

## TREATS FOR FINANCIAL SECURITY OF INSURANCE COMPANIES

**Nosirov Jasur Tursunpulotovich**

PhD, Associate Professor, Independent Researcher,

Tashkent State University of Economics

**Abstract.** Financial security is a fundamental prerequisite for the stable functioning and sustainable development of insurance companies, as their activities are directly related to the assumption and redistribution of risks within the economy. However, the increasing complexity of financial markets, macroeconomic volatility, digital transformation, and intensifying competition have generated numerous internal and external threats that may undermine insurers' solvency, liquidity, and overall stability. This paper investigates the key threats to the financial security of insurance companies and systematizes them within a comprehensive risk-based framework. The study identifies major financial risks, including insufficient capital adequacy, liquidity imbalances, inaccurate actuarial estimations, investment losses, underwriting risk, and reinsurance dependence, as well as external threats such as regulatory changes, systemic financial crises, inflation, cyber risks, and market concentration. Particular attention is given to the interconnection between operational, investment, and insurance risks and their cumulative impact on financial sustainability.

**Keywords:** financial security, operational risks, investment, insurance risks , financial sustainability.

**1. Introduction**

In a market economy, the insurance system, as an important component of the financial market, performs the tasks of ensuring economic stability, protecting the interests of economic entities and the population, redistributing risks and forming investment resources. In particular, the modernization of the economy, the expansion of the activities of business entities and the complexity of financial risks require reliable and stable operation of insurance companies. From this point of view, the issue of ensuring the financial security of insurance companies is of strategic importance not only at the level of an individual enterprise, but also for the stability of the entire financial system.

The concept of financial security usually represents the state of a subject's full and timely fulfillment of its obligations, maintaining financial stability, and effective protection against internal and external threats.[10] Financial security for insurance companies is characterized by



the continuous fulfillment of obligations on insurance payments, maintaining solvency, forming sufficient reserve funds, rational management of the investment portfolio and diversification of risks. Thus, the financial security of an insurance company is a multifactorial, complex system, and it is necessary to develop methodological foundations for its assessment and management.[9]

It is advisable to divide the factors affecting the financial security of insurance companies into internal and external factors. Internal factors include capital adequacy, liquidity level, quality of insurance reserve formation, risk management system, investment policy, cost structure, and management efficiency. External factors are associated with macroeconomic instability, inflation rate, fluctuations in the financial market, changes in legislation, increased competitive environment, and unexpected disasters or systemic risks. Methodologically, assessing financial security requires a comprehensive analysis of these factors.

## 2. Literature Review

The issue of financial security has become one of the central research directions in modern corporate finance and risk management theory, particularly in sectors characterized by high uncertainty and long-term liabilities such as insurance. The conceptual foundations of financial security originate from enterprise-level stability theories, which emphasize the protection of financial resources, solvency, and resilience to internal and external threats. Over time, these approaches have evolved from general enterprise security models toward sector-specific methodologies, including insurance organizations whose financial sustainability directly affects economic stability and policyholder protection.

Blank (2017) provides one of the most comprehensive theoretical frameworks for managing the financial security of enterprises. The author interprets financial security as a system of measures aimed at ensuring sustainable development, maintaining solvency, and minimizing financial risks under dynamic market conditions. Blank emphasizes the importance of capital adequacy, liquidity management, profitability, and risk diversification as key pillars of enterprise protection. His systemic approach treats financial security not merely as a financial outcome but as an integrated management process that includes strategic planning, monitoring, and preventive controls. This theoretical base is particularly applicable to insurance companies, where continuous solvency and reserve sufficiency are essential for long-term stability.

Badayeva and Tsupko (2018) extend the concept of financial security by proposing practical methodologies for assessing the financial condition of small and medium-sized enterprises. Their work introduces quantitative indicators and diagnostic tools that combine



liquidity, leverage, and profitability ratios into a comprehensive evaluation system. Although focused on SMEs, their integrated assessment framework provides a useful methodological foundation for insurance institutions as well. The authors argue that early detection of financial threats through indicator-based monitoring enhances managerial responsiveness and reduces insolvency risks. This approach aligns with the prudential supervision principles widely adopted in the insurance sector.

Eremeeva (2019) conceptualizes financial security as the primary criterion of overall economic security of an enterprise. According to the author, financial stability determines the organization's capacity to maintain operational continuity and withstand crises. The study highlights that threats to financial security often stem from inefficient resource allocation, poor risk forecasting, and inadequate reserve formation. These findings are particularly relevant to insurance companies, whose liabilities depend on probabilistic losses. Eremeeva's emphasis on proactive planning and financial discipline underscores the necessity of accurate actuarial calculations and adequate technical provisions in the insurance business.

Strategic aspects of financial protection are further explored by Zaporozhtseva (2017), who focuses on the development of strategies for ensuring financial security. The author stresses that financial security should be embedded into corporate strategy through long-term planning, risk identification, and scenario modeling. Such a strategic orientation suggests that enterprises must move beyond reactive measures and adopt forward-looking risk management tools, including stress testing and forecasting. This perspective is highly applicable to insurers, as catastrophic risks and systemic shocks can significantly affect their solvency positions. Hence, strategy-based security management becomes a prerequisite for sustainable insurance operations.

Shlykov (2015) broadens the discussion by integrating financial security into the wider concept of comprehensive economic security. He argues that financial, operational, legal, and informational safeguards are interconnected components of a single protection system. The holistic framework proposed by Shlykov is particularly valuable for insurance organizations, where operational failures, legal disputes, or cyber risks may directly translate into financial losses. His interdisciplinary approach supports the view that financial security cannot be managed in isolation but requires coordination across all organizational subsystems.

While the above studies establish the general enterprise-level foundations, the literature on insurance economics provides more specialized insights. Cummins and Weiss (2014) analyze systemic risk in the insurance sector and demonstrate that insurers can contribute to

financial instability if risk concentrations and interconnections are not properly managed. Their empirical evidence highlights that capital strength, diversification, and effective supervision reduce systemic vulnerability. This research underscores the macroeconomic importance of financial security in insurance institutions, extending its relevance beyond firm-level performance to national financial stability.

Outreville (2013) offers a theoretical and practical overview of insurance operations, emphasizing the economic functions of risk pooling, loss compensation, and investment intermediation. The author explains that insurers' financial sustainability depends on proper premium pricing, reserve formation, and asset management. His work links actuarial science with financial management, providing methodological tools for evaluating solvency and profitability. These principles form the technical basis for assessing the financial security of insurance companies.

Harrington and Niehaus (2017) further elaborate on risk management mechanisms within insurance markets. They argue that enterprise risk management (ERM), reinsurance, and capital allocation strategies significantly enhance insurers' resilience to unexpected losses. Their integrated risk management model supports the idea that financial security is achieved through coordinated identification, measurement, and control of risks rather than isolated financial indicators. This systematic risk-based approach has become central to modern insurance regulation frameworks such as Solvency II.

Rejda and McNamara (2021) emphasize the practical dimension of risk management and insurance, presenting tools for loss prevention, diversification, and financial protection. The authors note that insurers must balance profitability and safety by maintaining sufficient reserves and conservative investment policies. Their work reinforces the methodological necessity of combining quantitative risk analysis with prudent financial planning to achieve sustainable operations.

Similarly, Vaughan and Vaughan (2018) discuss the fundamental principles of insurance economics, highlighting the importance of liquidity, capital adequacy, and actuarial forecasting. They stress that accurate estimation of future claims and appropriate asset-liability matching are critical to preserving financial stability. These concepts directly contribute to the methodological framework for evaluating insurers' financial security.

Finally, Skipper and Kwon (2007) analyze risk management and insurance from a global perspective, considering regulatory diversity and international market integration. They argue that globalization increases exposure to systemic and cross-border risks, thereby requiring



stronger financial safeguards and supervisory standards. Their comparative analysis suggests that robust regulatory frameworks and effective corporate governance are essential components of financial security in insurance markets.

Overall, the reviewed literature demonstrates that financial security is a multidimensional concept encompassing solvency, liquidity, risk management, strategic planning, and regulatory oversight. Early enterprise-level studies provide theoretical foundations and diagnostic tools, while insurance-specific research introduces actuarial, risk-based, and systemic perspectives. The synthesis of these approaches indicates that ensuring the financial security of insurance companies requires an integrated methodological framework that combines financial indicators, enterprise risk management, capital adequacy assessment, and strategic supervision. Such a comprehensive model enables insurers to maintain stability, fulfill policyholder obligations, and contribute to the sustainable development of the financial system.

### 3. Analysis and results

Market economies are characterized by inflation, crises, and strict fiscal policies implemented by the state. In this situation, all organizations and companies strive to remain afloat, and in this sense, financial security analysis is becoming increasingly important, as it is the key component that guarantees a company's economic security. To minimize the risk of bankruptcy, it is important for an organization to identify financial risks and their impact on its operations.

A high-quality assessment of an enterprise's economic security requires a comprehensive approach to studying its economic condition, which depends on a holistic, mutually supportive, and complementary set of activities across all its elements (resources, processes, departments), and should include all components of the enterprise's economic security (legal, financial, informational, intellectual and human, technical and technological, organizational and economic, environmental, and energy).

Managing a company's financial security involves minimizing threats arising in all areas of its operations. Developing and implementing a company's financial security strategy ensures its long-term sustainable development by strengthening its position in national and international markets. The concept of "company financial security" has appeared in literature relatively recently. This is due to the previously existing two views on how to improve a company's financial stability. Some authors viewed financial security as an element of a company's economic security, while others believed it advisable to develop a series of measures within society that could prevent bankruptcy [3].



Initially, the first concepts of financial security focused solely on protecting a company's commercial secrets, whereas in modern conditions, it has acquired a broader meaning, driven by the influence of various external factors on its operations.

The concepts of financial stability and financial security of a company are closely interrelated. Financial stability is a necessary but not sufficient condition for a company's financial security. It is important to note that a company with complete financial security is also financially sustainable, in which case the inverse relationship is false.[4]

Financial stability implies a company's assets in a state that ensures its solvency, that is, eliminates or minimizes threats to the business from its creditors. It states that funds invested in entrepreneurial activity should be recouped through cash flows from business operations, and the resulting profits ensure self-financing and independence from external sources that attract asset formation.

This means that ensuring a company's financial security is only possible if it is financially stable, which allows for the development of a development strategy that will enable the company to adapt to changing external and internal conditions and adapt to the environment. Financial stability is an important criterion in this case.

Generally, a company's financial security presupposes the existence of a certain reserve to ensure a stable market position when exposed to unfavorable environmental factors.[5]



**Fig.1. Importance for financial security [11]**

Financial interests refer to the need for financial resources to support the company's financial activities at all stages of its development.

A company's activities are influenced by external and internal factors, which can have both positive and negative impacts (threats). Financial security implies the ability to minimize or completely eliminate threats that could negatively impact operational efficiency and the efficient use of available resources, including financial, labor, production, material, and other resources.

The goal of ensuring financial security at an enterprise is to minimize and prevent the risk of financial threats.[6]

In this regard, continuous monitoring of financial security is necessary to ensure the stable functioning of a company and the achievement of its business goals.

The primary goal of a company's financial security is to ensure its long-term and maximally effective operation today and high development potential in the future.[8]

I.A. Blank considers the identification of threats to the realization of an enterprise's financial interests as a critical prerequisite for the formation of an enterprise's financial security system. In his opinion, "the effectiveness of building an entire enterprise's financial security system depends on how accurately and completely the composition of threats to financial interests is identified, the level of intensity of their manifestation, and the potential damage assessed." He provides the following definition: "A threat to financial interests is a form of expression of their contradictions with the financial environment of the enterprise's functioning, reflecting the real or potential destructive impact of various factors and conditions on their realization during the process of financial development and leading to direct or indirect economic damage" [1].

L.A. Blank similarly defines the concept of threat. Zaporozhtseva, who defines the threat of loss of financial security as the real or potential possibility of the destructive impact of various factors on the financial development of an enterprise, leading to certain economic damage [4].

Most authors, namely Tsupko E.V., Badayeva O.N., Kobysheva M.S., Blank I.A., associate the concept of a threat to financial security with a set of factors that entail the possibility and intention of causing damage to the financial interests of an enterprise [2]. Thus, threats to financial security are formed from factors.

They can be classified according to the following criteria:

1. By impact: direct, indirect;
2. By source: external, internal;
3. By subjects: employees, contractors, competitors;

4. By objects: personnel, financial transactions, assets, information;
5. By predictability: predictable, unpredictable;
6. By cause of occurrence: targeted, spontaneous;
7. By degree of development: potential, actual;
8. By ability to identify: explicit, implicit;
9. By impact on activity: operational, investment, financial;
10. By duration: temporary, permanent.

Financial security management involves a number of activities:

- measures to protect the company's financial interests are implemented;
- comprehensive enterprise management;
- responses to threats must be timely;
- financial risks must be managed using a well-functioning management system;
- the company must have alternative measures to respond to financial threats;
- to ensure financial security control, actual values of its indicators should be compared with regulatory ones;
- it should be possible to assess the degree of negative impact of certain solvency and profitability indicators on the company's performance;
- it is necessary to provide additional financing for activities from the securities market;
- conduct a comprehensive risk analysis of investment projects;
- conduct a comprehensive analysis of business proposals for compliance with business ethics.

Financial risk management is carried out using specific methods.

It can be concluded that the process of organizing an enterprise's financial security is a rather labor-intensive process that includes many components.

To summarize, the following characteristics of an enterprise's financial security can be highlighted:

- one of the key elements of economic security;
- ensures the protection of the company's financial interests from internal and external threats;
- is designed to ensure the stable development and sustainability of the company;
- is characterized by a set of quantitative and qualitative indicators, which must have threshold values.[7]

The level of financial security depends to a certain extent on the company's management. This is because, when threats are detected, it is important for the management to

respond quickly and, subsequently, potentially minimize the company's damage and costs. Therefore, company management must promptly analyze the company at each stage of its development to identify any problems at an early stage.

Therefore, the issue of financial security is important in the modern economy, as financial security is the fundamental element of ensuring the economic security of an enterprise. It is important for an enterprise to identify financial risks and their impact on its operations in order to ultimately minimize the risk of bankruptcy.

One of the important areas of financial security assessment is determining the capital adequacy of an insurance company. Capital acts as a protective cushion in covering insurance obligations. Therefore, the size of the authorized capital, the share of own funds, the solvency margin and solvency indicators are considered the main criteria. In methodological approaches, the use of minimum capital requirements, the risk-based capital model (Risk-Based Capital) and stress tests is considered effective. These methods allow predicting the stability of the company in the event of unexpected losses. Liquidity assessment is also an important component of financial security. Although insurance companies often have long-term liabilities, in some cases large insurance events may suddenly occur. Therefore, regular monitoring of indicators such as the ratio of short-term assets to liabilities, current liquidity ratio, and quick liquidity level is required. Methodologically, the use of the asset and liability management (ALM – Asset Liability Management) mechanism is of great importance in balancing the cash flows of an insurance company.

#### 4. Conclusions

Insurance reserves are one of the main tools for ensuring financial security. If technical reserves, i.e. the reserve for claims made but not paid, the reserve for future obligations and the reserve for premiums, are not formed correctly, the company faces the risk of insolvency. Therefore, it is important to use a scientific methodology based on actuarial calculations, forecast the dynamics of losses using probability theory and statistical models. An adequate assessment of reserves reflects the real risk level of the insurance portfolio.

The role of the risk management system in ensuring financial security is special. Since insurance activities are carried out in conditions of high uncertainty, it is necessary to introduce methods for identifying, assessing and managing insurance, investment, credit, operational and market risks. Methodologically, an integrated risk management system is used, which includes the stages of risk identification, quantification, limitation and hedging. The reinsurance



mechanism reduces the likelihood of large losses by redistributing risks and strengthens financial stability.

Investment activity, as a source of income for insurance companies, directly affects their financial security. Effective placement of insurance reserves and temporarily free funds increases the company's profit, but incorrect investment decisions can lead to significant losses. Therefore, diversification of the investment portfolio, optimization of the risk-return ratio, and prioritization of liquid and reliable assets are methodologically important. Modern portfolio theory and stress tests help reduce investment risks.

The use of integral indicators in assessing the financial security of insurance companies is effective. In this case, indicators such as profitability, solvency, liquidity, capital adequacy, quality of reserves and risk level are combined into a single index. A comprehensive assessment method systematically reflects the overall financial condition of the company and facilitates management decision-making. Rating assessment, scoring systems, and econometric models can be widely used in this regard.

State regulation is also an important factor in ensuring the financial security of insurance companies. Prudential supervision, minimum capital requirements, mandatory reserves, reporting standards and an audit system ensure discipline in the insurance market. Effective regulatory oversight prevents financial fraud and insolvency, and increases consumer confidence. At the same time, it is important to maintain a balance between regulation and freedom, as excessive administrative restrictions can slow down market development.

Digitalization processes also bring new opportunities and threats to financial security. InsurTech technologies increase operational efficiency, reduce costs and improve the quality of customer service. However, cybersecurity risks, data loss or fraud can negatively affect financial stability. Therefore, strengthening information security systems and introducing digital risk management mechanisms should become an integral part of methodological approaches.

In conclusion, ensuring the financial security of insurance companies is a multifaceted and systematic process, requiring the interaction of elements of capital adequacy, liquidity, insurance reserves, risk management, investment policy and state control. Methodologically, a comprehensive assessment of financial indicators, actuarial models, stress tests, integrated risk management and the use of digital technologies strengthen the stability of insurance companies. These approaches increase the reliability of the insurance market, protect the interests of



investors and policyholders, and contribute to the long-term sustainable development of the national financial system.

**References:**

1. Blank, I.A. "Managing the Financial Security of an Enterprise." 2nd ed., K.: Elga, 2017, 776 p.
2. Badayeva, O.N., Tsupko, E.V. "Assessing the Financial Security of Small and Medium-Sized Enterprises." Russian Entrepreneurship, 2018, no. 4, 236 p.
3. Eremeeva, S.S. "Financial Security of an Enterprise as the Main Criterion of Its Economic Security." Finance and Accounting Policy, No. 5, 2019, pp. 17–20.
4. Zaporozhtseva, L.A. "Developing a Strategy for Ensuring the Financial Security of an Enterprise." Fundamental Research. Penza, 2017. No. 11 (8).
5. Shlykov, V.V. "Comprehensive Economic Security for Enterprises." Textbook. St. Petersburg: Aleteya, 2015. 412 p.
6. Cummins J.D., Weiss M.A. Systemic Risk and the U.S. Insurance Sector. Journal of Risk and Insurance, 2014.
7. Outreville J.F. Theory and Practice of Insurance. Springer, 2013.
8. Harrington S., Niehaus G. Risk Management and Insurance. McGraw-Hill Education, 2017.
9. Rejda G., McNamara M. Principles of Risk Management and Insurance. Pearson, 2021.
10. Vaughan E., Vaughan T. Fundamentals of Risk and Insurance. Wiley, 2018.
11. Skipper H., Kwon W. Risk Management and Insurance: Perspectives in a Global Economy. Blackwell Publishing, 2007.
11. <https://fastercapital.com/topics/the-importance-of-financial-security.html/1>

