

## ECONOMIC AND LEGAL IMPORTANCE OF ENVIRONMENTAL INSURANCE

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**DOI:10.5958/2249-7315.2022.00058.2**

### ABSTRACT

*The concept, forms and elements of environmental insurance are studied as one of the methods of economic and legal regulation of environmental protection. The article also highlights the importance and necessity of introducing environmental insurance. Foreign experience in the field of environmental insurance and the current state of our national legislation in this area are presented.*

**KEYWORDS:** *Environmental Insurance, Environmental Risk, Damage To The Environment, Environmental Situation, Environmental Legislation, Environmental Insurance Law.*

### INTRODUCTION

A number of environmental changes have recently taken place in countries around the world due to natural disasters and human activities. Climate and weather are changing significantly in all regions of the globe, water and soil composition is becoming increasingly polluted, and plant and animal species are declining. This, in turn, has a drastic negative impact on the environment, the health of all people on the planet. Natural and environmental disasters continue to cause serious and growing damage to the world economy. In 2016 alone, MunichRe (2017) identified 750 major global losses, resulting in nearly 8,700 deaths and a total loss of \$ 175 billion [1]. The analysis of the past 2021 and 2020 also shows a lot.

**TABLE 1.**

	<b>The figures of the year 2021</b>	<b>The figures of the year 2020</b>
<b>Number of events</b>	960	980
<b>Overall losses in US\$ m</b>	280,000	210,000
<b>Insured losses in US\$ m</b>	120,000	82,000
<b>Fatalities</b>	10,000	8,200

Overall, the uninsured portion of natural disasters in 2021 was around 60%. Once again, only a small fraction of losses in insuring growing economies in Asia are insured [2]. Further improvement of environmental legislation and the introduction of environmental insurance are important in preventing these problems. Because, firstly, the use of reserve funds of insurance companies in the prevention of natural and man-made disasters is an important source of prevention of economic crisis in any country; secondly, it is important to quickly eliminate the damage to the environment and human life, health and property; third, the wider implementation of potentially environmentally hazardous activities (oil, chemical, metallurgical and transport

industries) that pose a threat to the environment; fourth, the inability of large enterprises engaged in these activities to fully finance measures to prevent major environmental risks; fifth, it is explained by the fact that the financial capacity of the state budgets of most countries does not allow them to cover unexpected expenses in case of emergencies. These circumstances make it necessary to create a system that is able to cover environmental costs without burdening the state budget.

## **MAIN BODY**

In many countries of the world there is a tendency to exclude environmental risks from the general liability insurance contract and to insure all risks associated with environmental pollution only under environmental insurance. In this regard, the legislative framework is being created in neighboring countries. In particular, the law "On Compulsory Environmental Insurance" (2005) applies in Kazakhstan and the law "On Compulsory Environmental Insurance" (2002) applies in Azerbaijan. In the Russian Federation, the development of the Federal Law "On Compulsory Environmental Insurance" has begun. Environmental law (Umweitrecht) is a complex network of law for Germany [3]. In the United States, environmental liability regulations are based on the "polluter pays" principle. This principle is enshrined in the 1980 Federal Law on Comprehensive Responsibility for the Restoration and Preservation of the Environment, known as the "Superfund" – Environmental superfund was strengthened in the 1980s. World experience shows that each country in the field of environmental insurance attaches great importance to the creation of its own national environmental insurance system and the use of artificial intelligence in the early detection of natural disasters and the protection of data related to natural disasters [4,5,6].

The analysis of the current legislation in the country shows that there are a number of issues that need to be addressed in the legislation and practice in the field of research. In particular, the lack of in-depth study of the research topic, the study of the legal relationship of environmental insurance, which is likely to arise against the background of modern requirements, the establishment of public administration in the implementation of environmental insurance and the need to develop an economic and legal mechanism for the introduction of environmental insurance, in which it is important to study best international practices.

This research will serve to a certain extent in the implementation of the priorities set out in the Laws and Decrees, such as Law of the Republic of Uzbekistan "On Nature Protection" (1992), "On protection of the population and territories from natural and man-made emergencies" (1999), Laws on Environmental Audit (2021), Decree of the President of the Republic of Uzbekistan "On the Action Strategy for further development of the Republic of Uzbekistan" (2017) PF-4947, Resolution of the Government of the Republic of Uzbekistan "On measures to reform the insurance market and ensure its rapid development" (2019) No PP-4412, Decree No. PF-6079 (2020) "On approval of the Strategy" Digital Uzbekistan - 2030 "and measures for its effective implementation".

Today, there is a tendency in Western countries to exclude environmental risks from the general liability insurance contract and to insure all risks associated with environmental pollution only within the framework of environmental insurance [7].

In the post-independence years, Uzbekistan has also adopted a number of laws to regulate insurance activities: Law of the Republic of Uzbekistan "On insurance activities" [8], "On compulsory insurance of civil liability of the employer", "On compulsory insurance of civil liability of vehicle owners" [9], "On compulsory state social insurance against industrial accidents and occupational diseases" [10]. Also, the norms of the Civil Code of the Republic of Uzbekistan set the norms for the implementation of voluntary and compulsory insurance against various insurance risks.

A number of laws of the Republic of Uzbekistan such as "On sanitary and epidemiological well-being of the population" [11], "On radiation safety" [12], "On public health" [13], "On waste" [14], "On protection of the population and territories from natural and man-made emergencies" [15], "Safety of hydraulic structures" about" [16] and others stipulate that legal entities and individuals have the right to compensation for damage caused to them as a result of the economic consequences of emergencies, to claim compensation for material damage to life, health and property of citizens, and other benefits.

The legal basis for voluntary and compulsory environmental insurance is set out in Article 36 of the Law of the Republic of Uzbekistan "On Nature Protection", adopted in 1992 [17]. In accordance with this law, the property and income of enterprises, institutions and organizations, life, health and property of citizens are subject to voluntary and compulsory insurance, considering the damage caused by environmental pollution and deterioration of the quality of natural resources.

The procedure and conditions of ecological insurance shall be established by the legislation of the Republic of Uzbekistan.

Today, in order to introduce the system of environmental insurance in our country, certain work is being done to develop legal and regulatory documents. In particular, with the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated December 10, 2008 approved the Regulation "On the procedure for compulsory insurance of civil liability for damage to life, health and property of others and the environment in the event of an accident at a hazardous production facility" in order to ensure the industrial safety of hazardous production facilities, to increase the responsibility of organizations using hazardous production facilities

Decree of the President of the Republic of Uzbekistan No. PF-60 of January 28, 2022 "On the Development Strategy of New Uzbekistan for 2022 - 2026" also provides for the improvement of mechanisms for assessing the level of environmental pollution, monitoring the environment, forecasting its level, providing state environmental control with constant information, monitoring the status of pollution sources and environmental impact [18]. The fact that the President pays special attention to the environment and ecology in this five-year Development Strategy shows how relevant our research is.

At the same time, in our country, some manufacturing enterprises belonging to the economy and specially registered are considered to be objects of high environmental risk, which can cause harm to the environment.

It should be noted that in 2020, "Uzbekinvest" maintained and strengthened its leadership in the insurance market of Uzbekistan, collecting insurance premiums in the amount of 262 billion sums. The company took first place in investment projects, small and medium businesses, as a result of a sharp increase in the collection of insurance premiums for free economic, industrial and industrial zones, liability of vehicle owners and exporters. The customer base has grown by 138%, more than 686,000 legal entities and individuals have expressed confidence in "Uzbekinvest".

In 2020, the company paid 69.9 billion soums of insurance indemnities, which is 44.8 billion soums more than in the same period of 2019, or an increase of 2.8 times. One of the main reasons for the increase was the payment of insurance coverage to victims of man-made disasters and natural disasters in Syrdarya and Bukhara regions, as well as a sharp increase in insurance payments to the population from COVID-19. Despite the increase in taxes and insurance payments, the company's assets increased by 115.4% compared to 2019. In addition, some of the collected insurance premiums were directed to expand the company's deposit base, the deposit portfolio of "Uzbekinvest" JSC in the national currency increased by 121%, the deposit portfolio in foreign currency - by 105%.

Today, the Agency for Development of the Insurance Market under the Ministry of Finance of the Republic of Uzbekistan is established by the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated December 31, 2019 No. 1060 to protect the rights and legitimate interests of participants in environmental insurance relations and is the authorized state body for regulation and development of the insurance market, ensuring the protection of the rights and legitimate interests of all participants in the insurance relationship.

According to this decision, the main tasks of the Agency are: ensuring the protection of the rights and legitimate interests of consumers of insurance services and other participants in the insurance relationship, helping to increase public confidence in the insurance market and the development of insurance culture in society; Ensuring that the professional participants of the insurance market carry out explanatory work among the population on raising awareness of insurance services and insurance literacy of citizens; organization of placement in the media of information of a social nature by insurers, including the benefits of insurance, the order of payment of insurance indemnities and the protection of the rights of consumers of insurance services; consideration of proposals, complaints and inquiries of citizens and legal entities on issues within the competence of the Agency, etc.

As mentioned above, Article 36 of the Law of the Republic of Uzbekistan "On Nature Protection" provides for environmental insurance, but our legislation does not specify how to implement environmental insurance, which law regulates it, its economic mechanisms, and there is a gap. In order to fill this gap, we believe that it is necessary to develop and adopt a comprehensive law "On Environmental Insurance".

## **CONCLUSION**

Thus, the adoption of the Law of the Republic of Uzbekistan "On Environmental Insurance" will serve to prevent environmental risks that may occur as a result of economic activity, to ensure environmental safety by attracting extra-budgetary funds to compensate for material damage to life, health and property of citizens and the environment in the event of their occurrence.

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