
DEVELOPMENT AND CURRENT STATE OF THE INSTITUTE OF INSURANCE BROKERS IN COUNTRIES WITH DEVELOPED MARKET ECONOMY

Sanobar R. Matiyazova*

*Senior Lecturer,

Tashkent Financial Institute,

Tashkent City, UZBEKISTAN

Email Id: matiyazovasanobar1978@gmail.com

DOI: 10.5958/2249-7315.2022.00078.8

ABSTRACT

This article describes the role and importance of insurance brokers in advanced economies, the history of the development of the institution of insurance brokers. It also provides information on the status and indicators of sales of insurance products in the international insurance market through insurance brokers.

KEYWORDS: *Intermediaries, Insurance Brokers, Insurance Products, Insurance Market, Reinsurance Market, International Insurance Market, Clients, Code.*

1. INTRODUCTION

Originating from the world famous London Lloyd's about 300 years ago, brokers play an important role in the international insurance and reinsurance market. Not a single major insurance deal can do without their participation. They have contributed to the development of new classes of insurance, new forms of policies, expanding insurance coverage, increasing the flexibility of insurance, etc. This is due to the fact that a broker, not being tied to any one insurance company, can offer its clients contracts that are most complete. Meeting the needs of insurers.

It is advisable to consider the development and state of the institution of brokers on the examples of various countries and the largest brokerage companies. The most widespread distribution of insurance products through insurance brokers has received in the UK, Canada, USA, and Holland, Belgium. In other countries, the system of insurance brokers plays a subordinate role. However, their experience is also of interest. [1]

In order to assess modern international practice from the standpoint of its possible use in Russia, it is important to see not only the current picture, but also the historical process that preceded it. In the UK before 1977, anyone could open an office, call himself an insurance broker, and act as an intermediary to provide clients with insurance services. This process was not regulated in any way, since there was no official body to oversee the activities of brokers. In 1977, the Law on the compulsory registration of insurance brokers and on the requirements for their professional level was passed. The Act established the Insurance Brokers Registration Council. The Council has developed rules for the annual audit and a Code of Conduct, which brokers must adhere to in their activities. You can also apply to the Council with a claim for a broker. A Disciplinary Committee and an Investigation Committee have been established to determine cases of violations by brokers of the Code of Conduct and requirements established by law.

A special fund has been set up under the Council to compensate for losses incurred by clients due to omissions of insurance brokers or their illegal actions.

2. THE MAIN FINDINGS AND RESULTS

Since 1978, no one in the UK has the right to be called a broker, unless he is registered in accordance with the established procedure. In order to register, an individual must meet the relevant professional requirements and follow the conditions of the rules for the activities of brokers established by the Registration Chamber.

The British Insurance and Investment Brokers Association has been established in Great Britain. Currently, its members are about 4,000 companies. To establish a company's membership in this association, it is necessary to ask it for an annual membership certificate. [2]

The Association does not aim to control the amount of remuneration charged by insurance brokers, since they usually work on a commission basis, the amount of which is agreed upon in the course of negotiations between the client and the broker. There is a Code of Conduct for members of the association, which is similar in principle to the Code of Conduct adopted by the Insurance Brokers Registration Board. It recorded the following cases when the actions of members of the association are considered unprofessional:

- 1) Violation of obligations under the contract;
- 2) When the broker did not take all possible actions to protect the interests of the client;
- 3) When the broker published information misleading the business community.

In addition, all brokers are strictly required to be members of the Institute of Insurance Brokers, which also has a Code of Conduct for members of the institute. The institute's disciplinary committee handles complaints from clients against its members.

British law defines the responsibilities of brokers:

- The obligation to provide information on the commissions and expenses received by him for each policy issued and to disclose to the client the nature of his relationship with the insurance company where the insurance will be placed;
- Obligation to provide coverage for losses that may arise from its activities;
- The possibility of refusal to obtain a license for a broker;
- Creation by the Registration Chamber of a special Fund for compensation of losses that may be incurred by clients, its functions and management procedures and other important aspects of organizing the work of insurance brokers.

The established rules provide common professional standards for brokers. Those who act as an insurance intermediary without registration and do not comply with the requirements of the law are subject to sanctions. Most insurance contracts in the UK are brokered. Currently, the UK insurance brokerage market is experiencing an overall decline in profits despite the growth in commission income.

There are 35 thousand independent licensed brokers operating in Canada, which are united in 6.5 thousand brokerage houses. To obtain a brokerage license, you must complete two weeks of special courses and have one year of practice. The National Brokers Association of Canada was founded 75 years ago. [3]

All provincial local associations of brokers are under the umbrella of this Association. All territories of Canada send 1 representative to the Council of this association. The Association is headed by the President, who is elected for 1 year. The total number of staff is 10 people. The maintenance of the Association is carried out at the expense of membership fees of brokerage houses, depending on the volume of the collected premium, and ranges from 1 to 3 thousand dollars a year.

The main tasks of the Association are staff training and lobbying at different levels. As a result, in 1980, the brokers achieved self-government from the government and the adoption of a law that regulates the activities of brokers. Of the total number of insurance policies sold, 75% are sold through brokers. Over the past 5 years, the commission paid to the broker has been at the level of 20%. However, if 10 years ago the broker represented about 10 companies, now there are only 4. This is due to the fact that insurance companies work only with those brokers that make a profit. Therefore, brokers are increasingly forced to resort to new technologies for the sale of insurance products. The only brokers in Canada who are confident in their future are the association of independent brokers (consortium) - avantis, who have united in order to deprive companies of the opportunity to work with individual brokers, provide themselves with better technical equipment, etc.

This group of brokers collects about \$500 million in premiums per year. Forecasts for the development of the Canadian insurance market show that in the near future the sale of insurance policies will be carried out mainly through brokers and direct sales, with a decrease in the first direction and an increase in the second.

B US insurance brokers serve as intermediaries in the conclusion of most of all insurance contracts. They usually specialize in finding and placing high-risk contracts, non-standard risks; mediating between insurance companies and smaller customers. However, each state issues its own licenses to insurance brokers and may require the broker to provide a security bond.

In the French market, the role of brokers is less. But the legal and organizational aspects of their activities deserve attention. In the French insurance market, there are two associations of insurance brokers that protect their interests. The first is SNCAR, the National Insurance and Reinsurance Brokerage Syndicate, which is one of the oldest in the French insurance market. Second - SFAK - French syndicate of consultants-insurers, established in 1978. The functioning of brokers is regulated by the customs emanating from the practice of brokers, which are recognized by the courts. [4]

In 1935, SNKAR formed 12 rules that are in force in the practice of brokers, which can be grouped into 4 groups:

- 1) Commercial freedom of the parties. The broker chooses the insurance company. The insurance company has the right to accept or refuse the contract provided by the broker.
- 2) Obligation of the insurance company to maintain neutrality. The insurance company must agree or refuse several brokers offering the same contracts. The priority right must be given to the broker who first offered the placement contract.
- 3) The insurance company must provide assistance to brokers.
- 4) The right of the broker to receive insurance remuneration (commission). Broker has the right to receive a commission during the period of the contract, can sell insurance portfolio. It cannot be replaced by a new broker during the period contract action. An exception is granted if the client has signed a special order to place a contract by a new broker.

In 1955, SNKAR adopted an insurance broker's code of ethics, which includes the following main points: the broker is obliged to serve clients; - the broker must prove his loyalty to the insurance companies;

- Between brokers there should be relations of brotherhood and cooperation, lack of competition.

Unlike a large international broker, an independent broker does not aim to please everyone and everything. An independent broker can and should focus on those specialized insurance products,

promising sectors of the insurance market and those territories where it has advantages over a large international broker.

Global changes in the insurance market dictate the objective need for adequate changes and such leaders as the Lloyd syndicate. Lloyd's plans include modernizing access to the insurance market and improving the quality of services to promote them directly to the insurance market. This is an important part of Lloyd's broader program to strengthen its competitiveness in the insurance market. Today, Lloyd's membership is largely limited to business placed by or through Lloyd's brokers. All of these brokers are in close proximity to Lloyd's underwriters in London. Lloyd's is looking to expand contacts with other brokers both in England and around the world in order to attract new business and efficiently manage existing contracts.

Lloyd supported the desire of the British insurance market to create a new supervisory body for all British brokers - the Insurance Standards Development Board (SRCC). In the future, the activities of Lloyd's brokers will be regulated by the SRCC, and this will make it possible to put Lloyd's relationship with his brokers on a more objective commercial basis.

Lloyd is and will continue to be the brokerage market, but changes in it are predetermined to be very serious. Changes aim to move away from regulation relationships through legal and administrative methods. A new interaction option is the free commercial choice of each individual market entity. Lloyd relieves itself of most of the responsibility for the legal settlement of relationships with brokers in favor of other control bodies. Lloyd also intends to create standards for access to the insurance market upon receipt companies licenses to carry out relevant types of insurance activities.

3. CONCLUSION

Despite the presence of national characteristics in the insurance markets of industrialized countries, a number of general patterns can be identified:

- 1) Wide diversification of distribution channels of insurance services makes it possible to take into account the needs of customers to a greater extent, since their opportunities are expanding in choosing not only between different insurance companies, but also between various types of insurance intermediaries, based on such criteria as proximity, cost, quality of service, the range of advisory services provided by the range of goods "insurance protection", etc.
- 2) The choice of distribution channel is largely determined by the type of insurance and the specifics of insurance services. More professional and sophisticated insurance products, including innovative ones, are mainly sold by independent insurance intermediaries. In all insurance markets, insurance brokers occupy a leading position in placing contracts of large property and business risks for legal entities. Insurance brokers represent one of the most important distribution channels for group life insurance policies, since the presence of an independent intermediary and consultant is especially necessary here, as a guarantor of the fullest satisfaction of the interests of policyholders.
- 3) The activation of intermediaries is an objective process observed in all insurance markets. Thanks to the skillful use of the situation and the provision of a whole range of necessary services to its clients (market research, risk analysis, selection of the most adequate insurance coverage), the activity of insurance intermediaries has become a traditional form of establishing contacts between consumers and insurance service providers, has become one of the most important factors in increasing the efficiency of insurance operations. .

REFERENCES

1. Andreev A. Insurance intermediaries and UK legislation. Journal "Insurance business". 1995;(1).

2. Temporary regulation on the procedure for maintaining the register of insurance brokers operating in the territory of the Russian Federation. Approved by order of the Russian Federal Service for Supervision of Insurance Activities No. 02-02/03 dated February 9, 1995.
3. Efimov SL. Organization of the work of an insurance company: theory, practice, foreign experience. Moscow; 1993.
4. Efimov SL. Business practice of an insurance agent and broker, Moscow: Unity; 1996.