

STUDYING FOREIGN EXPERIENCE OF RISK INSURANCE OF PRIVATE AND SMALL ENTREPRENEURSHIP

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ABSTRACT--*In the economy of any country characterized by a market management system, small and medium-sized businesses play a significant role. In transformational economies, the role of small and medium-sized businesses is indispensable in solving the most pressing economic and social problems. Not requiring significant costs from the state, small and medium-sized businesses, as a phenomenon, stabilize the social situation in the country, solving problems associated with social tension and employment.*

Keywords—*insurance private entrepreneurship foreign.*

I. INTRODUCTION

The importance of small and medium-sized businesses for the development of the national economy:

- Increase in gross product.
- Increased tax revenue.
- Increased competition for economic development and social progress.
- Modernization of the economy.

As practice shows, small enterprises are able to cope independently with only small losses, but in the event of significant financial losses, this simply leads to the bankruptcy of entrepreneurs. Small and medium-sized businesses are economically unstable business entities, and in today's economic conditions, they are constantly balancing on the verge of risk. So, objectively, the need arises for small businesses and entrepreneurs to insure their property and other property interests. However, insurance companies sometimes offer insurance services that are unacceptable for businesses. The insurance rates set by insurers are very high, and as a result, small businesses virtually “drop out” of the insurance sector.

II. LITERATURE REVIEW

Small and medium-sized enterprises, given the limited funds, do not always pay attention to risk management. Naturally, as a result of this, they incur losses, and sometimes a successful, at first glance, enterprise ceases to exist.

Insurance is one of the most important and common methods of reducing risk. With its help, an enterprise can minimize almost all property, as well as many political, credit, commercial and production risks. The disadvantage is that the company, determining the strategy of relations with insurance companies, should be well-oriented in the

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insurance market and be able to choose the most suitable conditions for the insurance transaction for each particular alternative solution [1].

Modern business is closely associated with various risks, this applies to both legal entities and individual entrepreneurs. For any individual entrepreneur, just planning his own business, or the head of a company already operating on the market, the ability to understand and manage risks arising in entrepreneurial activity is necessary. Legal entities - organizations and enterprises, individual entrepreneurs, etc. - have the ability to carry out their activities in any areas. She, in turn, is associated with risks of various types, from natural disasters and accidents to entrepreneurial risks.

In such conditions, insurance can be considered a prerequisite for a successful business, since it allows you to pre-anticipate cases that can affect the financial stability of the enterprise, and minimize their negative impact [2]. One of the ways to manage risk in business is insurance. The need for small business insurance is explained by three main features that are characteristic of a small enterprise:

- 1) poor financial stability;
- 2) limited financial reserve;
- 3) the need for continuous development [3].

By doing business, we can never completely eliminate potential risks; however, in the case of negative factors, we can reduce them using appropriate procedures and measures. Even in small businesses, management can choose a proactive approach, consisting, for example, of transferring risks to other entities, creating reserves, obtaining additional information, etc. It can be supplemented by any activity aimed at reducing the adverse effects of risks, for example, diversification, risk sharing and insurance [4].

The problem of risk management is the most important aspect of the activity of any company in all spheres of economic life, the daily task and constant headache of the entrepreneur. Sometimes management of firms requires their subordinates to eliminate risk, conduct business outside the risk zone, and reduce risk to zero. Alas, it is simply impossible to completely eliminate the risk. We have already seen that risk is an integral part of business and a cornerstone of entrepreneurial activity. Where business, commerce, financial and economic relations exist, economic risks necessarily arise there [5].

III. ANALYSIS AND RESULTS

In today's global economy, small businesses face complex internal and external threats that can lead to decline, interruptions, or bankruptcy. They are very vulnerable to both external and internal risk factors. In fact, more than 50% of small businesses fail in the first year of their business, and 95% fail in the first five years. But due to its vulnerability, this sector of the economy is very important for economic development and social prosperity throughout the world. For example, in the largest economy in the world like the United States, small businesses — those with less than 500 employees — are basically the creators of most new jobs, as well as employers for about half of the national private sector workforce, and suppliers of a significant share of innovation, so same as half non-agricultural, private real gross domestic product.

The development of small and medium-sized businesses in economically developed countries is proceeding at a faster pace, since the national authorities attach great importance to such enterprises and provide them with all

kinds of support in development and improvement, develop a huge number of programs to support small and medium-sized enterprises and provide all kinds of benefits. In such countries, small and medium-sized businesses play a very important economic and social role. In economically developed countries, small and medium-sized businesses are the middle class, which serves as the basis for the stable development of the economy, and also provides employment for the majority of the population. In these countries, about 50–70% of GDP is produced by small and medium enterprises.

The consequences of entrepreneurial risks, as a rule, are inevitable financial losses that can disrupt any, even a well-balanced enterprise budget, and sometimes can be detrimental to business. Small businesses are thus unable to take advantage of economies of scale through increased production and are therefore supported by national governments in many countries around the world.

For example, one of the forms of state support for entrepreneurs in Russia looks like preferential insurance plans for small businesses, i.e. in Russia, insurance of business entities is carried out on preferential terms. At the same time, insurance organizations that insure small businesses benefit from benefits in the manner prescribed by the current legislation of the country.

Despite government programs for the development of entrepreneurship and a developed insurance culture among the population abroad, in most countries, entrepreneurs simply do not know about the possibilities of insuring their business. For example, less than every third (30%) small and medium-sized enterprise in Europe believes that if they insure their business, then with any professional error they will be involved in litigation. This conclusion was the result of a new study of small business and private entrepreneurship (MBPI) conducted by Hiscox insurance company, which suggests that the insurance industry could do more to train the small business in professional liability insurance and the risks involved in managing small businesses .

A second study by Hiscox, an insurance specialist, found that only 22% of the 1,000 small business owners in the UK, Germany, France, and the Netherlands were aware of the types of insurance available and what risks they could insure. These numbers were the lowest (19%) for the British IBPP alone compared to 33% of the German MBPP, which have a better understanding of insurance options. Also, according to the results obtained, relatively few European small businesses (9%) consider insurance as a way to provide them with the opportunity to take greater risks in the business, since the essence of entrepreneurship is to take risks, and having the right insurance can help small businesses take more risks in a manageable way.

In world practice, the process of insuring entrepreneurial risks, in fact, has its own peculiarity. Despite the availability of traditional insurance, the European business environment is often engaged in self-insurance. In European practice, as an alternative to commercial business insurance, the captive insurance market, or the mutual insurance market, is developed. Captive insurance is typical for large companies, which, by virtue of their size, create their own insurance companies to insure their own risks. Mutual insurance is common for small businesses that create insurance pools or establish a mutual insurance company that satisfies in an exceptional way some of their insurance needs. This is a form of collective self-insurance.

If you look at the European practice of business insurance, we can say that such a business insurance system is typical of most countries of the world with a developed insurance market.

Meanwhile, in the practice of commercial risk insurance in the United States, it can be noted that this sector is relatively developed, where according to the US census there are approximately 6 billion small businesses.

According to a survey by the National Federation of Independent Firms of the United States, nearly 98% of the business environment acquires business insurance policies or prefers self-insurance. However, the Institute of Insurance Information (ISI) in New York estimates that approximately 40 percent of small business owners do not have any insurance at all, because most believe that they will not be able to afford such insurance. However, authorities in different states determine insurance requirements for entrepreneurs. Most states require firms that have employees to pay for workers' compensation insurance, unemployment insurance, and state disability insurance. Some states may also require insurance for certain business transactions. For example, if someone has a car or truck and uses it for commercial purposes, they may be required to purchase commercial car insurance. Finally, financial lenders or investors may require the borrower to insure their life against interruptions in production, from fire, floods or other types of insurance to protect their investments.

Most US small business owners purchase a specialized small business insurance package called Business Owner's Policy. Often this is a less costly opportunity for small businesses than buying a set of individual policies. Many insurers customize PVB for certain types of firms. However, PVB does not cover professional liability, car insurance, workers' compensation insurance, health or disability insurance - all that must be purchased separately. Thus, in the USA, not all small businesses are suitable for PVB. A home business or a company with only a few employees can start with PVB and then, as the business expands, acquire more expanded coverage against commercial risks.

Recently, microfinance institutions are widely spread among developing countries in world practice, the purpose of which is to provide a wide range of financial services to vulnerable groups of the population that do not have access to the financial sector. In this regard, it should be noted that microinsurance is also one of the important microfinance instruments. Microinsurance refers to adapting insurance services to low-income customers who do not have access to general insurance services. More specifically, microinsurance means protecting low-income households from specific risks in exchange for regular premium payments, the amounts of which are proportional to the likelihood and cost of the corresponding risk. This is a risk transfer tool characterized by low premiums and low insurance sums, designed for people with low incomes who are not involved in social insurance schemes. Foreign experience of countries with a developed insurance market and the sphere of entrepreneurship shows that insurance of risks of small business is economically profitable. In parallel with the development of small business, the influence of insurance companies in this area is developing. In this regard, assessing the development of small business insurance in the country lagging behind in development, it already requires accelerated development and improvement of this type of insurance, and in the event of significant changes in this direction, insurance in the near future should become a normal practice in the activities of business entities. Thus, in order to ensure the necessary level of development of comprehensive insurance of risks of private and small business, it is necessary to solve the following problems that were identified in the course of research.

Poorly developed underwriting. Insurance of entrepreneurial risks is a very individual process, which requires qualified underwriters who could enter into insurance contracts with business entities after a thorough assessment of the risks taken for insurance and the correct calculation of the insurance premium ..

The problem of the low reputation of insurance companies. One of the criteria for evaluating the activities of insurance companies is the fulfillment of obligations to their customers. The prompt, professional and conscientious fulfillment of their obligations determines the status of the insurance industry in absolute terms,

helping to build confidence in it among the population and business entities. Indeed, the reputation of the insurance company directly depends on these factors, respectively, depending on the quality of fulfillment of obligations to customers, the latter gives an assessment of the company.

The problem of low awareness of entrepreneurs about insurance options. One of the characteristics of the current state of the insurance services market in Uzbekistan is the lack of awareness of business entities about the existing capabilities of the insurance system. The lack of demand for insurance from small businesses is largely due to the lack of information about the possibilities of risk management through insurance. Moreover, the terms of the rules and insurance contracts are not always immediately clear to the insured, as well as insurance terms and concepts.

The problem of tariffication, determination of damage and insurance compensation. When insuring business and commercial risks, it is sometimes very difficult to calculate the tariffs for most types of insurance products. Moreover, in the event of an insured event, there are no specific methodological procedures or standards to calculate the cost of damage.

In addition to the problems highlighted above, there are also a number of other problems that impede the development of comprehensive insurance of risks of private and small business, which are not directly related to insurance companies or specifically to insurance of business entities.

First of all, in relation to small and medium-sized businesses it is very difficult to foresee possible material losses - fires, accidents, thefts. But to minimize the possible damage - it is in the power of every entrepreneur. However, the desired and the actual are two different things, and with a large number of insurance companies in the Uzbek market, it has to be noted that many entrepreneurs are in no hurry to turn to the services of insurers. There are several reasons for this, both objective and subjective: not perfect legislation, “multi-level bookkeeping”, which often “shadows” assets to be insured, insufficient amount of working capital — all this somehow leads to the fact that insurance offers do not find the desired response from representatives of small and medium-sized businesses.

An important factor in the underdevelopment of this type of insurance is the poor development of the insurance market infrastructure, i.e. the participation of insurance entities in the insurance process and the settlement of insurance claims such as insurance brokers, insurance surveyors and adjusters is very insignificant throughout the republic. However, as international practice shows, these institutions play one of the most important roles in the development and functioning of the insurance market of business entities.

IV. CONCLUSIONS AND OFFERS

In conclusion, it should be noted that, despite the above problems, business risk insurance is gradually entering the stage of sustainable growth. Further state stimulation of this type of insurance, both through insurance companies and from private and small businesses, should bring both insurance companies and small businesses to a new stage. Insurance companies also need to independently solve the above problems, due to the fact that with the right approach for this type of insurance, insurance companies will be able to expand their presence in the economic cycle of our country, while significantly increasing the profitability from core activities. Accordingly,

in the case of the development of comprehensive insurance of risks of private and small business, it will significantly affect the economic condition of our country, where each side will benefit.

Thus, at the moment in the field of insurance of small and medium-sized businesses, there are many problems, the solution of which requires the participation of both the insurance companies themselves and the state and representatives of small and medium-sized businesses. Insurance companies should pay special attention to working with entrepreneurs in the field of explaining to them the necessity and necessity of insurance, as well as working within the company with the goal of better organizing their business that meets the needs and criteria that customers present to them. The state needs to work to improve legislation and work to support business. However, it should be noted that today insurance companies actively promote business insurance by offering new products, and we can assume that in the next few years the volume of this market will increase several times compared to the current situation.

Small and medium-sized businesses abroad are successfully developing and constantly improving. In economically developed countries, the state is not a brake on the development of small and medium-sized enterprises, but an active supporter and assistant in its improvement. Significant support is provided to small and medium-sized businesses at the state level, a lot of various benefits are provided, including in the field of insurance, which has successfully proved its effectiveness in practice. Also, in foreign practice, various alternatives for small business insurance have been developed, where traditional insurance, comprehensive insurance, mutual insurance and microinsurance can be distinguished. Accordingly, each foreign experience can be useful for the development of insurance of private and medium enterprises in Uzbekistan and for the modernization of the economy as a whole.

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