



ARAŞTIRMA MAKALESİ / RESEARCH ARTICLE

ASSESSMENT OF THE ROLE OF LIFE INSURANCE IN STRENGTHENING THE SOCIAL PROTECTION OF THE POPULATION IN THE REPUBLIC OF AZERBAIJAN

AZERBAIJAN CUMHURİYETİ NÜFUSUNUN SOSYAL KORUNMASININ GÜÇLENDİRİLMESİNDE HAYAT SİGORTALARININ ROLÜNE İLİŞKİN DEĞERLENDİRME

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ABSTRACT

Life insurance is accepted as a progressive method commonly used in the insurance of risks related to human life in many countries of the world, and its origins are more originally from social protection. The role of life insurance in the social security of the population in Azerbaijan was designed based on comparative analysis between countries based on statistical and analytical methods. According to the reasonable result we have reached at the end of our research, a small leap in life insurance improves the economic and social situation of the population. In Azerbaijan, the author examined the penetration forecast for the social security system of life insurance. The author conducted correlation, regression and analytical-statistical analyzes with the rule between countries. The Social Security suffix in the state can be overcome by life insurance and gradually increased.

Keywords: Life Insurance, Social Security, Premium, Claim.


JEL Classification Codes: G52; I138; H53; H59.

ÖZ

Hayat sigortası, dünyanın birçok ülkelerinde insan yaşamıyla ilgili risklerin sigortalanmasında yaygın olarak kullanılan ilerici bir yöntem olarak kabul edilmekte ve doğası gereği kökeni daha çok sosyal korumaya aittir. Azerbaycan'da nüfusun sosyal güvenliğinde hayat sigortasının rolü, istatistiksel ve analitik yöntemlere dayalı ülkeler arası karşılaştırmalı analize dayalı olarak tasarlandı. Araştırmamızın sonunda vardığımız makul sonuca göre, hayat sigortasındaki küçük bir sıçrama, nüfusun ekonomik ve sosyal açıdan durumunu simultane iyileştirmektedir. Yazar, Azerbaycan'da hayat sigortasının sosyal güvenlik sistemine penetrasyon tahminini incelemiştir. Yazar, ülkeler arası kural ile korelasyon, regresyon ve analitik-istatistiksel analizleri gerçekleştirmiştir. Devletteki sosyal güvenlik eki, hayat sigortası tarafından aşılabilir ve kademeli olarak artırılabilir.

Anahtar Kelimeler: Hayat Sigortası, Sosyal Güvenlik, Prim, Prim Bedeli.

JEL Sınıflandırma Kodları: G52; I138; H53; H59.

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GENİŞLETİLMİŞ ÖZET

Amaç ve Kapsam:

Hayat sigortası, modern çağda birçok ülkede nüfusun sosyal korunmasını destekleyerek gönüllülük esaslarını içermektedir. Böylece, hayat sigortası, gelişmiş ülkelerde yeterince normalleşerek devletten doğrudan destek ve yardım almaya ve bu gibi yardım almaya yönelik bağımlılık kavramını ortadan kaldırmış olsa da, sosyalizm geçmişi olan ülkelerde halen yürürlüktedir. Hayat sigortası, devletin üzerindeki yükü önemli ölçüde azaltarak yön verir. Toplum hayat sigortasına güvenmesi ve yatırım odaklı yaklaşımı nedeniyle, gönüllü hayat sigortasına yeterli mali kaynak ödeyerek geleceği garanti altına almaya çalışır. Post-sosyalist ülkelerde, bu nispeten karmaşık bir süreçtir ve insanlar özellikle gelecekle ilgili endişelerini devletten belirli beklentilerle uzlaştırmaya çalışırlar. Sonuç olarak, Azerbaycan'ın da içinde bulunduğu bu tür ülkelerde tam olarak oluşmayan hayat sigortası kültürü, devletin farklı düzeyde bir yükü üstlenmesini gerektirmektedir.

Bu araştırmada amaç olarak hayat sigortası ve sosyal güvenlik arasında bağ kurmak ve bu açıdan ilerleyerek hükümetin sosyal güvence konusunda mali, idari ve bu gibi diğer yükünün azaltılması yolları hedeflenmiştir. Araştırma kapsamında hayat sigortası ve onunla uzlaşan sosyal güvenlik araçları detaylı öğrenilmiş ve üzerine çalışmalareklenmiştir.

Yöntem:

Araştırmada korelasyon, analitik-istatistiksel ve ülkeler arası analizler yapılmıştır. Çalışmada bir sıra hayat sigortası ile sosyal güvenlik göstergeleri arasında regresyon analizleri yürütülmüştür. Örneğin, sigorta primleri ile nüfusun geliri arasındaki regresyon analizi. Buradaki alternatif görüşümüz, nüfusun geliri arttıkça hayat sigortasına yönelmeleri ve sigortalı olarak gelecekteki riskleri değerlendirerek yatırım yapmalarınıdır.

30 ülkenin göstergeleri baz alınarak regresyon analizi yapıldı ve sonuç tatmin edici olarak değerlendirildi. Analizde, p-değerinin 0,05'ten oldukça küçük olması, alternatif görüşümüzü otomatik olarak doğrulamaktadır. Bununla birlikte, 0,66'lık bir korelasyon katsayısı elde ettik ve iki veri arasında orta derecede bir bağımlılık varsayımını aldık. Nüfus gelirinin bağımsız değişkeni (x) ile sigorta primlerinin bağımlı değişkeni (y) arasında pozitif bir ilişkinin olmasını gözlemledik.

Bulgular:

Hayat sigortası piyasasının dinamik gelişimi, ülkedeki nüfusun sosyal güvencini artırmak için bir araç görevi olarak düşünülmektedir. Hayat sigortası, devletin üzerindeki yükü bir nebze olsun azaltabilir ve insanların düşüncesindeki ihtiyaç gibi nüansları umut vadeden bir yatırıma dönüştürebilir. Kısa bir analizden sonra, Azerbaycan'da hayat sigortası piyasasının gelişimine devletin müdahale edebileceği bazı hususlara açıklık getirdik. Elde ettiğimiz sonuçlara göre, belirli durumlarda yasal ve yasal çerçevenin geliştirilmesi ve bazı durumlarda teşvik edici önlemlerin alınması, hayat sigortası piyasasını geliştirebilir ve nüfusun sosyal korunmasında köklü değişikliklere yol açabilir.

Azerbaycan'da hayat sigortası piyasasına artan ilgi ve özen petrol dışı sektörün gelişmesinde etkili sonuçlara neden olabilir. Sigorta piyasasının düzenlenmesi, bu alandaki mevzuat boşluklarının giderilmesi ve Avrupa Birliği ülkelerinde uygulanan Solvency II düzenleme yönteminin modifiye edilerek ülkeye uygulanması yönünde atılan adımların sektöre ciddi bir ivme kazandıracağını ve Azerbaycan'da sigortacılığın gelişimini sağlayacağını düşünüyoruz. Solvency II sistemi, diğer finansal kurumların aksine sigorta şirketlerine özel olarak uyarlanmış sağlam bir ihtiyati çerçeve olarak kabul edilir (Solvency II overview, 2015). Bu sistem, her bir sigorta şirketinin risk profiline dayalı olarak riske dayalı sermaye kapasitesinin karşılaştırılabilirliğini, genel şeffaflığı ve rekabetçiliği teşvik eder ve en önemlisi, sigorta şirketlerinin pazar konumunu güçlendirerek tüketici haklarını dolaylı olarak korur. Azerbaycan'da sigortalı sayısı artmış ve pazarın potansiyel genişlemesi gözlenmektedir. Solvency II düzeyinin uygulanması ile ve de çeşitli hayat sigortası türlerinde sigorta poliçelerinin oluşumu, faaliyet yelpazesinin genişletilmesi ve güçlendirilmesi, devletin sigorta piyasasındaki rolünü artırabilir ve aynı zamanda vatandaşlar için istikrarlı bir sigorta sağlayıcı figürü oluşturabilir. Bu açıdan bakıldığında sigorta piyasasında çeşitli alanlarda hizmetin sunması ve bu durum ülke geneli hayat sigortası piyasasının gelişmesinde önemlidir.

Sonuç ve Tartışma:

Devlet, daha fazla güvenlik sözü vererek, istihdam ve benzeri diğerleri gibi bir dizi alanda nüfusun "tembelleşmesine" neden olabilir. Düşük istihdam, bireylerin gelir elde etme ve yatırım, tasarruf yapma gibi alışkanlıklarını tamamen zedeleyebilmekte ve onları sadece elde edilen faydaları tüketime teşvike yöneltebilmektedir. Bilindiği üzere hayat sigortası çeşitli literatürlerde bir yatırım olarak değerlendirilmektedir (Parrish, 2019 ve Rojeck, 2019 - s. 60). Bu açıdan bakıldığında, hayat sigortasının geliştirilmesi, devleti daha fazla nüfusa fayda sağlamak amaçına yönelik mali ve idari yükün fazlalığından kurtaracak. Bireyler hayat sigortası ile bu tür hizmetlerden masrafları kendilerine ait olmak üzere yararlanabilecekleri için bir öncelik olarak kabul edilebilir.

Nüfusun sosyal güvenliği açısından hayat sigortasının yeterli bir rol oynadığını düşünüyoruz. Şöyle ki hem gönüllü sigortanın, hem de zorunlu sigortanın 5 yıllık dinamiğinde sigorta prim ve ödemelerinde artış gözlemlenmiştir. Sigorta ödemelerindeki artış, nüfusun sosyal statüsünün iyileştirilmesidir, bu da ihtiyaç duyularının ve devletten doğrudan yardım alma gereğinin görece erimesi anlamına gelir. Devletin hayat sigortası piyasasındaki etkisi yasal düzenleyici açıdan şeffaflık, rekabet edebilirlik vb. modern piyasa unsurlarının daha da artması öngörülmektedir. Bazı durumlarda, sosyal güvenlik fonlarında toplanmış vatandaşların portföyleri devletin işbirliği yaptığı sigorta şirketlerine emanet edilirse, bu piyasayı canlandırabilir ve

devletin ek idari maliyetlerini azaltabilir. Beklenebileceği gibi, bu durumda, yeterince kapsamlı bir yasal dayanağa sahip olmak önemlidir.

1. INTRODUCTION

Life insurance includes voluntary principles by supporting the social protection of the population in several countries in modern era. It has been historically prominent method through which individuals with relatively low incomes have been able to save and invest effectively for the longer term (Dickinson, 2017) Thus, life insurance, sufficiently has been normalized in developed countries and eliminates the concept of dependence on receiving direct support and assistance from a government, and so on in that basis, but it is still actual in countries that have background with socialism. It gives the direction to the burden on the government considerably reducing in. Society trust life insurance, and due to its investment-oriented approach, they try to ensure the future by paying sufficient financial resources to voluntary life insurance. In post-socialist countries, this is a relatively complicated process, and people specifically try to reconcile their worries about the future with certain expectations from the state. As a result, in such countries, including Azerbaijan, the culture of life insurance, which is not being fully formed, requires the state to undertake a different level of burden.

It should be noted that developing life insurance in such situations places unique demands on each market player. For example, the regulator mission for the government and both the consumer rights defender of the population, etc. if such requirements are imposed, the requirements for insurers are to minimize risks and market complications, to ensure the vast variety and availability of insurance products, to implement measures such as education among consumers, etc. can be considered. The government regulation in the insurance is known as to protect consumers through insurance insolvency, consistent insurance pricing, and the promotion of social goals by making insurance more widely accessible to those in need (Dorfman and Cather, 2013). Here, society's position should be taken into account, and life insurance promoted in different communities so that what it promises for the population in the future should be understandable in a certain extent by everyone. With life insurance appears the freedom to choose a range of living situations, to obtain support for a comfortable life with partial physical dependence enhanced by financial independence. (Getzen, 1988)

2. ANALYSIS AND EVALUATION

2.1. A brief analysis of life insurance in Azerbaijan

Currently, the life insurance premiums collected per person in the world are reasonably high, and unfortunately, Azerbaijan remains outside of this trend. There are various reasons, and the leading problem remains the life insurance market organization issue. Firstly, we would like to begin the analysis of a hierarchical tree of life insurance (Figure 1).

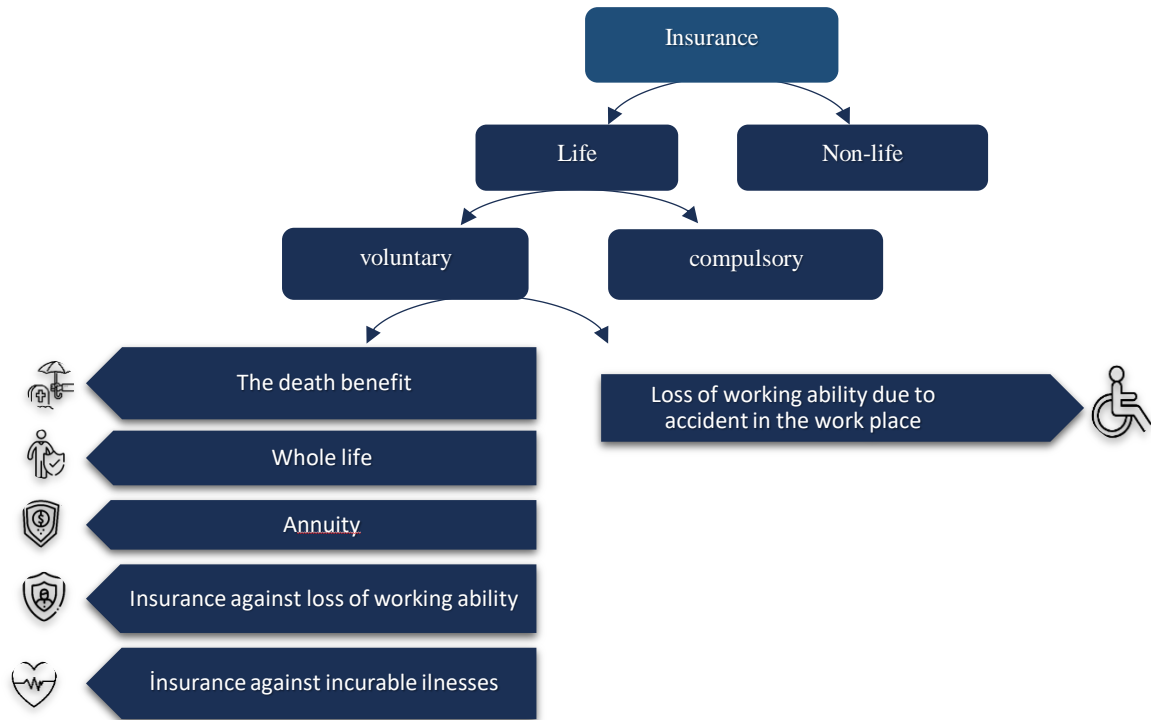


Figure 1. Types of life insurance in Azerbaijan.

Source: (Profam, 2022).

Insurance premiums collected in compulsory life insurance should be a portable portfolio and possible to transfer to one of the private insurance companies with which the government cooperates within the framework of the requirements of the person. This can be one of the crucial step in the development with the direction of increasing the liberalization of the insurance market. At the same time, in certain cases, when there are reasonable doubts about the specific risks caused by the insurance company for the insurance premiums of the person, or when the opinion of mutual distrust is produced, it should be possible to transfer the voluntary insurance premiums to the account of the government or a number of other insurance companies cooperating with it. In addition to increasing transparency and accountability in the insurance market, the given method could be stimulating the formation of the elements such as consumer satisfaction and competitiveness. It should be noted that increase in the sustainable development of the insurance market by improving the role of the government as a regulator in the market and it serves to ultimately forming mutual trust between the insured, insurance companies and the government triad. The government will be interested in providing a statutory basis in the market and improving the insurance legislation, being freed from the financial burden.

Looking at the last five-year dynamics of life insurance by voluntary and mandatory classes in Azerbaijan, observed that voluntary life insurance has many times exceeded compulsory life insurance. Compared to 2019, in 2020 it was around 14% for voluntary insurance and 12% for mandatory insurance. In 2021, there was a 5.6% decrease in the voluntary life insurance type, but a 17.7% increase in the mandatory type. Voluntary insurance premiums collected during the first eight months of 2022 have increased significantly (20%) compared to 2021. We can mention the pandemic as the fundamental reason for all these fluctuations, and the year 2022 is likely to be the year when the insurance market will return to its pre-pandemic state according to the figure (Figure 2).

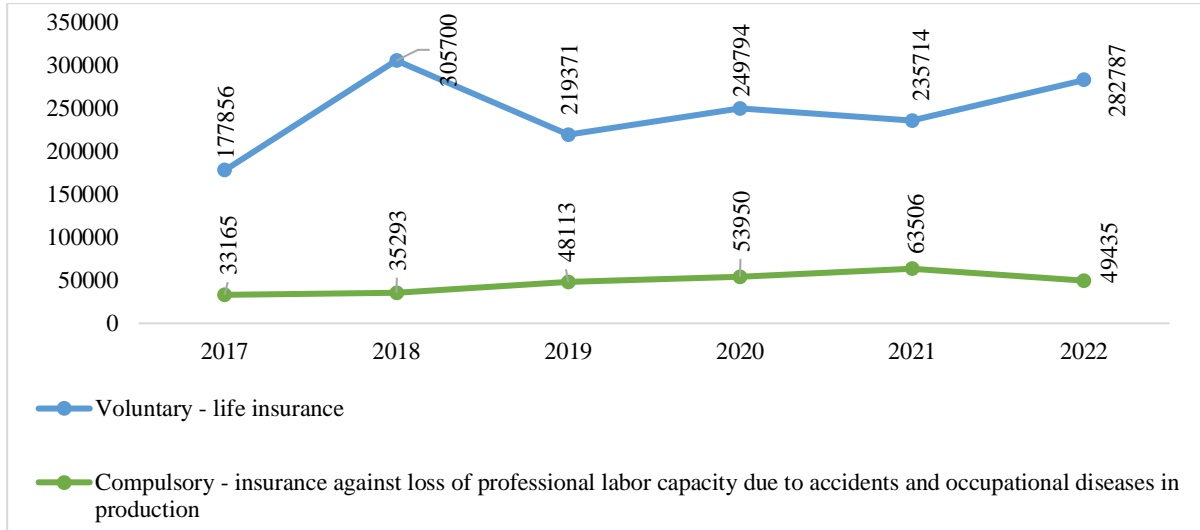


Figure 2. Voluntary and compulsory insurance premiums for life insurance, in thousand manats

Source: (CBAR, 2022).

Compared to 2019, a 71% increase in voluntary insurance claims was observed in 2020, and a 10% decrease in 2021 and a 35% decrease in 2022. Although there was a 17% decrease in compulsory insurance claims in 2020, compared to that, there was a 59% increase in 2021 and a 40% decrease in 2022 (Figure 3). Whole life insurance is the leader among voluntary insurances, and payments for this type of insurance are definitely paid at the end of the term and no unique conditions are required for payment. Life insurance premiums also increased significantly in 2020. The reason for that is the increase in deaths during the pandemic and the corresponding payments to the insured. The claims of insurance against incurable diseases is also increasing in 2020 and 2021. The reason for condition could be the increasing number of incurable diseases caused by environmental problems and other factors (Fuller, R. Et al. 2022).

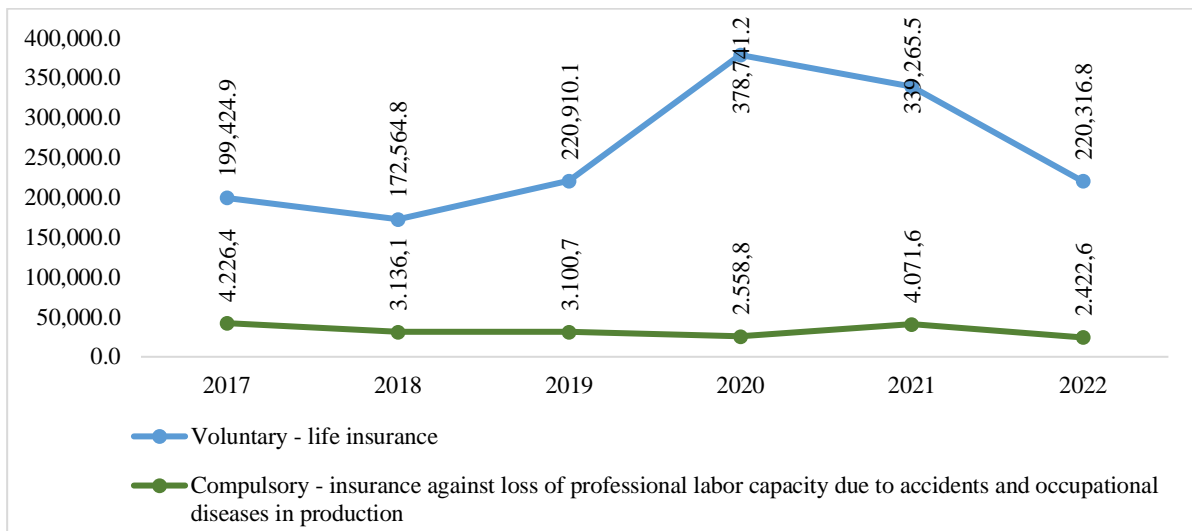


Figure 3. Voluntary and compulsory insurance claims for life insurance, in thousand manats

Source: (CBAR, 2022).

2.2. Density and other indicators of life insurance in Azerbaijan and the world

The life insurance coverage ratio shows the number of premiums collected per capita. It is calculated in the aim of determining how much life insurance actually takes deep root in each country. Azerbaijan (18) surpassed the

neighboring countries Armenia (0) and Georgia (4) in terms of life insurance coverage ratio, only this is not enough. For comparison, let us note prescribed ratio is 41 in Russia, 24 in Turkey, and 23 in Kazakhstan (Figure 4).

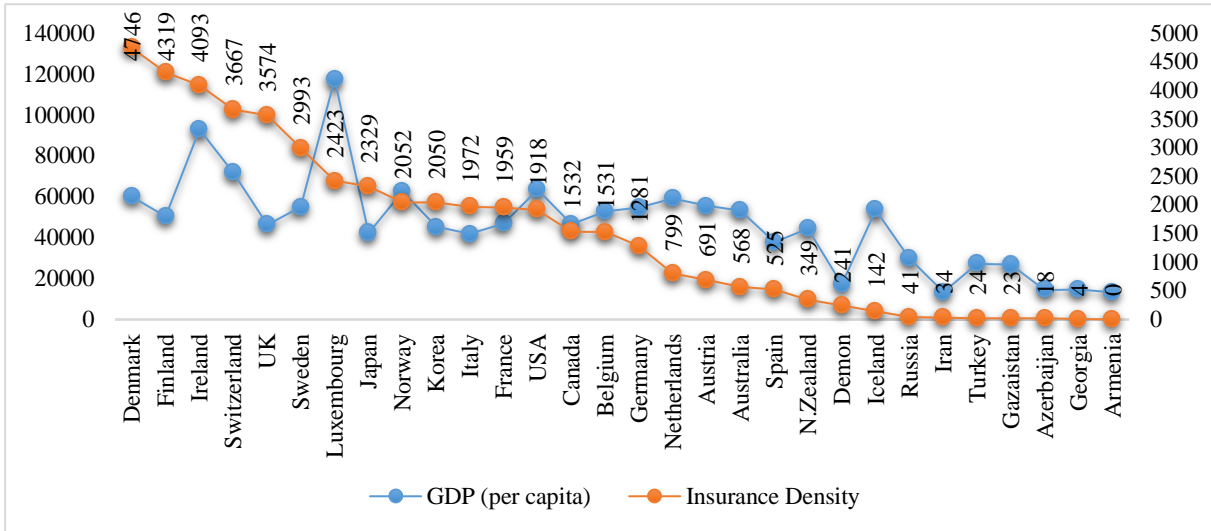


Figure 4. Life insurance coverage density and GDP per capita, 2020 (\$)

Source: (Sigma Re Institute, 2020); (Worldbank, 2020).

The life insurance penetration rate represents usually an expression of the percentage of collected insurance premiums in GDP (Access to Insurance Initiative, 2017). The life insurance penetration rate represents a tool to measure the role of life insurance in the economy of country. The higher the ratio, the higher the share in GDP for this sector. The life insurance penetration rate for Azerbaijan is 0.12%, and with this indicator, it is ahead of a number of neighboring countries, for example, both Turkey and Kazakhstan (0.09%), Georgia (0.03%), Armenia (0%). Azerbaijan is behind only Russia (0.14%) and Iran (0.25%) in the region (Figure 5). It gives thought that thanks to the dynamic reforms that will be carried out in the future, the gap could be easily eliminated.

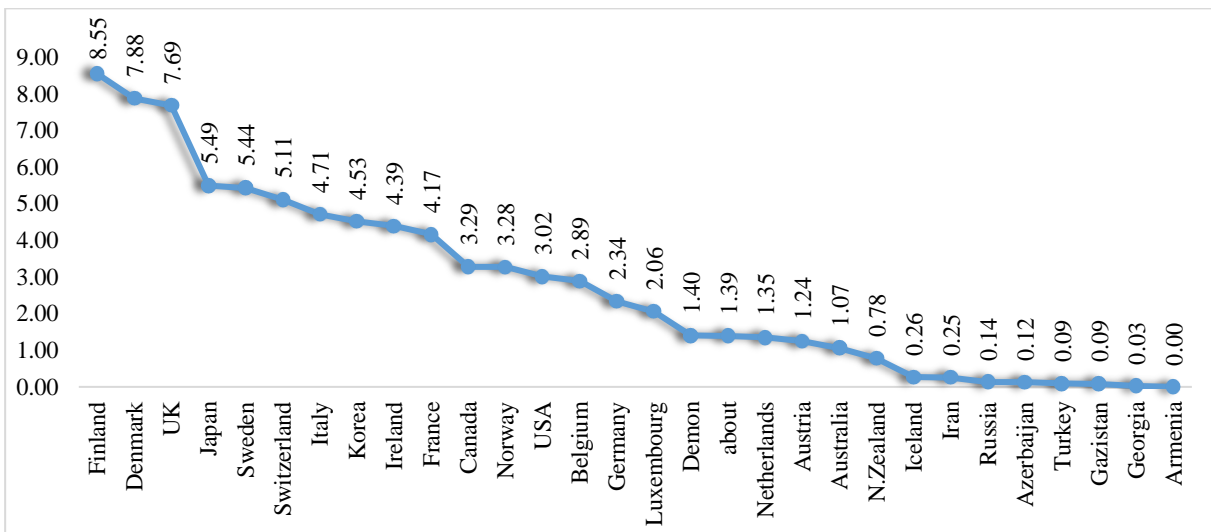


Figure 5. Life insurance penetration rate, 2020

Source: (Sigma Re Institute, 2020); (Worldbank, 2020).

Unfortunately, the insurance market in our country is uncompetitive enough. The Herfindahl-Hirschman index is for to measure market competition (the US Department of Justice, 2018). As we calculated HHI indicator for the

life insurance market, we get a result of 2960 for 2021. It dictates that there is imperfect competition in the local life insurance market (Figure 6).

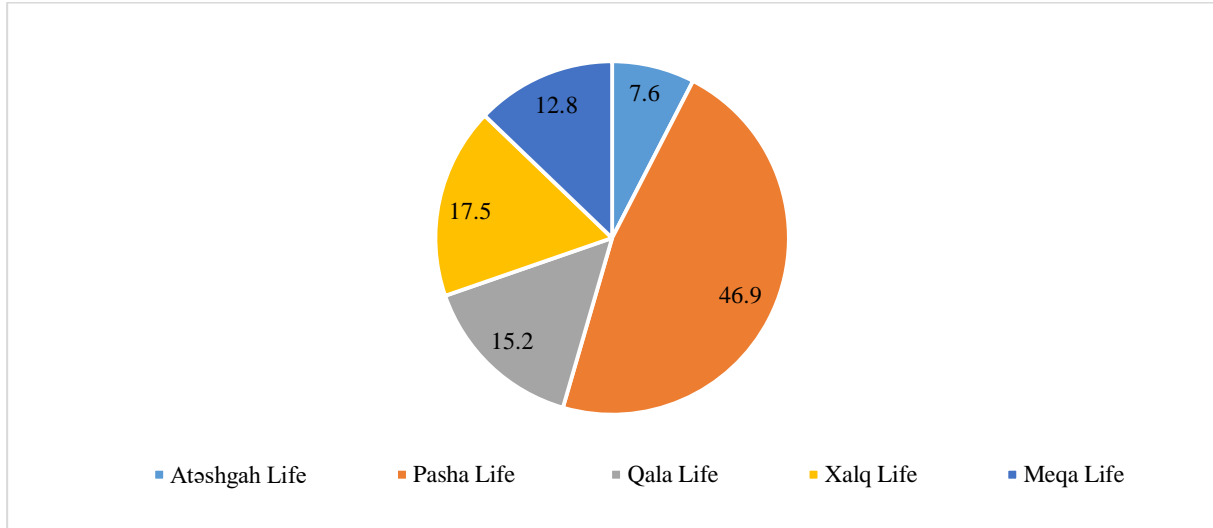


Figure 6. Indicator of market share based on capital, 2021 (%)

Source: (Pasha, 2021); (Gala, 2021); (Xalq, 2021); (Ateshgah, 2021); (Mega, 2021).

Competition in the insurance market is very important as a consequence of insurance companies make various maneuvers to get ahead. In most cases, these maneuvers make benefits to the government and the insured people. One possible proposed idea represents the creation of inclusive insurance products in the current insurance market. In this case, the demand of insurance market is to find investors or get support from the government in a number of issues. For insurers, there is enough potential in this market, with a mass of people who want to be insured (III, 2018).

3. METHODOLOGY

While preparing the article, we have conducted various analyzes between life insurance and social protection indicators, one of which is the regression analysis between insurance premiums and income of the population. Our alternative opinion in the analysis is that as the income of the population increases, they focus on life insurance products and invest by evaluating the future risks as insured.

Regression analysis was conducted based on the indicators of 30 countries, and the result was satisfactory. In the analysis, p-value indicator is considerably smaller than 0.05, which automatically proves alternative opinion (Chart 6). However, we obtained a correlation coefficient (multiple R) of 0.66 and there is a moderate degree of dependence between the two data. Among the standard residuals, no indicators of three or more were found, and this ensures the success of the analysis. There is a positive correlation between the independent variable of population income (x) and the dependent variable of insurance premiums (y).

$$y = f(x) + u \quad (1)$$

$$y = \beta_0 + \beta_1 x \quad (2)$$

$$H_0: \beta_1 = 0 \quad (3)$$

$$H_0: \beta_1 \neq 0 \quad (4)$$

Table 1. Regression analysis between life insurance coverage density and GDP per capita, 2020 (\$)

<i>Regression Statistics</i>	
Multiple R	0,658861
R Square	0,434098
Adjusted R Square	0,413887
Standard Error	1121,682
Observations	30

ANOVA					
	df	SS	MS	F	Significance F
Regression	1	27023651	27023651	21,47853	7,53023E-05
Residual	28	35228777	1258171		
Total	29	62252428			

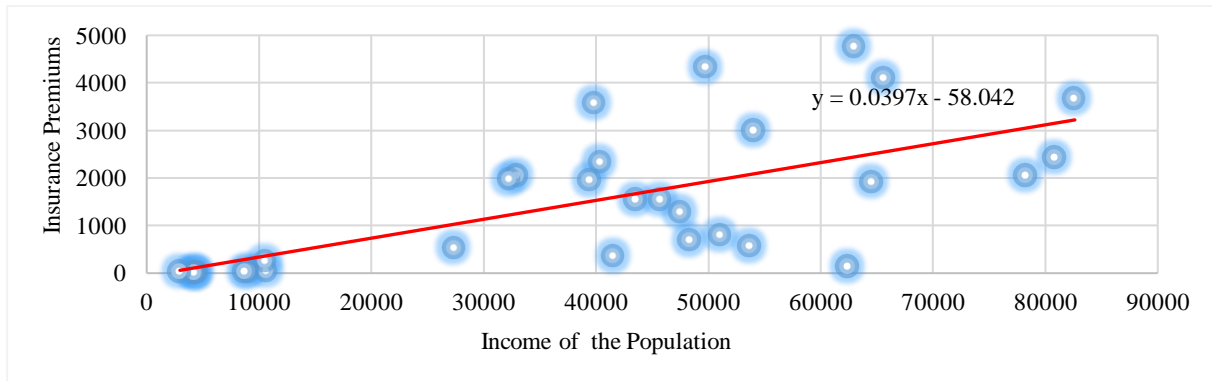


Figure 7. Life insurance coverage density and GDP per capita, 2020 (\$)

Source: (Sigma Re Institute, 2020); (Worldbank, 2020).

Accumulated insurance premiums form extra-budgetary state funds and their importance is considerable. Thus, these funds act as a means of free financial resources collection and redistribution. The investment volume of life insurance companies in the world in 2020 is 4.7 billion dollar (III, 2022). Life insurance companies usually make payments of policyholders in a long-term period, and as a result, the formation of an opinion about the number of payments after 10 years allows them to maneuver in an active investment direction. The concentration of investments represents such that in 2020, 70.24% were bonds, 12.60% real estate and 2.51% stocks (II, 2022). Insurance fees directly and indirectly, that is, reflected in the GDP as investments, lead to an increase in its mass.

The increase in the collection of insurance premiums is positively reflected in the GDP. The correlation dependence between insurance premiums and GDP for 30 countries since 2020 was looked at, and 0.62 was determined, which is considered a moderate dependence (Figure 8).

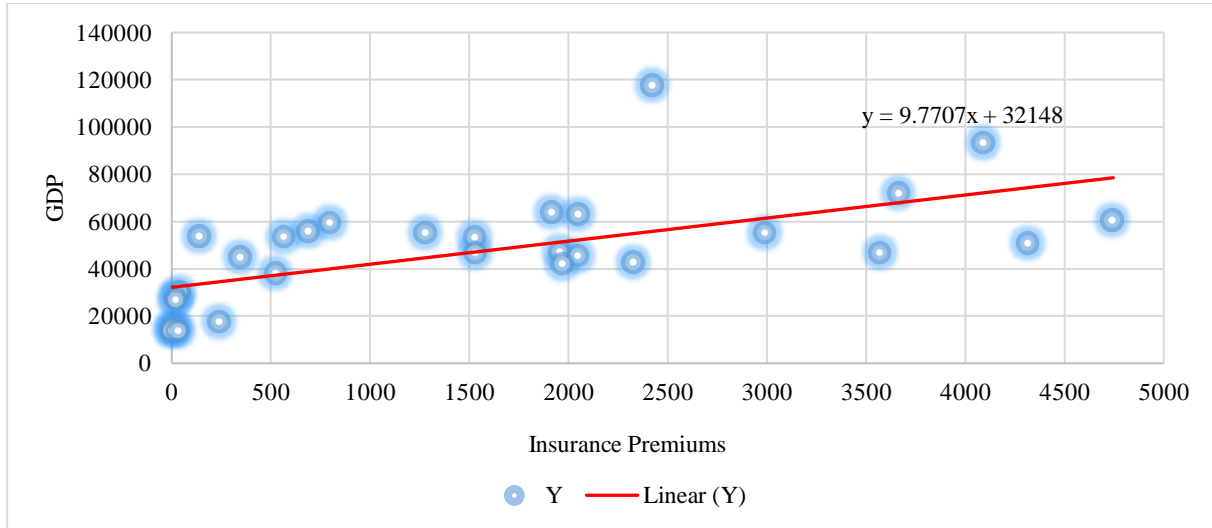


Figure 7. Life insurance coverage density and GDP per capita, 2020 (\$)

Source: (Sigma Re Institute, 2020); (Worldbank, 2020).

A total of 383.11 million manat for life insurance in Azerbaijan in 2021 insurance premiums were collected, the core part of which fell to the share of Pasha (81.7%), Ateshgah (11.5%) and Gala (5%) life insurance companies. Insurance companies of the similar name are ranked in the top three for various payments to the budget (Table 2).

Table 2. Payments of life insurers in Azerbaijan to the budget (mln. ₼, 2021)*

2021	Payments to the budget		Payments to the budget	
Atəşgah Hayat	2,47	23,4 %	44,06	11,5 %
Paşa Hayat	6,32	59,9 %	313,01	81,7 %
Qala Hayat	1,51	14,3 %	19,23	5,0 %
Xalq Hayat	0,20	1,9 %	6,29	1,6 %
Meqa Hayat	0,05	0,5 %	0,52	0,1 %
SUM	10.55		383,11	
<i>Avarage</i>	<i>2.11</i>	<i>20%</i>	<i>76.62</i>	<i>20%</i>

3.1. Ethical Status of the Study

Secondary data were used in this study. For this reason, ethics committee approval was not required.

4. FINDING

In the long term, the development of life insurance can be seen as an investment, especially appreciated in the case of some foreign countries. When individuals on social security appointments want to benefit, their life insurance records are first reviewed. In the US, if a person has life insurance that is eligible for social security benefits, he or she benefits only as a voluntary insured, and his or her state assistance is either directly limited or a partial benefit is paid. In a number of countries in Europe (Spain, Italy, etc.), individuals can be double beneficiaries, as they both receive social benefits or similar assistance from the state, and benefit from voluntary insurance.

In Azerbaijan, we propose to adopt this type of financing method in a hybrid manner. Therefore, if an individual receives a certain amount of support through voluntary insurance, the rest can be paid to the Social Security Fund. Because the transition to direct life insurance financing can seriously damage the livelihood of low-income families, and it takes time for the population to get a guarantee through voluntary insurance and to master this mechanism. A sudden cut-off of state support may cause general dissatisfaction and lead to a shallow (extensive) development of life insurance instead of strengthening it in this market.

* In Table 1, cells with higher than average values are shown in blue, and cells with lower values are shown in pink.

Disability payments under voluntary insurance are many times lower than monthly compensation payments to victims of work injury or occupational disease in corresponding DSMF benefits. In general, in 2021, the labor capacity insurance fees were not collected, and for 2022, 0.8 million AZN insurance fees have been received so far (Central Bank of the Republic of Azerbaijan, 2022). As a rule, benefits due to the loss of the head of the family are given to the families of persons officially registered as unemployed or who are satisfied with informal employment and play the role of a certain burden for the state. If a person works in a formal employment type and prefers the type of life insurance, it qualifies for life insurance. Life insurance is based on the principle of inheritance and after the death of a person, it provides financial support to his family members in two forms, either lump sum or monthly. The allowance provided to civil servants corresponds to life insurance. In this regard, a more liberal approach can be represented from the legal aspect for civil servants. A certain amount of the portfolio intended for them can be transferred to the life insurance company with which the state cooperates under appropriate conditions. For the civil servant, this would be relatively investment-like, and in this case the state could be relieved of the administrative burden and the state could stimulate the market for life insurance. Payments in this category were around 2,080 AZN in 2021 and 1,820 AZN in 2022 (Table 3).

Table 2. Payments by insurance classes and benefits allocated from DSMF (thousands of manats)*

Insurance classes	2017	2018	2019	2020	2021	2022
Voluntary - on life insurance	126 407	949 78.9	121 798	280 441	235 714	157 362
life insurance	124 046	933 66.0	120 548	275 662	231 719	155 446
life insurance against death	235 1	161 2.9	125 0	478 0	396 8	185 8
employment insurance	0	0.0	0	0	0	27
insurance against incurable diseases	10	0.0	0	0	27	30
Compulsory - Compulsory Insurance against loss of professional labor capacity due to accidents and occupational diseases in production	422 6	313 6	310 1	255 9	407 1.6	242 3
GSSF-benefits						
for losing the head of the family	258 5	269 1	312 8	376 0	393 5	434 4
monthly compensation for victims of work injury or occupational disease	100	94	89	87	82	63
to civil servants (for life)	1.9 3	1.89	1.8 4	2.3 5	2.0 8	1.8 2

5. CONCLUSION

The dynamic development of the life insurance market can act as a tool for enhancing the social protection of the population in the country. Life insurance can reduce the burden on the state to a certain extent and turn nuances such as need in people's thinking into a promising investment. After a brief analysis, we have clarified some aspects in which the state can fundamentally intervene in the development of the life insurance market in Azerbaijan. According to our results, improving the legislative and legal framework in certain cases, and adopting stimulating measures in others, can develop the life insurance market and lead to radical changes in the social protection of the population.

We think that life insurance fulfils a sufficient role in strengthening the social protection of the population. As follows, an increase in insurance premiums and payments was observed in the 5-year dynamics of both voluntary insurance and compulsory insurance. The increase in insurance payments is the improvement of the social status of the population, which means that their sense of need and the need for direct assistance from the state melts relatively. If the influence of the state on the life insurance market is from a legal regulatory aspect, then transparency, competitiveness, etc. the further increase of modern market elements is predicted. In certain cases, if the portfolios of citizens in DSMF are entrusted to insurance companies with which the state cooperates, it can

* In order to create an approximate for 2022, insurance premiums collected in January-August are given

stimulate this market and reduce additional administrative costs of the state. As might be expected, in this case, it is substantial to have a sufficiently comprehensive legal basis.

By promising more security, the state can cause the population to become "lazy" in a number of areas, such as employment and other such areas. Low employment can completely damage the habits of individuals such as income generation and investment, savings, and direct them to divert only and only the obtained benefits to consumption. As is known, life insurance is evaluated as an investment in various literatures (Parrish, 2019 and Rojeck, 2019 - p. 60). From this point of view, the development of life insurance can be considered a priority, because it will relieve the state from providing more benefits and individuals will be able to benefit from such services with life insurance at their own expense.

Increasing attention and care to the life insurance market in Azerbaijan can cause effective results in the development of the non-oil sector. We think that the steps gained towards the regulation of the insurance market, the elimination of gaps in the legislation in this field and the modified application of the Solvency II regulation method applied in the European Union countries to our country will be a serious boost to the development of insurance in Azerbaijan. The Solvency II system is considered a sound and robust prudential framework adapted uniquely for insurance companies, unlike other financial institutions (Solvency II overview, 2015). This system promotes comparability of risk-based capital capacity based on the risk profile of each individual insurance company, overall transparency and competitiveness, and most importantly, indirectly protects consumer rights by strengthening insurance companies' market position. In our country, the number of insured persons has increased, and the potential expansion of the market can be observed. The introduction of compulsory insurance in various types of life insurance and the expansion and strengthening of the spectrum of activities can increase the role of the state in the insurance market and at the same time form the figure of a stable insurance provider for citizens. From this point of view, a need for compulsory insurance offers services in various fields in the insurance market, and this is important in the development of the general country's life insurance market.

Based on our research, we have not found a foreign life insurance company in our country. Protecting the local insurance market and imposing significant restrictions on foreign insurers is in addition the accumulation of money and other financial means of insurance funds in the country, which is of great importance for insurers and policyholders in the country's economy. Because these funds, being considered outside the budget, provide the strengthening of the country's economy by being the number of large-scale financial means. This generates conditions for insurers to compete only with local companies and for the collected funds to remain within the borders of the country. It supports the policyholders from foreign insurers taking advantage of their rights by taking advantage of the loopholes of the law, bearing in mind that insurance is a relatively new field of activity in Azerbaijan and there are foreign-based insurance companies specializing in insurance in this field. From the research, we once again found the development of the insurance market could result in economic prosperity, and there is a long way to go for Azerbaijan in this direction, that is, there is work to be done.

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