retention and reinsurance passed 4,000. If the sum insured under the insurance contract is 6,000 units or 10,000 units, in 4000 and transferred to reinsurance units and hold their own reinsurer is respectively 2,000 (1,000 net retention and 1,000 units, uncovered reinsurance) or 6,000 (1,000 net retention and 5,000, unsecured reinsurance). Thus, a reinsurance agreement on the basis of excess amounts of reinsurance solves the

problem only within a certain limit, the net retention times. In order to cover major risks (large sums insured) conclude agreements of the second, third, etc. excess. Assume that the sum of the first excess of 5 share (lines) of net retention and the amount of excess of the second and 5 share (lines) of net retention, while the total capacity of the contract covered by reinsurance contracts first and second excess, will be 11,000 units. Therefore, all contracts for risks with the sum insured up to 1,000 units remain on hold own insurer (assignor), all contracts with an insurance sum of up to 6,000 units are reinsured under the agreement of the first excess, and all contracts and 11,000 units under contracts reinsured by the first and second excess. Figure. 4 shows that the allocation of responsibility for excident agreements adopted under the contracts in proportion to the share, as well as the distribution of bonuses.



. Figure 9. The scheme of distribution of responsibility between the reinsurer and the reinsurer under a contract accident.¹³

Excess contracts are the most commonly used types of reinsurance contracts,

¹³ "Основы страхования" С.К. КАЗАНЦЕВ

as they give an opportunity to the assignor to leave on their own hold all small risks. However, for the reinsurer means that he transferred the risks for which the loss is significant. Therefore, their interests can be met by increasing the limit of net retention of the assignor.

The combination of quota reinsurance and excess is possible at the conclusion of a quota-accident reinsurance contract. At the conclusion of such a treaty reinsurance entire amount of liability under the contracts of insurance is divided into two parts. Firstly, it is determined within which the amount (limit) will be distributed on the principle of the responsibility of a quota agreement and what would be the quota liability of the assignor and the assignee. Over that part of the responsibility, which is distributed on the basis of a quota agreement, determined by the Excess times the sum of the parts. And for that part of the responsibility that exceeds the limit of liability under the quota agreement, the principle excident contract. In practice, the quota-accident contract is rarely used. When non-proportional reinsurance contracts are two types: excess of loss contract ("kurtosis of-loss" - XL) and excess loss treaty or agreement "stop loss" (SL).

Contract excess of loss is the most common form of non-proportional reinsurance and serves to protect the insurance company's portfolio of large unexpected losses. Under the terms of the treaty reinsurer's liability arises only when the amount of the loss exceeds the amount stipulated by the contract of reinsurance, the so-called the priority of the assignor (primary insurer). Liability is also limited by the reinsurer, in turn, a certain limit. Thus, the responsibility for losses divided into two possible parts: the first loss up to a certain limit pays the assignor and the loss exceeds the limit of the assignor to a certain limit, the reinsurer pays. This range is called the liability excess of loss reinsurer. Sometimes for the first excess of loss should a second Excess of loss, third, etc.

Contract excess of loss or contract "stop loss" is to protect the financial position of an insurer for a particular type of insurance. Under excess loss meant the total payments exceed the size of the insurer for any particular type of insurance for an agreed period of time (eg, one year). The size of loss, beyond

which the contract, usually installed in such a way that the transmission company was not able to derive any benefit from the contract. This contract is not to guarantee the profits of the insurance company, but in order to protect it from additional extraordinary losses. The limits of liability of reinsurer set within a certain percentage of loss of insurance premiums (eg, from 100 to 105%) for the year, or an absolute amount. Application of treaties "stop loss" is useful when one or more insured events (eg, hurricanes, unusually frequent hail, etc.) can greatly affect the results of the insurance company for the relevant period. Contract excess loss can be used as a supplement to other types of reinsurance, such as proportional.

Thus, reinsurance is a prerequisite for financial stability and normal activity of any insurer, regardless of the size of its own capital and insurance reserves. Using a variety of reinsurance contract, the insurance company is able to optimize your insurance portfolio. The developed system of reinsurance in the world allows you to increase the reliability of insurance.

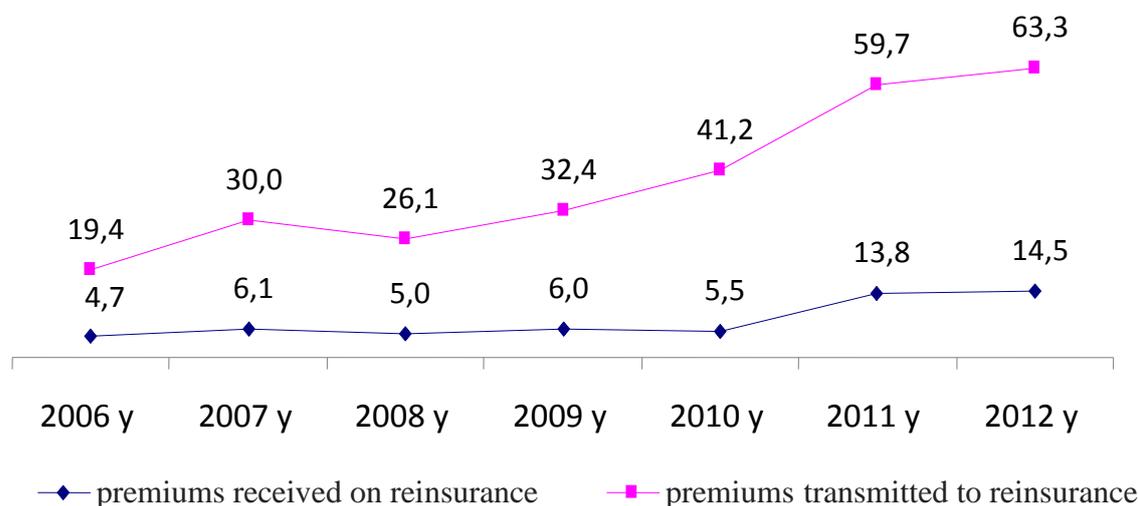


Figure 10. Dynamics of volume of insurance premiums transmitted and received on reinsurance (bln. UZS)¹⁴

Unlike the previous year, in 2012 the turnover of insurance premiums for

¹⁴ Обзор перестровочных рынок. SAIPRO

inward reinsurance increased and amounted to 14 bln. UZS. It should be noted that this figure is the highest in the last five years. As you know, today reinsurance may engage only professional reinsurers or insurers that are licensed to conduct insurance activities and share capital, which formed part of not less than the minimum authorized capital established by the legislation on insurance activity for insurers operating exclusively on reinsurance. Nevertheless, they reflect performance in 2012, insurers have become more active to take risks on reinsurance contracts.

Despite the rather impressive growth in premiums for reinsurance devotees, their share in total insurance premiums almost unchanged. As a result, the share of outward reinsurance in total insurance premiums in the market amounted to 24.0%.

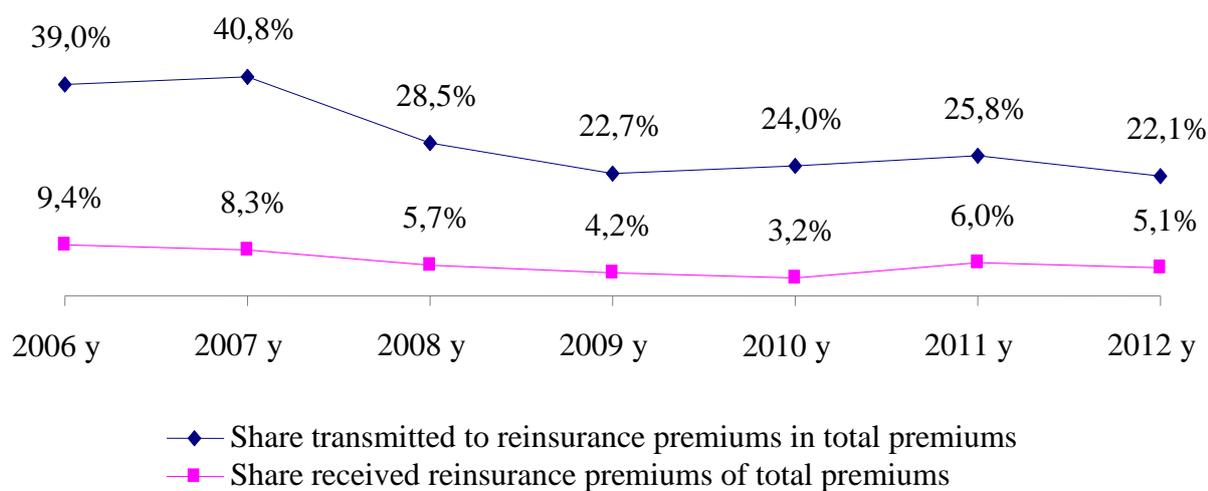


Figure 11. Dynamics of shares transmitted and received reinsurance premiums in total premiums (bln. UZS).¹⁵

The share of reinsurance in the total insurance premiums in 2012 increased slightly and amounted to 5.1%. As noted above, in the decree of the President provided for an increase in minimum capital for insurers to 2015 in total almost

¹⁵ Обзор перестровочных рынок. SAIPRO

twice.

It is expected that these measures will stimulate the growth of the capacity of the insurance market in the country until 2015, which will restrain the rapid growth of outward reinsurance. In general, the reinsurance market may be noted that over the past three years, outward reinsurance market took a stake of 24.0% -25.8%, and inward reinsurance 3.2% - 5.1%.

№	2008		2009		2010		2011		2012	
	Company	Share (%)	Company	Share (%)	Company	Share (%)	Company	Share (%)	Company	Share (%)
1	«Uzbekinvest»	72,6	«Uzbekinvest»	67,6	«Uzbekinvest»	95,0	«Uzbekinvest»	95,2	Transinsurance	51.78
2	«Alfa Invest»	9,1	«INGO Uzbekistan»	26,2	«Kapital Sug'urta»	3,2	«Alfa Invest»	27,5	«Uzbekinvest»	43,66
3	«Kapital Sug'urta»	8,7	«Kapital Sug'urta»	4,8	«Unipolis»	1,8	«Kapital Sug'urta»	1,5	«Kapital Sug'urta»	3.22
4	«Kafolat»	3,4	«Alfa Invest»	0,9					«Alfa Invest»	1,34
5	«Alskom»	2,3	«Chartis Uzbekistan»	0,4						

Table 7. Reinsurance for 2008-2012 (direct insurers).¹⁶

№	2008		2009		2010		2011		2012	
	Company	Share (%)	Company	Share (%)	Company	Share (%)	Company	Share (%)	Company	Share (%)
1	UVT-Insurance	38,0	UVT-Insurance	31,1	UVT-Insurance	36,3	UVT-Insurance	29,2	Asia Inshurance	29.58
2	INGO Uzbekistan	31,1	INGO Uzbekistan	28,6	Uzbekinvest	26,2	Asia Inshurance	17,6	Uzbekinvest	22.75
3	Uzbek-invest	11,3	Uzbek-invest	23,9	INGO Uzbekistan	24,1	Uzbek-invest	13,5	UVT-Insurance	19.94
4	Trans-insurance Plus	4,2	Alskom	3,6	Trans-insurance Plus	2,2	INGO Uzbekistan	12,2	Trans-insurance Plus	13.3
5	Alskom	3,6	Transinsurance Plus	3,4	Kapital Sug'urta	1,9	Transinsurance Plus	11,1	Kafolat	4.3

Table 8. The leaders in the reinsurance market of Uzbekistan on outward reinsurance for the years 2008-2012.

¹⁶ Гузаль Анаркулова И.о. Главного менеджера департамента перестрахования ГАСК «Кафолат»

CHAPTER -III. THE DIRECTIONS OF IMPROVEMENT OF THE UZBEKISTAN REINSURANCE MARKET.

3.1 The improvement of solvency of reinsurers.

With over protection such as the system of reinsurance, insurance companies enter into fierce competition for the acquisition of risk (while taking share in reinsurance from other insurers). Keep in mind that the mass collected by insurers of insurance payments (premiums) are often invested in other economic sectors or indulges in financial turnover in order to obtain a higher level of return than on insurance operations. This allows insurance companies, cover the results of unprofitable contracts, they are forced to conclude that in order to maintain the prestige.

Reinsurance also protects insurers, primarily from the random deviations of the calculated loss, it does not match the level in the coming year, which is due to unforeseen circumstances. Therefore Reinsurance is a prerequisite for ensuring the financial stability of insurance operations and normal activities of any insurance company, regardless of the value of its capital reserve fund and other assets.

Perfectly balanced, stable insurance portfolio. A set of insured objects of society, should consist of the largest possible number of objects of insurance, which by its size, its value and exposure, possible dangers, destruction or damage, would be more or less unambiguous. If the total number of insured risks is low, or if they include large and dangerous risks on the balance can not be considered.

In addition, even if the insurance company has been able to carefully select the biggest risks, anyway, it was not able to create a portfolio of fully isolated from each other objects of insurance, as the insurance conditions generally covers various risks that the insured object may be exposed simultaneously at approach catastrophic situations: earthquakes, floods, hurricanes, fires, and so on.

Since all the assets of any of the insurance company may be only a small fraction of the total amount of his liability to policyholders accepted by insurance, a catastrophic insured event could significantly undermine the financial position of the insurance company.

Hence the desire of any insurer to the creation of a portfolio of a large number of equivalent risk. In other words, with a balanced portfolio of probability and magnitude of potential losses can be predicted with reasonable accuracy on the basis of the composition of the portfolio, statistics and other indicators of the previous years, which will be achieved to a certain extent the financial stability of insurance operations.

The main function of reinsurance is secondary distribution of risk, due to which there is a quantitative and qualitative alignment of the insurance portfolio. The distribution of risk is not only in the national economy, and acquires an international character.

In addition, reinsurance performs some auxiliary functions. It lets you take on unique and expensive insurance risks. Through reinsurance organization an opportunity to the new species and insurance options.

Redistribution of risks through reinsurance system is achieved not only the protection of the insurance portfolio from major losses, but also the fact that the payment of insurance compensation for such losses does not lie in the one society (which should be sufficient for this free money), and carried out collectively by all insurers participating in the reinsurance of these objects.

In many cases, the insurance value of the objects to be insured, so huge and dangerous, that the capacity of individual national insurance risks, with all that are in them, insurance companies, is insufficient to provide them with insurance in full. Through reinsurance channels such risks are transferred to insurance markets of other countries, with the result that it may be that in the insurance of large risks involved, all or nearly all of the international insurance market, hundreds and thousands of insurance agencies. It should be borne in mind here that reinsurers usually take on, its responsibility for only a small part of the risk of a few percent, and sometimes of a percent, again, to form a portfolio consisting of a relatively small risk

The redistribution of risk between insurance companies of various countries in reality is nothing but a variety of foreign trade, with the only difference that the

object of the exchange are not use-value natural-material form, and insurance. In this regard, international reinsurance transactions are "invisible" exports.

Each insurance company by resorting to reinsurance, is based primarily on the goal - aligning the portfolio, but also takes into consideration the cost of reinsurance, ie not only the loss of a share of the insurance profits transferred to the reinsurer, but those costs will be borne by the company to conduct business on the accepted and partially transferred to reinsurance risks (registration reinsurance contracts, keeping records of cards, registration of transfer documents, and so on.) and the compensation (commission, bonus), which she received from reinsurers.

Reinsurance contracts are rarely bilateral, usually in one transmission risk reinsurance insurance company involved a large number of hosting companies, each of which takes only a small share of reinsurance proposed excess Any transmission company needs to reinsurance protection is not for one year, but for the entire period of their practice.

Therefore, it offers a portfolio of reinsurance contract it operates with different variations from year to year, but usually at the end of each year, reinsurers gather together and reviewing its participation in the old contract, confirming or rejecting it. Expiring at the same time the share of "placed" among other reinsurers that are considered included in this agreement.

It should be remembered that a purely transmission companies, almost all of them are not and, in turn, are involved in the contracts of other companies, taking risks in reinsurance. The system of reinsurance and retrocession subsequent achieved significant fragmentation of large risks in the coating are thus involved a large number of insurance companies around the world. It sometimes happens that a proportion of the risk reinsurance channels to cover the returns to the original insurer of the risk.

Home reinsurer liability coincides with the onset of the reinsurance contract. However, it accepted responsibility for the reinsurance risk applies not only to insurance contracts concluded after the signing of the reinsurance contract, but also to all the already existing insurance contracts concluded before the entry into force

of the reinsurance contract and the premium which had already been received by the insurer, but the responsibility the insurer has not yet expired. The amount of the premium payable to the reinsurer in such cases is calculated in proportion to the amount of time and they accepted responsibility.

In accordance Decree the Minister of Finance of the Republic of Uzbekistan dated April 22, 2008 №41 "On the solvency of insurers and reinsurers".

the solvency of insurers (reinsurers) - the ability of insurers (reinsurers) to fully and timely meet its financial obligations. The basis of solvency is the presence of the formed authorized capital sufficient insurance reserves, as well as the system of reinsurance;

solvency margin - the ratio between the assets of the insurer (reinsurer) and accepted insurance obligations;

The solvency standards consist of:

adequacy of the solvency margin;

the maximum permissible size of the obligations of insurers (reinsurers) for individual risks;

the maximum allowable size of the total liabilities of insurers (reinsurers).

To determine the index of solvency of insurers (reinsurers) used data accounting and reporting of insurers (reinsurers) to the last reporting date, as well as data determined by calculation.

An indication of the solvency of insurers (reinsurers) is to comply with their standards established by this Regulation solvency requirements for insurers' asset allocation (reinsurers), as well as requirements for reinsurance transactions.

Statutory solvency margin should be at least one.

Statutory solvency margin is calculated as the ratio of the actual solvency margin to the regulatory solvency margin, according to the formula:

$$SSM = \frac{ASSM}{RSM} \quad \text{there:}$$

SSM - statutory solvency margin;

ASSM - the actual size of the solvency margin;

RSM - regulatory solvency margin.

Regulatory solvency margin for insurers operating in general insurance or reinsurance activities only, is the largest of the three values:

the minimum capital requirement set by the insurer in accordance with the legislation on insurance business;

the value calculated by the "Method of premiums";

the value calculated by the "Method of payment."¹⁷

According to the "method of premiums" is calculated by multiplying the value of the correction factor for the general insurance industry to a value which is 20% of the amount of accrued insurance premiums for all contracts of insurance (reinsurance) during the previous twelve months, less return premiums to insurers (reinsurers) to Upon termination (change of conditions) contracts of insurance (reinsurance) contracts concluded during this period. Thus the calculation of insurance premiums on insurance (reinsurance) in classes 11 and 13 in the calculation increased by 50%.

The insurer (reinsurer), which for the first time from the receipt of the established procedure the license for insurance activity to the reporting date was less than twelve months as of the calculation period used in the calculation of the period from the receipt of the license before the reporting date.

The actual amount of the solvency margin is calculated by subtracting the sum of sources of own funds of the insurer (reinsurer) the sum of the following indicators:

Intangible assets, excluding software purchased for the purposes of the main activity of the insurer (reinsurer), but not more than 10% of the assets of the insurer (reinsurer) (in this case, the software is carried at book value);

outstanding founders of deposits in authorized capital;

trust receipts and reserves for future expenses and payments;

¹⁷ Положение о платежеспособности страховщиков и перестраховщиков. 22.04.2008

part of retained earnings intended for distribution among the founders (shareholders);

loans to founders, shareholders and employees, as well as interest accrued thereon;

debt receivable - related parties;

premiums (reinsurance premiums) not paid by insurers (reinsurers) for more than three months from the date of payment fixed in the contract of insurance (reinsurance);

guarantees issued;

receivables on taxes and other obligatory payments.

Maximum permissible amount of obligations on individual risks and the aggregate amount of liabilities of insurers (reinsurers).

The maximum allowable size of the obligations of the insurer (reinsurer) for individual risk may not exceed 20% of the sources of own funds and insurance reserves.

The insurer (reinsurer) has the right to commit to specific risks in excess of the norm, but on the condition that part of the commitments in excess of this standard, reinsured to the appropriate position on the solvency of insurers and reinsurers.

In the case of insurance under the general policy of the insurer on the amount of obligations to individual risk is calculated for each insurance policy, subject to the general policy.

or insurers operating in general insurance or reinsurance activities only, the total amount of liabilities should not exceed 200% of the sources of their own funds.

The insurer (reinsurer) has the right to commit to specific risks in excess of the norm, but on the condition that part of the commitments in excess of this standard, reinsured to the appropriate position on the solvency of insurers and reinsurers.

Requirements for placement of assets of insurers (reinsurers).

Total assets of the insurer (reinsurer), placed in authorized capitals of other legal entities will be limited to 50% of the sources of their own means of the insurer (reinsurer), except for participation in the authorized capital of the commercial banks that have received a positive opinion of the international audit for the previous fiscal year, unless otherwise provided by law.

Equity participation of the insurer (reinsurer) in the share capital of any single legal entity may not exceed 30% of the authorized capital of this legal entity (unless otherwise provided by law), in addition to subsidiaries (affiliated entities) engaged in insurance activities, activities aimed at ensuring insurance activity and activities operating office buildings owned by the insurer (reinsurer) the right of ownership.

When placing the assets of the insurer (reinsurer) in immovable property are not allowed more than 50% of the assets of the insurer (reinsurer) in a plot of land or other immovable property, or collection of land plots and real estate, which can be regarded as a single object.

When placing the assets of the insurer (reinsurer) in bank deposits (deposits) contribution to a commercial bank shall not exceed 40% of the assets of the insurer (reinsurer).

When placing the assets of the insurer (reinsurer) in deposits (deposits) in credit institutions (other than commercial banks), total deposits (deposits) must not exceed 10% of the assets of the insurer (reinsurer).

Placing assets of the insurer (reinsurer) in the authorized capital of a legal entity or other rights to participate in a single legal entity may not exceed 30% of the assets of the insurer (reinsurer), unless otherwise provided by law.

Prohibited to place assets of the insurer (reinsurer) by:

Investments in intellectual property (except for the purchase of software, information databases, literature, trade names and trademarks);

conclusion of loan agreements (financial aid) to legal entities and individuals in addition to the provisions on the solvency of insurers and reinsurers.

The insurer (reinsurer) has the right to grant loans to its founders, shareholders and employees, as well as loans to policyholders, concluded a life insurance contracts, guaranteed by these treaties. The total amount of loans should not exceed 10% of the share capital of the insurer (reinsurer).

The insurer (reinsurer) has the right to borrow (financial aid) in excess of 30% of the sources of their own funds only after the notification of State Insurance.

The insurer (reinsurer) is obliged to have cash on hand and / or settlement (currency) and other bank accounts in the amount of not less than 3% of the amount accrued claims for the previous twelve months.

It is forbidden to provide the insurer (reinsurer) preferential treatment to related parties. Giving preferential treatment means: entry into a transaction that, by its nature, purpose, characteristics and risk of the insurer (reinsurer) cannot be joined with other persons who are not associated with them special relations;

charging interest, contributions, acceptance of collateral to secure investment as well as other payments in favor of the insurer (reinsurer), which is less than the sum of the amounts required from other clients;

delaying the return of investment funds without sufficient justification.

The insurers (reinsurers) on a quarterly basis by the 25th of the month following the expiration of the quarter shall submit the State Insurance calculations solvency standards and information on compliance with the requirements for the placement of assets of insurers (reinsurers) and requirements for reinsurance transactions.

The calculation of solvency regulations, and information on compliance with the requirements for the placement of assets of insurers (reinsurers) and requirements for reinsurance operations for the year are submitted no later than 15 February of the year following the reporting and enterprises with foreign investments - not later than 25 March of the year following the reporting.

3.2 The role of reinsurance in stable development of Uzbekistan's economy

Reinsurance plays an important role in ensuring the stability and development of the insurance market of any country. Reinsurance can be effective only if you use this tool to determine the optimum levels. Optimum utilization of reinsurance activities in a separate insurance company or within an individual insurance market should be based on the condition of the insurance company or the individual market, respectively.

The fact that, in essence, by reinsurance relationship is a redistribution of risks assumed by insurers for insurance contracts. As you know, every insurance company or the insurance market has a certain level of capacity on the basis of which they can take risks on insurance. Each risk is accepted for insurance at a price corresponding to the level of risk.

In the case where the insurer does not have time or do not transfer the amount of risk that exceeds its capacity level, there is a risk of loss of financial stability or solvency of the insurance company. In another case, the insurer transfers for reinsurance risks that could hold it, reduces the effectiveness of reinsurance operations, as the insurer loses a certain portion of their income.

But, in practice quite difficult to determine the level of capacity of a single insurer or the insurance market as a whole. This procedure requires special knowledge in the field of actuarial calculations and the large volume of statistical and other information about the insured risks. In this regard, insurers, mainly on their own trying to determine this value, and are guided by the results of its calculations

However, since the use of tools associated with reinsurance solvency of insurance companies, in many countries regulators of insurance markets in order to promote the effective use of reinsurance instruments insurers establish certain minimum requirements for reinsurance transactions.

It should be noted that in many developed countries reinsurance (taking risks to reinsurance) recognizes a particular kind of activity and they are engaged only professional reinsurance companies. Insurance companies that are engaged in

direct insurance, forbidden to take risks for reinsurance from other insurers.

In developing countries, due to the lack of containers in various forms of direct insurers have the right to take risks for reinsurance in the fulfillment of certain conditions set by the regulator of the insurance market.

Despite the fact that reinsurance depends on the state of the primary insurance markets, the development of insurance markets and increase their scale objectively growing significance of reinsurance operations. The same trend is observed in our country. For several years, the insurance market of Uzbekistan is growing rapid pace.

As in any other business sector in the insurance business plays an important role of public exposure. The state itself insures and maintains the state supervision in the field of insurance. Such attention to this kind of business due to the social importance of insurance function, because the insured event is a catastrophe for the insured, which in turn leads to an insured event in the country's economy to a break in the chain of production. The misfortune of the policyholder is a socially significant for the entire national economy. Insurance allows you to quickly restore the disturbed insurance case the financial situation of the insured, to restore the destroyed due to legal relations of economic reproduction. The functioning of the insurance mechanism, the insurance activity concerned each of policyholders and the state.

For a long time in our country, as in many countries of the world at a certain stage of social development, there was a state monopoly on insurance. Monopoly security enabled the involvement of insurers, greater stability of insurance companies, but due to lack of competition going on limiting the scope of insurance services, reducing the amount of insurance premiums.

However, in the period of transition to a market economy cannot completely abandon the public insurance.

State influence on the insurance activity implementation is ongoing through the reporting on the activities of insurance companies; check their activities and normative regulation of insurance activity.

State supervision of insurance activities on the content to distinguish between the preliminary and current.

The preliminary Supervision involves checking compliance with the established requirements of insurance companies and the issuance of licenses for certain types of insurance, as well as the registration of associations of insurers and entry in the register of insurance brokers.

It refers to the current surveillance to verify compliance with the legislation requires professional participants of the insurance business: an overview and analysis of reporting, suspension and revocation of licenses, exclusion from the register of insurance brokers, etc.

In order to fulfill the duties entrusted to the federal executive body for the supervision of insurance activity shall be entitled to:

a) to receive from insurers the established reports on insurance activities, information on their financial situation. Many details come from enterprises, institutions and organizations, including banks, as well as citizens;

b) to verify compliance with the legislation on insurance underwriters and reliability of their reporting;

c) the detection of violations of the law by insurers give them instructions for their removal, and in the event of failure regulations to suspend or limit the licenses of these insurers continue to eliminate violations or to take the decision to revoke the license;

d) to apply to the arbitration court for liquidation of the insurer in the case of repeated violation of the latest legislation, as well as the liquidation of enterprises and organizations engaged in insurance without a licence.

The study showed the amount of insurance payment that the insurance markets tend to dumping, but for reinsurance do not. This is confirmed by a number of circumstances: - reinsurance business is designed so that the insurer does not work with one reinsurer, because He works directly with many insurance companies, especially large risks that come on hold to several reinsurance companies; all reinsurers requirements are very similar; law reinsurers increasingly

standardized than insurance companies; as part of the risk of the portfolio can we talk about the rate below the market, but the aggregate of the portfolio still getting average market rates; analysis of the data a decade shows that rates for reinsurance declined, but rather are influenced by changes in the form of reinsurance protection. If earlier it was a lot of contracts on proportional reinsurance, now on property risks are reinsured primarily on the basis of disproportionate and minimum deposit premium, and this may be due to the fall of reinsurance premiums for the whole market.

The choice of methods reinsurance affects both the average profit of the company and its financial stability. The widespread use of methods of reinsurance provides stabilization of profitability, but it leads to a decrease in its average level.

Net retention represents some of the assumed by the sum insured, the insurance company reserves, or "holds" on their responsibilities and the limits of which it considers appropriate to compensate possible losses. The share of insurance premium in excess of the level of the company ceded.

Establishing the optimum size of own deduction promotes financial stability of the reinsurer and the reinsurer, since it allows to determine a rational relationship between the most important results of their operations: profitability, financial stability, solvency and others.

In practice, the amount of net retention is usually regulated by the state law, which sets it to the highest possible value, depending on the paid-up equity capital of the insurer or of its free assets. For example, the amount of the insurance premium on the share of owns deduction shall not exceed ten times the size of the total paid-up capital and reserve of the insurer.

However, the maximum level of self-retention establishes a feasible region of existence this indicator. Insurance companies to improve the efficiency of their activities tend to use real instruments in its optimal value. This fact was noted by many experts insurance business.

Author SA Edakov in his work notes that "for practical reinsurance extremely difficult and complex is the question of what proportion of the risk, or a maximum

of leaving on his holding. Transfer reinsurance too much of the responsibility can be disadvantageous - in this case the insurer deducts a significant portion of their collected premiums. On the other hand, leaving most of the risks can dangerously undermine the financial stability of the insurer. "

Difficulties in addressing the problem of estimating the net retention caused by the fact that its size, satisfying the requirements and practices of the insurer in a particular situation, cannot meet the interests of another. In the scientific literature there are no universal formulas and rules on the establishment of the assignor's own deduction, depending on those or other conditions. In such a situation, it may be offered a model that would allow a rough estimate of its level, taking into account the influence of the main factors specific to the conditions of a specific contract.

It should be borne in mind that the establishment of retention of the assignor under the reinsurance agreement is subject to the agreement of both sides - the reinsurer and the reinsurer. This article reinsurance contract is subject to agreement between the parties and may be revised by one of them (usually the reinsurer) also because the size of the net retention of the assignor depends on the cost of reinsurance.

World's reinsurance market is based on the global redistribution of risks, so catastrophic losses wherever they occur, causing a surge in prices for reinsurance coverage worldwide. This is completely normal and natural phenomenon from a global perspective, but in terms of specific national reinsurance market - Uzbekistan, it is a negative factor hindering its development.

There are two possible solutions to the problem, which in one way or another should be used.

Firstly, it is necessary to reinsure on the markets areas, which are less than the continental European and London markets cover losses on portfolios of US risks. However, experience in the settlement of claims with other markets is quite small, so the traditional partners Russian reinsurers abroad are still Western reinsurers, the transfer of risks that are associated with a number of difficulties.

Secondly, we should increase the capacity of the domestic reinsurance market, which will lower the risk transfer to reinsurance abroad. For this purpose, either actively stimulate an increase in the authorized capital of insurance companies, or to create some form of a reinsurance company with over large capacity.

SUMMARY

The lack of fundamental research on the formation mechanism of management of financial stability of the insurance company based on the effectiveness of the use of reinsurance programs leads to a lack of demand for the company established in the country a model of insurance relations. The disclosure of the mechanism proposed in the dissertation author's interpretation of the definition: the financial stability of the insurance company - is a state of financial resources and their distribution and use, which will ensure the unconditional implementation of obligations to policyholders and stable positive financial results, taking into account the optimization of reinsurance protection. The study author clarified and proposed definition: reinsurance - system of economic relations, in which the insurer is taking on the insurance risks of the responsibility on them (taking into account their financial capabilities) passes them on agreed terms to other insurers in order to create a balanced portfolio of contracts insurance and financial stability. It is possible to formulate an algorithm for determining the optimal level of net retention and determine the influence of sound reinsurance program on the financial stability of the insurance organization.

The lack of opportunities to increase financial stability in the face of competition by increasing insurance rates makes insurance companies seek internal reserves by improving the efficiency of movement of financial resources directed selection of risks and their early diagnosis, the development of the reinsurance strategy and improve the scientific validity of the conditions and parameters of direct contracts of insurance and reinsurance. With this in mind, the thesis revealed the role of reinsurance in improving the financial stability of insurance companies and defined characteristics of reinsurance system in Uzbekistan. Reinsurance and increase the validity of the conditions and parameters of insurance contracts is not too large amounts of capital our insurance companies is the most effective approaches for the stabilization of the Uzbekistan insurance market. Its use contributes to a significant reduction in the risk of non-fulfillment of its financial liabilities by insurance companies through their distribution over a large number of

companies and optimization of each received part of the risk.

In this paper the classification of the forms and methods of reinsurance. The form of reinsurance is divided into, obligatory and optional. On how to conduct reinsurance operations may be:

1. A quota that obliges the insurer to assign part of the obligation to take risks, while maintaining a certain proportion of the insurance premiums and liability reinsurer. This type is used in almost all branches of insurance, as is the simplified character and reduces the vibrations of insurance risk on a specific share.

2. Accidents allowing the insurer to determine, depending on the nature of the transaction amount, which he considers it possible to pay on their own (self hold) and only after that the rest of the sum insured transfers in reinsurance.

3. Action excess of loss treaty enters into force only if the final amount of the net loss on the insured object due to security exceeds the limit in the insurance contract.

This type of reinsurance most effectively applied in addition to the proportional forms of protection, as well as the risks to wearing catastrophic.

Among the many forms and methods of reinsurance for the Uzbek conditions are the most promising non-proportional reinsurance treaties on the basis of excess of loss and excess of loss.

This is because, firstly, the relatively minor cost of servicing such contracts and, secondly, the possible increase in the scale of losses, particularly from fires, floods, technological accidents and other activities, the frequency and the damage from which in Russia tend to increase . As practice shows, it is non-proportional reinsurance in such a situation most effectively protect insurance companies from bankruptcy.

However, the development of non-proportional reinsurance in Uzbekistan is hampered by a number of factors, among which are highlighted in the factors that reduce the level of scientific validity of the parameters of income: the lack of sufficient statistical information; inadequate criteria for determining losses and calculation methods as applied to Uzbek conditions;

Insufficient qualifications of staff.

4. The features of the functioning of the insurance market of Uzbekistan in modern conditions and the analysis of the specifics of the insurance companies involved in risky types of insurance, in terms of management of financial stability of the insurance company. Features of functioning of the insurance market, which are formulated in the dissertation research, in turn, determine the specifics sources of financing the insurance company when the main source of financial resources of insurance companies are the insurance fund, the share capital, as well as investment income and funds received from the sale of rights subrogation. The analysis revealed the need to mobilize the financial resources of insurance companies engaged in risky forms of insurance through the establishment of a reliable tool for the formation of financial resources and optimization of reinsurance protection.

5. An algorithm for determining the optimal level of net retention comprising the steps of characterizing the establishment of relations between the size of own deduction and core insurance activities. To manage the financial stability of the insurance company developed an algorithm consists of four steps:

- in the first phase revealed that from an economic point of view, the need for reinsurance protection defined by three components: financial stability of the insurer; the need to balance the insurance portfolio; reduction of commercial risk;

- in the second stage held the determination of the net retention (r) associated with the main characteristics of insurance business; Reinsurance balance depends on two parameters - the size of own deduction and the amount of reserve capital remaining after reinsurance;

- on the basis of the calculations is determined that the area of the optimum value of own deduction corresponds to the probability of loss of financial stability.

6. A method for management of financial stability of insurance companies based on the optimization of reinsurance activity.

The main elements of management techniques of financial stability of the insurance organization are:

- setting strategic objectives based on the analysis of internal and external environment; determining factors of financial stability of the insurance company and the establishment of a hierarchy; selection of indicators characterizing the factors of financial stability of the insurance organization;

- Assessment of the results of their monitoring and updating.

The main indicators, which are defined on the basis of financial stability of the insurance company in this paper referred:

- share of equity in liabilities; -
- the adequacy of the actual solvency margin;
- level covering insurance reserves of net equity;
- the profitability of the insurance and financial activities; - Loss ratio; - indicators of the level of expenditure;
- performance evaluation of reinsurance operations.

Sound conditions create a national reinsurance company in order to increase the reliability of the insurer. In this study, the creation of the National Reinsurance Company (NPC) offered in two versions. The first - in the form of a public company. The second option envisages the creation of a national reinsurance company voluntary participation as shareholders of large, medium and small insurers.

Most preferably, in our view, it is the creation of state national reinsurance company, which should not be a substitute for an open market, but it will increase its capacity: at the initial stage it is advisable to speak to the State as its initiator and founder. Such a system will combine National Reinsurance Company, guarantee funds generated under the compulsory insurance and reinsurance pools reinurance and serving high-risk classes of business, among which include the insurance of nuclear, aviation and terrorist risks.

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