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FOREIGN COUNTRIES' EXPERIENCE IN ENSURING AND ASSESSING THE SOLVENCY OF INSURANCE ORGANIZATIONS

Xattabov Murodulla Batirovich
Independent Researcher at Tashkent State University of Economics.
E-mail: leon.eshliy5999390m@gmail.com

A B S T R A C T

This article presents an analysis of the experience of foreign countries in ensuring and assessing the solvency of insurance organizations. In addition, proposals and practical recommendations aimed at the experience of foreign countries in ensuring and assessing the solvency of insurance organizations have been developed.

K E Y W O R D S

Insurance market, insurance organizations, insurance payment, insurance premium, insurance money, insurance liability.

Introduction

In some national studies, the culture of insurance and the financial literacy of the population have been noted as factors that indirectly affect the stability of the insurance market, including the solvency of insurance companies. Low confidence in insurance services limits the level of diversification of the insurance portfolio and increases the concentration of risks, which in turn can negatively impact solvency. From this perspective, it is scientifically established that improving solvency in the national context is related not only to improving financial indicators but also to developing the institutional environment of the market.

Shennayev H.M. interprets the solvency of insurance organizations as one of the main objectives of state regulation of insurance activities. He emphasizes that, since obligations in insurance activities are probabilistic in nature, the solvency of insurance companies must be continuously monitored. The author associates solvency primarily with the adequate formation of insurance reserves, the quality placement of assets, and capital adequacy, noting that these factors are crucial in protecting the interests of policyholders.

Additionally, relying on analysis of international experience, Shennayev shows that in economically developed countries, at the core of the insurance market regulation system is precisely the task of ensuring the solvency of insurers. In his opinion, at the current stage of development of the insurance market in Uzbekistan, it is necessary to gradually align the requirements for solvency with international prudential standards, which will serve to ensure the stable development of the insurance market and its reliable operation1.

[1]Shennaev Kh.M. "International Experience in Regulating Insurance Activities" // Scientific Electronic Journal of Economics and Innovative Technologies, 2020, No. 6.

Kenjayev I.G. interprets the solvency of insurance organizations as an economic condition closely linked to the quality and efficiency of their investment activities. According to the author, it is impossible to achieve financial stability if the large amounts of insurance premiums and reserves accumulated at the disposal of insurance organizations are not properly allocated. From this perspective, the income derived from investment activities is considered the main financial source that strengthens the ability of insurance organizations to meet their payment obligations on time. It is emphasized that maintaining solvency in insurance organizations significantly depends on the balance between assets and liabilities (the ratio of liquidity to profitability). In his view, excessively directing insurance reserves to low-risk but low-return instruments can weaken solvency in conditions of inflation. For this reason, the author2.

Haqberdiyev B.U. interprets the solvency of insurance organizations as a primary and fundamental criterion that determines their financial stability. According to the author, the most important point in assessing financial stability is the insurance company's ability to meet its monetary obligations arising from law or contract on time. In this sense, solvency manifests as a key economic condition reflecting the balance between the insurance company's portfolio size, accepted risks, and financial capabilities. Moreover, Haqberdiyev scientifically substantiates that the solvency of insurance organizations is shaped under the influence of both external and internal factors. In his view, the sophistication of the legal and regulatory framework, the adequate formation of insurance reserves, and the efficient allocation of assets have a decisive role in ensuring solvency. The author considers solvency[3].

Literature Review

Ensuring the solvency of insurance organizations is considered one of the most important prudential tasks in the global financial system. Globalization, the expansion of cross-border reinsurance relations, and the diversification of risks in financial markets necessitate assessing the solvency of insurance organizations not only at the national level but also based on international standards. For this reason, in developed countries, ensuring the solvency of insurance organizations has been improved by transitioning from administrative-supervisory approaches to risk-based, dynamic, and integrated management systems.

Theoretically, foreign experience shows that the solvency of insurance organizations is determined not only by the amount of capital and reserves but also by the composition of accepted risks, the quality of assets, the level of corporate governance, and the ability to maintain stability under stress conditions. From this perspective, in developed countries, solvency is not solely dependent on

Studying foreign experience is of scientific and practical importance from the perspective of developing the insurance market in Uzbekistan and strengthening the solvency of insurance organizations. In particular, identifying the possibilities of adapting risk-based solvency models developed in advanced countries to national conditions serves as an important theoretical basis for future reforms. In developed countries, the system for ensuring the solvency of insurance organizations mainly relies on risk-based regulatory models. In these countries, solvency is viewed not as a static financial condition, but as a dynamic process that changes in accordance with the economic

2.Kenjayev I.G. “Ways to Improve the Quality and Efficiency of Investment Activities of Insurance Organizations” // Scientific Electronic Journal of Economic Development and Analysis, 2025, January, No.1, pp. 332–340.

[3]B.U.Haqberdiyev. "Financial Stability of the Insurance Market in Developed Countries and Its Specific Features" // Scientific Electronic Journal 'Financial Technologies', 2025, No.1.

environment, market risks, and the characteristics of the insurance portfolio. This approach allows insurance organizations to assess potential losses in advance and to structure capital proportionally to these risks. In European countries, ensuring the solvency of insurance organizations.

In the U.S. experience, the solvency of insurance organizations is ensured through the Risk-Based Capital (RBC) model. In this approach, the capital of an insurance organization is compared with the required capital calculated for various types of risks – insurance risks, market risks, credit risks, and operational risks. If the actual capital of the insurance organization falls below the prescribed standard, the regulator applies phased intervention measures. This mechanism allows for the early detection of the payment capacity of insurance organizations and the prevention of crisis situations.

Experience from developed countries shows that corporate governance and internal risk management systems play a significant role in ensuring solvency. The management's attitude toward risk, internal control mechanisms, and the level of strategic planning in insurance organizations are decisive for ensuring long-term solvency.

In the United States, ensuring and assessing the solvency of insurance organizations is carried out based on the Risk-Based Capital (RBC) model. This model was developed by the National Association of Insurance Commissioners (NAIC) and is aimed at evaluating the financial stability of insurance organizations in proportion to the amount of risks they have accepted. In the RBC model, solvency is determined not by the absolute amount of capital, but by the extent to which it covers risks. Theoretically, the RBC system is based on comparing the actual capital of an insurance organization (Total Adjusted Capital – TAC) with the calculated required capital (Authorized Control Level Risk-Based Capital – ACL RBC). This ratio is the main indicator for determining the solvency level of an insurance organization and is expressed by the following formula:

RBC ratio = TAC / ACL RBC × 100% where:

TAC – insurance orga.

In the United States, the RBC model is distinguished by the clear limits of regulatory intervention. Specifically, depending on the level of the RBC coefficient, the following supervisory stages are defined:

200% and above – the insurance company's solvency is satisfactory, regulatory intervention is not required;

150–200% – regulatory monitoring stage (Company Action Level), the insurance company must present a plan to improve its solvency;

100–150% – regulatory intervention (Regulatory Action Level), control measures are intensified;

70–100% – compulsory supervision (Authorized Control Level), the regulator can intervene in management decisions;

Below 70% – crisis situation (Mandatory Control Level), measures are taken to reorganize the insurance company or remove it from the market.

In theory, this scale is designed to detect solvency problems early and prevent systemic crises. Before regulatory intervention begins, insurance companies may increase capital, manage risk.

In this way, the Risk-Based Capital model used in the United States is implemented based on a system of precise, transparent, and early warning indicators when assessing the solvency of insurance organizations. This experience scientifically confirms the necessity of viewing solvency not only as a regulatory requirement but also as an object of risk-based strategic management.

In the European Union, ensuring and assessing the solvency of insurance organizations is carried out based on the Solvency II regulatory system. This system has been implemented in EU countries since 2016 and is aimed at ensuring the financial stability of insurance organizations through a risk-based approach. The Solvency II system envisions assessing the solvency of an insurance organization not only by the amount of regulatory capital but also based on the economic substance of accepted risks and their potential impact.

Theoretically, the Solvency II model “three.

The capital requirements calculated for these risks are combined using correlation coefficients to determine the total SCR amount. This allows for a comprehensive assessment of the insurance company's risk profile. The Minimum Capital Requirement (MCR), on the other hand, represents the minimum level of capital necessary for the insurance company to continue its operations. The MCR is set at a lower level compared to the SCR, usually forming between 25–45% of the SCR. Theoretically, the MCR is considered the 'red line' indicating that the insurance company's financial stability is at serious risk. In the Solvency II system, solvency is assessed through the following ratio: Solvency Ratio = Available Capital / SCR × 100% If this coefficient exceeds 100%, the insurance company fully meets the SCR requirements and its solvency is considered satisfactory. If the indicator falls below 100%, the regulator requires risk reduction, capital.

Table 1 Comparative analysis of US (RBC) and European Union (Solvency II) models

Taqqoslash mezoni	**AQSh – Risk-Based Capital (RBC)**	**Evropa Ittifoqi – Solvency II**	**O‘zbekiston uchun ahamiyati**
Asosiy maqsad	Erta ogohlantirish va regulyator intervensiyasi	Riskka asoslangan to‘liq moliyaviy barqarorlik	Ikkalasi ham dolzarb
To‘lov qobiliyati konsepsiyasi	Kapitalning risklarga nisbati	Iqtisodiy kapital va risk profili	Solvency II konseptual jihatdan ustun
Asosiy kapital ko‘rsatkichi	RBC koeffitsienti = TAC / ACL RBC	Solvency Ratio = Own Funds / SCR	Ikkalasini kombinatsiya qilish mumkin
Kapital talablari	Yagona hisoblangan ACL RBC	SCR (99,5% VaR) va MCR	SCR/MCR bosqichma-bosqich joriy etilishi mumkin
Risk turlari	C1–C4 (aktiv, sug‘urta, bozor, operatsion)	Bozor, sug‘urta, kredit, operatsion	O‘zbekistonda ham mavjud
Regulyator intervensiyasi	Aniq foiz chegaralari (200%, 150%, 100%, 70%)	SCR va MCR buzilishida choralar	RBC intervensiya mexanizmi juda mos
Stress-testlar	Majburiy emas, ammo amaliyotda qo‘llaniladi	Majburiy (ORSA orqali)	Bosqichma-bosqich joriy etish mumkin
Korporativ boshqaruv	Ikkinchi darajali	Asosiy element (Pillar II)	O‘zbekiston uchun muhim yo‘nalish
Axborot oshkoraligi	Regulyatorga hisobot	Regulyator + jamoatchilikka	Hozircha regulyator darajasida
Tizim murakkabligi	Nisbatan sodda	Yuqori darajada murakkab	O‘zbekiston uchun to‘liq emas, moslashtirish kerak

Comparative analysis shows that while the solvency models applied in the United States and the European Union are conceptually aimed at the common goal of ensuring the financial stability of insurance organizations, they differ in terms of their practical mechanisms and level of complexity.

The U.S. RBC model stands out for its simplicity, clear intervention thresholds, and early warning mechanism. This makes it practically suitable for countries where the insurance market is not yet fully developed and the data base is limited.

The European Union's Solvency II model, on the other hand, represents a system that has developed the risk-based approach to the highest level, closely linking solvency with economic capital, stress scenarios, and corporate governance. However, the model's high complexity, the need for extensive data for calculations, and significant institutional capacity requirements make it difficult to implement in full in developing markets.

THE CONCLUSION

1. In the insurance market, institutional consolidation has prevailed, and in conditions where the number of participants has decreased, the level of capitalization has increased significantly. This process indicates that, as a result of stricter solvency requirements, the share of financially stable participants has grown. The qualitative "sorting" of the market has strengthened the basic institutional foundation of solvency.
2. Changes in the market infrastructure (brokers, agents, guarantee funds) have enhanced risk placement and mechanisms for protecting customer interests. However, the unchanged number of actuaries indicates limited potential for risk calculation and pricing. Therefore, the quality of solvency assessment is closely linked to human capital and institutions.
3. The growth of deposits in the investment portfolio to up to 70% confirms that insurers have prioritized liquidity and safety. Although this supports solvency in the short term, diversi.

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