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The Role and Significance of Insurance in the Development of Investment Activity in the Economy

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Abstract: The article deals страхование with investment insurance, which protects an investor's investment from destruction, loss and depreciation.

Key words: investment insurance, capital investment, risk, portfolio investment, hedges, political risks.

Investment insurance is a type of property insurance. It is intended to protect the property interests of investment entities from the risks of depreciation, loss, and destruction of investments.

One of the most important trends in the developmentпроцессов of globalization processes in the world economy is the international movement of capital, which finds its expression in the form of various types of foreign investment. The specificity of foreign investment is that owners of capital from one state (or several states) invest it in investment objects located on the territory of another state. This process of placing foreign investments is associated with various types of risks, that is, possible damage from adverse events leading to losses, losses, damage to the investor. The main issue for many forms of investment is to provide insurance protection against the adverse impact of such risks.

There are various methods of preventing possible losses for various types of investment activities. Portfolio investments can be insured against possible losses associated with changes in the prices of stocks, and bonds using hedging.

For direct investment insurance, various types of insurance are applied by entering into appropriate contracts with insurance companies.

The risks to which direct investment is exposed can be divided into the following groups:

1. Risks of natural disasters: hurricane, storm, earthquake, flood, unusually severe frosts, hail, mudslides, underground water discharge, and other similar natural events.
2. The risk of fire, which can be caused by various causes, both natural (for example, a lightning strike) and man-made (related to industrial activities) origin.
3. Technical risks that may be directly related to the construction, construction, installation, trial start-up and operation of the objects under construction.
4. Political risks, which include: nationalization, expropriation of investments; national strikes, civil unrest, riots, military actions; actions of state authorities that restrict the convertibility of currency, the regime of export of capital, profits, etc.
5. Actions of third parties: robbery, theft, extortion, and other similar actions.
6. Economic risks that include changes in market conditions.

7. Other risks that cannot be attributed to any of the above.

Most of these groups of investment risks are covered by insurance or sometimes self-insurance, that is, by creating some kind of own reserve funds.

For example, various types of property insurance that exist in the world cover most of the risks of natural disasters, fire risks, as well as damage caused by third parties, technical risks, and some others. These risks are usually well described by insurance statistics, have a well-established reinsurance system, and thus are provided with fairly reliable insurance coverage. Types of insurance that provide protection against these risks have a long history. When deciding on the insurance of investments materialized in the form of various types of property, it is necessary to take into account only the specifics of the legislation, customs and insurance rules in force in a particular country, as well as the reliability of the insurance company.

A special feature of traditional types of property insurance is that political risks, as a rule, are not insured under these insurance contracts. In addition, political risks do not have a sufficiently reliable statistical base, which means that the probability of their occurrence is extremely difficult to predict. Risk assessment here is most often in the nature of expert assessments. In addition, the consequences of their occurrence can be catastrophic for the investor and require significant amounts of compensation to the investor.

Due to these features of political risks, the state traditionally plays a significant role in protecting investors from their actions.

The Law of the Republic of Uzbekistan ***"On investment and investment activities"*** states:

Investors enjoy the right to insurance coverage in any insurance organization legally operating in the territory of the Republic of Uzbekistan. Investment insurance against political and other risks can also be provided by international organizations, foreign agencies, and other insurance companies.

Insurance organizations that provide investment insurance are not liable for the obligations of the Republic of Uzbekistan. The State is not liable for the obligations of insurance organizations, except in cases stipulated in the agreement of the parties.

Investment insurance provides insurance coverage and guarantees against political and other risks, including:

- requisition (expropriation) of property, as well as any legislative or administrative measures leading to the seizure of property or alienation from it, loss of control over it or the income received from it;
- introduction of restrictions on the transfer of foreign currency outside the country;
- interference of state administration bodies, local government bodies and their officials in the contractual relations of investors;
- Wars, civil unrest, or other similar events.
- Other types of political and other risks associated with investors and foreign investments.

With the right approach, investments become an excellent source of profit. But at the same time, this type of activity always remains the most risky. Unforeseen situations, market fluctuations, changes in the political course of the country can lead to large losses of invested capital, and sometimes to the bankruptcy of the investor. A special insurance program helps to reduce investment risks.

What is investment insurance Investment insurance is a tool used by the investor to protect their investments from destruction, loss and depreciation. Thanks to the use of such methods, it becomes possible to reduce the number of transactions that cause losses as a result of circumstances beyond the investor's control. Insurance of investments made on the territory of

Uzbekistan or abroad is allowed. You can enter into an insurance contract and thereby reduce investment risks for the following types of financial investments:

- credit agreements of the investment recipient;
- purchase of equipment, raw materials and other transactions related to direct investment;
- Stock investments; purchase of property rights.

In Western countries, insurance covers almost every transaction. In Uzbekistan, so far, insurance investments are only gaining momentum. Depending on the specifics of the transaction, you can use several types of insurance. Investment insurance is divided according to the areas and risks that it covers. The insurance contract covers the following risks:

- property rights;
- Political issues.
- Commercial services.

The type of insurance, in turn, depends on what risks the contract is adapted to. There are three types of insurance: basic; protection in case of client's insolvency; non-commercial risks.

Allows you to insure tangible assets owned by the client. It works when property is damaged as a result of fire, flood, natural disasters, emergencies, or deliberate actions by unauthorized persons. If the cost of material assets decreases as a result of these incidents, the owner can expect to receive compensation.

Political insurance. Usually issued when investing in properties located on the territory of another state. The agreement provides for receiving payments if a revolution has begun in the country, military operations are underway, or major civil unrest occurs. The insurance also covers losses related to nationalization or ban on the export of capital, strikes and expropriation of assets.

Commercial insurance. Covers losses caused by the insolvency of the partner who was entrusted with the money. The agreement starts working when the borrower is unable to return the received investment.

Basic insurance. It is also called "direct investment insurance". It is issued to protect the client's property from fires, explosions, and damage due to circumstances beyond their control. The lender's insolvency insurance is designed to protect the capital in cases when the borrower is unable to return the funds received as an investment in a timely manner. Thanks to the insurance, the investor will be protected from major losses of trusted funds. Non-commercial risks is used to insure capital placed in another country. Protects against financial losses in the event of a change in political course or armed conflicts in the state.

Insurance that protects investments and finances has not developed much in Uzbekistan. At this stage, this is due to a number of circumstances. The overall situation in the country has a particular impact on the lack of adequate investment insurance. Due to the lack of assistance and financial support from the state, companies are not able to assume obligations for large financial risks. In addition, the situation in the country does not allow for an objective assessment of the potential danger of deposits. Often, an obstacle to concluding contracts of this type is the lack of qualified employees who can competently conduct each stage of the transaction.

In Uzbekistan, only partial protection of invested funds is available to investors. An investor can secure their capital by:

- creation of an internal insurance reserve;
- Insurance of a construction object; insurance of purchased goods.

Attracting large foreign insurance companies will help change the situation at this stage. For domestic companies, it is necessary to provide opportunities for cooperation with state funds.

By investing in facilities located in Western countries, an investor can count on protecting their capital at a level that is convenient for them.

Depending on the scale of your investment, you can use:

- state guarantees;
- cooperation with international insurance organizations;
- Insurance from private companies.

In each State, there are national unions that ensure the fulfillment of obligations even for large-scale projects. Most of them offer protection from political risks. The conclusion of a contract with such alliances guarantees the fulfillment of their obligations under any conditions. International companies have enough assets to enter into contracts with large investors. An additional guarantee for the fulfillment of obligations is the reputation of the company. Such corporations avoid even minor misunderstandings with their customers.

Investments with insurance can become a very effective tool for attracting private funds to our economy.

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