

**THE NEED AND IMPORTANCE OF THE PROCESS OF INTEGRATION OF
INSURANCE COMPANIES AND COMMERCIAL BANKS**

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Abstract

In the context of globalization of financial services markets, the article analyzes the economic nature of bank insurance services, their classification, mutual services of insurance companies and commercial banks. Also, in the context of the globalization of financial services markets, the advantages of bancassurance services and issues related to foreign experience are explored.

Keywords: commercial banks, insurance companies, bancassurance, insurance premiums, insurance payments, insurance money, insurance liability, insured events, insurance contracts.

Introduction

Today, the specifics and existing restrictions in the legislation of each country, the level of development and features of banking insurance services in connection with the increasingly new conditions of the external environment of the activities of banks and insurance companies, the established historical organization of financial relations in different countries and geographic regions continues in connection with its traditions.

Also, countries such as France, Germany, England, Spain and Italy in the Western European region, as well as countries such as Japan, Singapore, Hong Kong, Thailand and Malaysia in the Asian region. Over the past fifteen years, a high level of development of bancassurance services has been noted in countries located in Eastern and Central Europe, East Asia, South America and South Africa. Analysis of scientific and methodological approaches implemented in models of banking insurance organizations used in foreign countries showed that generally accepted approaches in terms of the number, characteristics or essence of the models used are not sufficiently represented in the literature.

Literature Review

The subject of the analysis is a comparative analysis of definitions and theoretical views of economists on foreign experience in banking insurance services in the context of globalization of financial services markets.

In the analytical studies of some scientists, Latin American, South African, Eastern European and Central European models are highlighted, and, in our opinion, such conclusions are unfounded. Having slightly adjusted these opinions, they expressed the



opinion that it would be more correct to interpret them as newly created, regional (national) bancassurance markets.

Based on existing scientific and economic terminology, it is necessary to consider models of organizing bancassurance through the prism of theoretical constructs. Because these models show specific characteristics of complex objects, for example, socio-economic systems, events, processes that arose as a result of the influence of several factors over a long period of time. In our opinion, the organization of the bancassurance model is a generalization of the organization of this model based on specific parameters characteristic of a particular country or region.

Also, opinions were expressed in the “Action Strategy for the five priority areas of development of the Republic of Uzbekistan in 2017-2021”, adopted on the initiative of our Respected President Sh.M. Mirziyoyev, “In order to further strengthen macroeconomic stability and maintain high rates of economic growth, insurance, expanding the volume of leasing and other financial services through the introduction of new types and improving their quality, as well as the development of the stock market as an alternative source of attracting capital and placing free resources of enterprises, financial institutions and the population, further development of international economic cooperation, including leading international and foreign priority areas of expanding relations with financial institutions, continuing to implement a well-thought-out foreign debt policy, and effectively using attracted foreign investments and loans.”

Analysis and Results

From a geo-economic point of view, the main models are the European (continental), North American and Asian-oceanic models. Among these models, some countries already support the European model (CIS countries, Central and Eastern Europe), while other countries support the North American model (North and Latin America, Australia).

In some South African countries (especially South Africa), since 2000, when introducing the concept of bancassurance, the basic parameters of the European and North American models have been actively used.

When examining the practical experience of introducing bancassurance in foreign countries, it should be noted that it is necessary to distinguish between the analyzed models. This is due to the fact that as one model improves, it becomes more and more similar to another, the features of several models are combined into one model - these are the characteristics of the current era in the field of bancassurance.

Complex cooperation between banks and insurance companies is a relatively new type of activity for the insurance market of Uzbekistan. Unfortunately, a common approach to the formation of a mechanism for this cooperation has not yet been developed.

There have been different approaches to the concept of “mechanism” in scientific publications; the main reason for this is that this concept is universal, that is, it is applied in all areas. "Mechanism" comes from the Greek word mechane, which means "machine" or "weapon." But today the concept of mechanism means a sequence of processes and states, and they apply to any events and actions. The concept of “mechanism” is also associated



with the concepts of “internal devices” and “system”. In the second half of the 60s of the 20th century, the term “mechanism” received a special level of development in the scientific sphere of Eastern Europe. At that time, scientists were discussing the economic mechanism of the economic system. At the same time, they paid special attention to the system of forces and the features of action.

In economic theory, the concept of “mechanism” is considered as a direct and indirect system of economic processes and events, especially the relations between their opposite parties, as well as elements of a system and an economic system. In other words, “mechanism” is understood as a clear and definitive set of elements that unite the means of regulation that make up a certain system and their interaction (see Fig. 2.1 and Table 2.1).

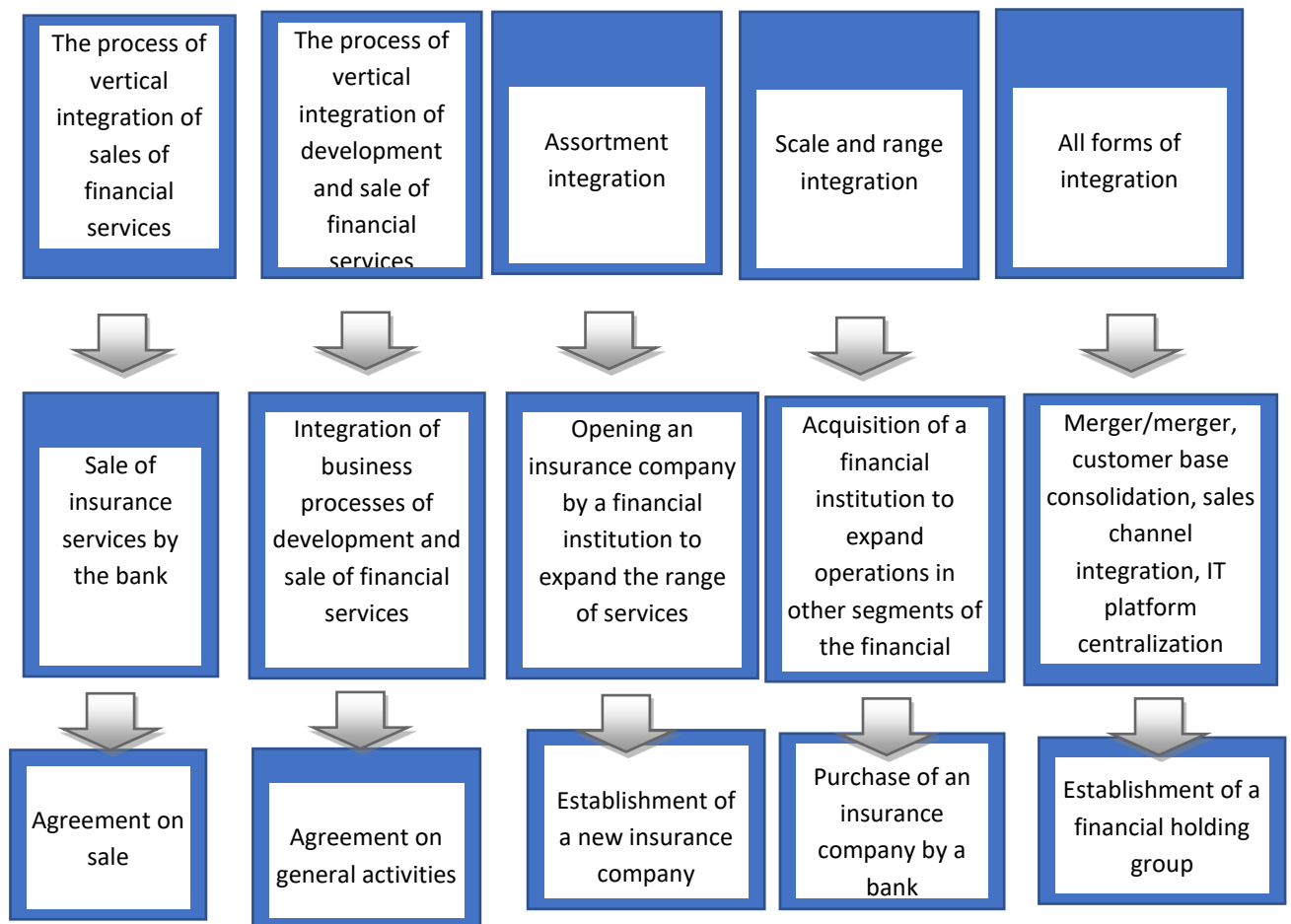


Figure 1. Types of mechanism of integration of banks and insurance companies ¹

- 1) In the economic literature, the term "mechanism" is associated with the following concepts:
- 2) a system or device that determines the procedures of various types of activities;
- 3) a combination of rules, laws and procedures aimed at regulating the interaction of the participants of a certain organizational system;

¹Compiled by the author



- 4) the complexity of procedures developed by the center for making management decisions².

Table 1 Types of integration of banks and insurance companies

Lower level systems of integration of insurance company and commercial bank					
Integration objects			Integration management tools		
Financial services	Integration strategy	Business processes	Organizational and economic	Regulatory and legal	Social
Standard, complex, integrated financial services	Differentiation, cost reduction, growth strategies	Developing or selling financial services	Organizational structure, integration strategy, integration risk management	State policy in regulation of integration; regulatory requirements related to integration; protection of consumer rights.	Motivating employees regarding integration, system of remuneration for work, corporate culture, corporate social responsibility

The conducted research allowed us to come to the conclusion that the scientific literature widely uses definitions of a mechanism as a set of subsystems that combine organizational and information relations and processes aimed at achieving a specific goal. The integrated mechanism of cooperation between commercial banks and insurance companies refers to types of mutually beneficial cooperation that allow these entities to receive additional income, expand their client base, and also create conditions for the mutual use of resources by establishing activities outside their core business in order to ensure that their financial stability and solvency, technologies are clear, forms and integration tools.

Based on international experience, two main approaches to the mechanism for organizing and implementing mutual integration cooperation between banks and insurance companies can be distinguished.

1. Organizational approach. This approach combines methods of mutual integration of insurance companies and banks from a business point of view, namely:

- mutual cooperation based on agreement. Oral or written agreement to enter into a sales contract or joint venture (low level of integration);

- creation of a joint venture. The insurance organization and the bank direct their resources to the creation of a new company on the basis of mutually agreed and clearly defined criteria in order to establish a common business (medium level of integration);

²Dierick F. The supervision of mixed financial services groups in Europe//Occasional paper series.– 2004.-№ 20.- 60 p.



- full integration through merger/acquisition. It provides for three options for mutual cooperation: transfer of the insurance company to its management by the bank, which buys out the insurance company with its own funds; taking over the management of the bank by an insurance company by purchasing the bank at its own expense; merger of a bank and an insurance company on mutually agreed terms and transition to a unified management (high degree of integration).

CONCLUSION

Thus, the objective conditions for the emergence and development of complex cooperation between banks and insurance companies, which are the main subjects of the provision of financial services, are the conditions arising as a result of the influence of components of the external environment, and in this environment banks and insurance companies operate. Microeconomic conditions also play a role in this; changes in the system of organizing the activities of financial institutions are considered as such conditions.

An important element of the processes of mutual integration cooperation between banks and insurance companies is the choice of optimal forms and types of this integration. The conducted research allowed the author to divide the main forms of mutual integration cooperation of banks and insurance companies into the following types: financial supermarket, financial conglomerate, bancassurance. Bancassurance can be carried out on the basis of a contract in which the parties do not need to pool their resources and intermediate risks. The establishment of mutual integration cooperation as a form of bancassurance on the basis of an agency agreement and at the level of banking institutions is being implemented in Uzbekistan at the initial stage. The types of bancassurance within the framework of comprehensive cooperation between banks and insurance companies are standard services, comprehensive services and integrated financial services.

The model was formed in the European region and as a result was called the European model, the model was called the North American model, formed in the North American region, and the Asia-Oceanic model, formed in the Asia-Ocean region. These three models are the main and widespread forms of organizing bancassurance in foreign countries. Cooperation between commercial banks and insurance companies in European countries is mainly focused on the mutual integration of banking and life insurance services.

Uzbekistan, as a country now entering the processes of globalization and integration into the world economic system, integration cooperation between banks and insurance companies continues to develop in this country based on the experience of countries around the world. There is no doubt that cooperation between banks and insurance companies in Uzbekistan will also develop taking into account the experience of cooperation between the main participants in the global financial market and the prospects for the development of comprehensive cooperation between banks and insurance companies in developed countries.

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