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Socio-Economic Aspect of Theoretical Development of Insurance

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Abstract: This article explores the socio-economic aspects of the theoretical development of insurance in the context of an innovation-driven economy. The objective is to analyze the growing role of insurance in Uzbekistan's financial framework, particularly as it intersects with new financial services and ownership structures. A mixed-method approach was applied, utilizing both qualitative and quantitative analyses based on Uzbekistan's national statistics and an extensive literature review. Findings indicate that insurance in Uzbekistan has traditionally focused on state-supported coverage for natural disasters but lacks adequate mechanisms for commercial, political, and technical risks. The study emphasizes the need for diversified insurance models that can support liability protection, income stability, and environmental safeguards, aligning with international trends. Additionally, the structural-level analysis illustrates the technical, socio-economic, and organizational layers of insurance, underscoring its role in stabilizing economic development. Ultimately, the study highlights a significant gap in Uzbekistan's insurance services, particularly in liability coverage and risk management. Expanding insurance policies to cover these emerging needs will strengthen Uzbekistan's socio-economic resilience and support sustainable growth within an evolving market economy.

Keywords: Insurance, Innovation, Development, Finance

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1. Introduction

In the conditions of innovative development of the economy in the science of insurance, as never before, there is a need to strengthen the role of the theory of insurance and ensure the relationship between theory and practice, the need for a deep scientific generalization of insurance and insurance services in order to determine the trends of its further development. This is especially important in the conditions of a new innovative development system associated with a market economy, which predetermines a more significant role of insurance in the system of financial relations.

In modern conditions, the tendency of the interrelation of insurance prospects with the system of emerging financial services, forms of ownership, distribution mechanism, formation of new methods of management, changes in production is becoming increasingly clear. Accordingly, there is a tendency for the need to create a system of reserve and insurance funds of various purposes and methods of formation, and the funds created at the expense of the participants of social production themselves, and not at the expense of state (budget) resources, become predominant.

The trend of interrelation between insurance and productive forces is becoming more complex. Introduction of new equipment and production technology, development of new sources energy and transport often lead to the danger of man-made disasters, weakening the protective forces of nature and causing significant damage to it. In these conditions, insurance becomes one of the factors in stabilizing the economy. Consequently, the increasing role of insurance requires a theoretical and practical reassessment of its place in the system of financial and monetary relations. The existing two-element model of the relationship "finance - credit" should give way not only to the model "finance - credit - insurance", but also to the models "finance - credit - pricing - insurance", "finance - credit - pricing - investments - insurance", etc.

In a market economy, the cultivated idea of unlimited possibilities of the state budget is limited. Insurance should act at best as a supplement to budget reserves, which is greatly facilitated by the status of the insurance service as an independent management system. The exaggeration of the role of insurance, its subordination to the tasks of organizing most other monetary relations, ultimately harmed the budget. Despite this, with a timely correct assessment of the place and possibilities of insurance, many budget breakthroughs could have been avoided.

Insurance and an effectively functioning market economy are interconnected and inseparable. Where the market operates with its objective laws, there is risk, and where there is risk, there must be insurance.

For a centralized economy with the dominance of public property, risk acts as a category that opposes directive-planned development. Nowadays, risk is an adequately inherent phenomenon, an integral part of its properties. Those who are proactive and enterprising, who seek an unconventional, extraordinary solution, move forward successfully. And initiative is almost always a risk with many unknowns and from all unexpected risks, therefore, production and service entities must have guaranteed insurance coverage in the event of events.

In conditions where the state prescribed strict planning frameworks for activities, it could not consider them risky, otherwise the very idea of appropriate planning would be questioned. Therefore, as a rule, natural events were considered insurance risks.

The practice of Western countries shows increasing demands for the quality of manufactured products, both technical and household, and for consumer protection from possible negative consequences of hidden product defects. The EEC Directive (the "Common Market") provides for the existence of a product liability insurance policy as a mandatory condition for its admission to the market.

Speaking about the domestic market, it should be noted that there is a need to take care of the protection of its consumer. In this regard, it is necessary to introduce into practice liability insurance for the quality of innovative products.

In the same context, professional liability insurance for individuals in the field of intellectual work – doctors, lawyers, architects, builders, auditors, accountants and other specialists – should be considered so that their clients can receive appropriate compensation for material and moral damage in the event of poor-quality services [1; 2; 3; 4; 5].

2. Materials and Methods

This research implemented both quantitative and qualitative research methods for acquiring reliable results in this research. Statistics have been obtained from the national statistics database of Uzbekistan.

In "pre-market" conditions, the development of insurance went "from supply to demand": The Republic's State Insurance developed insurance rules at its own discretion, and the enterprise and population accepted them. It should be noted that state insurance

succeeded in protecting against natural disasters; these results cannot be underestimated. However, the State Insurance system could not include commercial, and especially political risks, in its responsibility, because this would contradict the conditions of centralized management of the national economy.

The law of commercial insurance is development "from demand to supply". This is exactly what the insurance services market should be like, so that each enterprise can obtain insurance against any risks that seem significant to it, based on the nature of its activities.

In the context of innovative economic development, insurance against commercial, legal, technical and political risks has become especially relevant. Insurance is not only the protection of enterprises from possible natural disasters, but also protection from changes in the economic situation, political and other risks. Liability insurance is a completely undeveloped area of insurance here. In domestic economic literature, only one type of this industry has received justification - insurance of civil liability of vehicle owners.

The type of insurance that is in urgent need in modern conditions is liability insurance under supply contracts, under the relationships between state, joint-stock and private enterprises. Failure to comply with contractual terms of supply is a serious obstacle to normal economic development.

Liability insurance can be considered as one of the important attributes of a legal state, as economic protection against possible illegal actions. It can become a guarantee of compensation for losses of agricultural tenants from the arbitrariness of landlords who terminate contracts under any pretext, without risking any economic consequences for themselves and without considering the losses of the other party. Similar insurance is advisable in rental relations and in other areas of economic activity. Consequently, insurance should become one of the important economic methods of supporting new market forms of management.

One of the economically significant types of insurance should be the insurance of income losses as a consequence of forced interruptions in production due to the loss of property, disruption of supplies of electricity, heat, water, etc.

Protecting business and creating conditions for stable enterprise activity is the main task of insurance in a market economy. But protecting the interests of society, the welfare and health of the population, and the natural environment from the consequences of erroneous and unjustified actions of business entities is no less important. In countries with a developed market economy, the interests of society are protected by insurance of general civil liability of entrepreneurs for damage that may be caused to employees of the enterprise, individuals and legal entities, and the environment.

Returning to the issues of liability insurance, it should be emphasized that it is very relevant in the field of ecology. Abroad, this type of insurance has been widely developed. It is advisable to introduce environmental risk insurance for industrial enterprises whose activities may cause damage to nature.

The technology of economic cognition of the insurance relationship, presupposes at least an answer to the question about the socio-economic nature of the relationship, which sets a specific socio-economic form for the object and a special status for the subjects of its implementation. The objective nature of the studied relationship allows us to reveal the deepest economic essence of the studied relationship, without which the insurance business observed in economic life cannot be cognized in the fullness of its economic content - of course, in a qualitative, not quantitative sense. At the same time, at this stage of the analysis, the subjective beginning, understanding of the mechanism for implementing insurance relations falls out of sight. With this approach, it is difficult to answer the question: how do they "live" (function), implement their socio-economic nature? Consequently, another aspect of analysis is needed, in which the emphasis in

studying the socio-economic nature of insurance relations would be placed on the behavior and interaction of their subjects, i.e. its subjective aspect must be highlighted. The subjective aspect of the study means the emergence of a different perspective in it: a view from the position of a specific economic subject, endowed with its own interest and, accordingly, a specific motive for social activity.

The specificity of the structural approach is the analysis of insurance relations and their functioning within a certain stage of development. The use of the structural-level approach allows us to develop a mechanism for implementing the socio-economic nature of insurance relations, revealing their economic and business content.

The mechanism includes three levels: technical and economic, socio-economic, business (organizational and economic, institutional, everyday perception (properly business) sublevels). The birth of an eventual need is considered at the technical and economic level, where the researcher records the objective need for insurance relations. Economization of an eventual need occurs at the socio-economic level. This level reveals the socio-economic nature of the insurance relationship and the economization of insurance activities. At the third level, insurance relations are mediated by objectively necessary organizational forms of their functioning as insurance activities, as well as a multitude of its institutional norms (regulatory, integrating, motivational), and finally, the sublevel of direct economic existence of the insurance business.

The main thing in using the structural-level approach is the analysis of the inclusion of various economic and business agents at each level and the resulting mediation of insurance relations by their special interests. Thus, the "formation" of insurance, its existence and modification within the framework of interrelated norms of different levels - economic, organizational, legal, moral, etc. - are highlighted. At these levels, social, economic, organizational, institutional, business forms of insurance, the corresponding mechanisms of interaction of subjects in situations of natural or economic risk are inevitably discovered.

3. Results and Discussion

The research underscores the socio-economic significance of insurance within an evolving, innovation-driven economy, with a particular emphasis on Uzbekistan's context. Key findings suggest that the role of insurance extends beyond mere risk coverage to supporting financial stability and stimulating economic development. The analysis highlights that insurance in Uzbekistan has traditionally centered around state-backed initiatives, particularly for natural disasters, yet this approach lacks a comprehensive mechanism to address broader commercial, political, and technical risks. As the economy shifts towards a market-oriented model, the demand for diversified insurance services, such as liability insurance for consumer protection and professional liability coverage, becomes essential.

One salient finding is the structural-level approach in understanding insurance, which emphasizes the socio-economic dynamics of insurance relationships at different development stages. This framework offers insights into how technical and socio-economic factors influence the development and practical application of insurance services. At the technical level, the objective need for insurance to mitigate natural and economic risks is evident. The socio-economic level reveals insurance as an essential factor in safeguarding income stability and managing unpredictable disruptions in essential services. However, the effective implementation of insurance relations requires alignment with the socio-economic structure, as well as institutional support at both government and corporate levels.

The research reveals several critical gaps in the current insurance infrastructure, particularly regarding liability insurance and risk coverage for non-natural occurrences, such as economic disruptions and contractual defaults. In-depth theoretical exploration is required to understand the nuanced socio-economic impacts of a comprehensive insurance

model that includes liability, environmental, and income-loss coverage. The existing literature on insurance mainly addresses traditional markets, and there is a scarcity of studies examining insurance's role in economies transitioning from centralized systems. Addressing this gap can inform the development of a robust insurance framework that aligns with Uzbekistan's socio-economic landscape and innovation-oriented economic policies.

Practically, the research suggests an urgent need to develop policies that expand insurance coverage across a broader spectrum of risks. This entails introducing mandatory liability insurance for product quality and professional services, as well as enhancing environmental risk insurance to mitigate potential ecological damage by industrial entities. Further research could explore consumer behavior toward insurance products in emerging markets, particularly focusing on factors influencing demand for non-traditional insurance services.

Additionally, a closer examination of insurance's role in stabilizing market transitions is warranted. Empirical studies that measure the direct impact of liability and environmental insurance on business continuity and environmental protection are needed to substantiate policy recommendations. Future research should also consider cross-regional comparisons within similar economies to identify best practices that could be adapted to Uzbekistan's market.

This study reinforces that an expanded insurance model is pivotal for sustainable economic growth and market stability. The findings advocate for deeper theoretical and empirical research to address existing knowledge gaps, particularly concerning liability and environmental insurance within emerging economies. Addressing these gaps will not only enhance the insurance framework's effectiveness but will also ensure that it supports Uzbekistan's innovative economic ambitions while promoting social and economic security at large.

4. Conclusion

The economic significance of a particular type of insurance does not yet determine the current possibility of its practical implementation. Insurance fits only into a clearly organized mechanism of economic and legal relations, where any violation is an accident and where it is necessary to distinguish the causes of any losses. Based on this, it should probably be recognized that not all types of insurance mentioned above have sufficient prerequisites. Their introduction is a matter for the future, but scientific development is needed today. All this should determine the development of insurance in the context of the development of an innovative economy.

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