

SYSTEMATIZATION AND INSURANCE OF INNOVATIVE RISKS

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ABSTRACT--*The problems of classification of innovative risks are investigated. The specifics of the activities of insurance companies for insurance of innovative risks as well as features of risks in the field of innovation are considered. Modern approaches to the classification of innovative risks are revealed. The necessity of developing a classification of innovative risks is substantiated. Key problems and prospects for the development of insurance of innovative risks in the domestic economy are identified.*

Keywords-- *innovation, risk, innovation risk, classification of innovation risks, insurance.*

I. INTRODUCTION

At present, a start has been made in creating the conditions for the mass emergence of new innovations in almost all sectors of the domestic economy. However, this process can be significantly restrained by the presence of a number of problems:

- lack of high-quality innovative projects;
- lack of financial resources that can be used for investment purposes;
- high risks of doing business in the innovation sphere;
- underdevelopment of the domestic insurance system;
- lack of qualified specialists in assessing insurance of innovative risks.

Increased risk is an integral characteristic of innovation. Therefore, the primary goal of any innovation is risk management. The success of its solution within the framework of an adequately structured risk management system determines the results of the implementation of the entire innovation project.

The main characteristic of innovative risks is their complexity. They appear in the following areas:

- protection of property interests and intellectual property;
- social Security;
- Civil responsibility.

The most characteristic risks that may arise in the process of innovation are the following

- wrong choice of an innovative project;
- insecurity of the innovation project with an adequate level of financing;
- the impossibility of marketing the result of an innovation project;
- lack of resources necessary for the implementation of an innovative project.

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Uncertainty of the conditions and processes of organizations' activity dictates the need to develop such methods for making and substantiating decisions in the field of innovation that would reduce losses due to inconsistencies between the planned and actual processes for implementing innovations.

Thus, protecting the interest of subjects of innovative attitude, identifying and insuring innovative risks is a very urgent task.

II. LITERATURE REVIEW

In economic science and practice, a holistic theory of risks has not yet been formed. The scientific literature provides more than 50 different risk criteria and more than 250 species. For the first time, the concept of risk as a functional characteristic of entrepreneurship was put forward in the 17th century. French economist R. Cantillon, who saw the entrepreneur as a figure who makes decisions and satisfies his own interests in the face of uncertainty [1].

Theoretical aspects of risk as a category became the object of scientific economic analysis only from the 18th century. In world economics, a special place is occupied by the classical and neoclassical theory of entrepreneurial risk.

The main aspects of the classical theory of risks were formulated by Senor N.U. and Mann R. In the 19th Century. Proponents of this theory in the general structure of the entrepreneur's income allocated a fee for risk, which was supposed to compensate for possible losses.

In classical theory, risk was identified with the mathematical expectation of expenses that are the result of certain actions. In essence, the essence of the risk was reduced to losses arising as a result of certain decisions made or not made. Subsequently, the classical theory of risks was developed in the writings of Filin C. [2], Streltsova A., Tsamutali O. [3], Grachev MV [4], Grabovoi P. [5], Illyashenko S.M. [6] and other scientific works, where the concept of risk is interpreted as the probability (threat) of an enterprise losing part of its existing resources, attracted resources, and not receiving any income or additional costs.

Representatives of the neoclassical theory of risk, when considering the essence of risk, distinguish as the basis not the result of an event, but the essence of the risk phenomenon. In the works of Algin A.P. [7], Balabanova I.T. [8], Maslenchikova Yu.S., Tronina Yu.N. [9], Egorova E.E. [10], Seregina E.V. [11] and other scientists, risk is considered as an activity, an action (situational characteristic), aimed at overcoming uncertainty in a situation where alternative solutions are possible, during which it is possible to assess the likelihood of a risk-containing event involving both positive and negative consequences.

Innovation risks are the least studied group of risks, reflected in the writings of such authors as Vasilenko V.A., Shmatko V.G. [12], Mikityuk P.P., Seniv B.G. [13], Onishko S.V. [14] and others.

Various types and forms of risks that appear during the period of introducing innovations, the negative consequences of their manifestation, as well as the impossibility of their absolute elimination determine the need for further study of cause-effect relationships and ways to reduce the consequences when risky events occur.

III. ANALYSIS AND RESULTS

As one of the ways to reduce various risks in recent years, more and more often mentioned is the stimulation of innovative development of the economy by the insurance method. The main problem is the significant discrepancy between the real contribution of the insurance market to the innovative development of the country. There is a contradiction between the high need for insurance of innovative risks as well as the adverse risk situation in the country and the insufficient solvent demand of customers, low financial capabilities and the underdeveloped insurance culture of companies. Currently, insurance science has developed only the most general principles for protecting enterprises from innovative risks. But it is precisely the high risk exposure of innovative enterprises that increases the relevance of their reduction through insurance, and, consequently, the further study of insurance as a risk management method.

It is worth noting that the following groups of factors influence innovation risks in the first place:

- □ fundamental, associated with the economic and political parties to the innovation activities of the world community and individual states;
- □ opportunistic, determined by the dynamics of market conditions in the context of the national and international market of innovative products and services;
- □ internal, determining the presence and development of the distinctive features of the organizational structure and potential of the company.

It is possible to note the presence of various concepts and definitions of risk, approaches to its classification and ways of referring to one form or another. Scientifically-based risk classification allows you to clearly determine the place of each risk in their overall system of a particular organization or individual type of activity as a whole. It creates an opportunity for the effective use of appropriate risk management tools, since each type of risk has its own management system. It is safe to say that the effectiveness of the organization is largely determined by a well-developed risk classification.

Innovation risk is a risk arising as a result of the uncertainty and unpredictability of the influence of risk factors on the innovative sphere of activity, from the development of an innovative idea to its implementation on the market, in other words, this is the probability of loss of invested funds. In this regard, innovation risk can be considered as the likelihood of adverse consequences in the process of creation, development and dissemination of objects of innovative activity - loss of the value of the planned result (profit, expected income, property invested in full or in part) in the framework of a separate innovation project or a number of projects in the implementation of innovative activities, as well as the need for additional, not previously provided, investments (costs), caused not by the achievement of the goal or the achievement of not complete, but only a partial result due to the uncertainty of the conditions for the implementation of innovations and / or ineffective management.

Innovative risks depend on four main factors.

1. The depth of the planned changes (changes can be modificatory, improving and radical).
2. The position of the organization in the external environment.
3. The internal state of the organization.
4. The organization belongs to one or another type of innovators (lagging, early majority, early recipients and innovators).

Innovation risk in the narrow sense is the probability of losses that occur when an entrepreneurial firm invests in the production of new goods and services. In a broad sense, these are all the risks faced by an innovative enterprise and employees of this enterprise. It should be noted, however, that some authors include in the concept of innovative risks all the risks that an enterprise faces, including commercial, currency, environmental, etc. Some, on the contrary, separate innovation and entrepreneurial risk separately, considering that it generally not subject to insurance due to its speculative nature and the impossibility of mathematically calculating the probability of its occurrence, or due to the very large size of the losses. It seems to us that the concept of innovative risk insurance can include all the risks of an innovative business, including life, property and liability insurance. Not only an innovative enterprise may be faced with some new risks that have entered into insurance practice relatively recently (for example, intellectual property risks, environmental risks), however, these risks can still be called innovative in the broad sense, since their insurance is very important in creating favorable conditions for the formation of an innovative economy. And among specific types of insurance of innovative risks, we note such as (see table. 1):

Table 1:Classification of innovation risk insurance

Type of insurance	Types of insurance for the facility
Life insurance	life and health of employees of research organizations
Property insurance	export credits, innovative nanoproducts, various new devices and technologies, possible losses of companies at the initial stages of their development from the implementation of technological investments, financial results of the innovative firm, loss of profit due to a forced interruption in production, aviation and space risks, intellectual property, information risks (first of all - insurance of computer and telecommunication equipment against damage or death, insurance against electrical crime and computer crimes), new electronic equipment, small innovative business (primarily property of small enterprises from natural disasters, spoilage, theft, etc.), currency, financial and credit risks of innovative enterprises, foreign investment (mainly from political risks), research vessels and expeditions, as well as their crews
Insurance responsibility	environmental risks, including the risk of civil liability for damage to the environment, the responsibility of the manufacturer of new technology for product quality

In addition to the classification of innovative risks by objects, we will divide them on other grounds. According to the form of implementation, insurance can be divided into mandatory and voluntary; for insurance entities: carried out by individuals and legal entities; by terms: with the validity period of the insurance cover specified in the contract or survival insurance.

Insurance of innovation risks is one of the most important conditions for attracting investment in the innovation sphere. Since insurance can stimulate technological modernization, the introduction of new forms and methods of production and management, mainly limiting the use of imperfect and dangerous technologies or making their use economically inexpedient.

Thanks to insurance, the state is able to remove the burden of expenses on various payments. Ideally, innovation insurance provides: compensation for damage in the event of an adverse event; covering losses in connection with the implementation of innovative activities; protection of financial assets invested in innovative activities; reimbursement of the value of property created in the course of innovative activity as a result of its death or damage; Compensation of harm to third parties. With the help of insurance, an innovative enterprise can minimize almost all property, as well as many political, credit, commercial and industrial risks.

Insurance is a system of economic relations, including a set of forms and methods of forming trust funds used to protect the property interests of individuals and legal entities when certain events occur.

When insuring innovative risks, the objects, as a rule, are:

- risks of untimely completion of work planned for an innovative project;
- risks of absenteeism at the planned production capacity, etc

In the insurance of innovative risks, special importance is given to such a kind as intellectual property insurance, since an innovative business is always formed on the basis of intellectual capital (knowledge, experience, skills, qualifications and abilities), as well as rights to creative results alienated from a person - intellectual property.

It should be noted that it is advisable to use risk insurance for such situations when there are statistics on their occurrence. The insurance method allows an entrepreneurial company to minimize many commercial risks. At the same time, the insurance method of minimizing risk has some limitations: firstly, a high amount of the premium. The use of insurance as a tool to protect against innovative risks involves the allocation of considerable funds for it, and this leads to a significant increase in the cost of the project, which is not always possible. Secondly, some risks are not accepted for insurance. For example, if the probability of an insured event is very high, then such risks are either not accepted for insurance, or very high insurance payments are introduced.

Nevertheless, despite these shortcomings, in developed countries, insurance is one of the most important and effective methods of managing innovative risks. The presence of an insurance contract is often a prerequisite for the provision of funds for the implementation of planned projects.

Of all forms of risk management, insurance most fully meets ideal conditions, since funds for covering the losses of an innovative company from insurance companies are usually obtained faster than from other sources. Moreover, the amount of compensation for the negative consequences of risks by the insurance company is not limited. It is determined by:

- the real value of the insurance object;
- insurance amount;
- the size of the paid insurance premium.

The formation of an innovation risk insurance system is important for creating a highly competitive institutional environment that stimulates:

- entrepreneurial activity;
- raising capital in an innovative economy.

However, in our country, insurance of innovative risks has not yet become widespread and is random in nature.

IV. CONCLUSIONS AND OFFERS

Thus, the study of modern innovative risks allows us to conclude that innovative processes at any level of the economy require the creation of a certain risk management mechanism, which is a combination of systematic measures aimed at both preventing the occurrence of risky events and responding to them in order to reduce negative and strengthening the positive consequences of their onset.

At present, domestic insurance companies cannot offer potential insurers adequate insurance products for their interests, which is largely due to the imperfection of the methodological and regulatory framework of insurance.

Insufficient attention is currently being paid to the development of insurance of innovative risks, as evidenced by the relatively small number of publications in various areas of the problems under consideration. Consequently, its scientific elaboration is far from exhausted.

In particular, it can be noted:

- lack of a unified methodological approach to the analysis of innovative risks and their classification, damage assessment when taking risks for insurance;
- imperfection of the legal framework for risk management in the field of innovation.

Obviously, without state participation, insurance of innovative risks in our country cannot be properly developed. The following can be used as instruments of state stimulation of the development of insurance of innovative risks:

- subsidizing insurance premiums;
- financing the development of new insurance products;
- subsidizing administrative and operating expenses of insurance companies specializing in insurance of innovative risks.

This will be of particular importance in the implementation of socially significant innovative projects, since minimizing risks in this case becomes a fundamentally important task.

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