

The Development of Liability Accounting in Insurance Companies Based on International Standards

Khaliqnazarova Gulnaz Jalgasbay qizi

PhD student of Tashkent State University of Economics, Uzbekistan

Sultamuratova Dilfuza Gayratovna

Student of the Nukus branch of Samarkand State University of Veterinary Medicine, Livestock and Biotechnology, Uzbekistan

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Abstract: This study examines the development of liability accounting in insurance companies based on international financial reporting standards, particularly IFRS 17, with reference to Uzbekistan's regulatory framework. It highlights the transition from traditional accounting methods to current value-based measurement, including risk adjustments and contractual service margins. Furthermore, the role of national legislation and presidential reforms in supporting the adoption of international standards is analyzed. The findings show that modern approaches improve transparency, comparability, and financial stability, despite implementation challenges.

Keywords: Liability accounting; insurance companies; IFRS 17; international financial reporting standards; insurance liabilities.

Introduction: The transformation of liability accounting in insurance companies represents one of the most significant developments in modern financial reporting. In the context of increasing globalization, financial integration, and regulatory convergence, the need for transparent and consistent accounting systems has become particularly urgent. Therefore, the evolution of liability accounting should not be viewed merely as a technical improvement, but rather as a comprehensive institutional process shaped by both international standards and national legal frameworks. In this regard, the experience of Uzbekistan provides a highly illustrative example of how global accounting principles are gradually incorporated into domestic legislation and regulatory practice.

At the theoretical level, liability accounting in insurance companies is fundamentally different from liability recognition in other sectors. This is primarily due to the stochastic nature of insurance obligations, which depend on uncertain future events such as mortality,

accidents, or natural disasters. Consequently, liability measurement requires not only accounting expertise but also actuarial modeling, probability theory, and financial mathematics. Thus, the development of liability accounting reflects a broader shift from static, historical accounting models toward dynamic, forward-looking frameworks [9, 31-47].

From a legal perspective, the foundation of insurance regulation in Uzbekistan is established by the Law of the Republic of Uzbekistan "On Insurance Activity" (No. ZRU-730, 2021). Notably, this law plays a dual role. On the one hand, it defines the institutional structure of the insurance market, including licensing requirements, regulatory oversight, and the protection of policyholders' rights. On the other hand, it creates a normative basis for the integration of international standards by explicitly recognizing the priority of international agreements over national legislation. Therefore, this provision serves as a legal bridge between domestic regulatory systems and global accounting frameworks [1].

Moreover, the law introduces several key concepts that are essential for modern liability accounting. For instance, the inclusion of reinsurance and coinsurance mechanisms reflects the diversification and distribution of risk, which directly affects the measurement of liabilities. In addition, the emphasis on prudential regulation strengthens the link between accounting and financial stability. Furthermore, the requirement for qualified financial professionals, particularly chief accountants, enhances the reliability and consistency of accounting practices.

However, despite the importance of legislative foundations, the real acceleration of accounting reform in Uzbekistan has been driven by presidential initiatives aimed at aligning the national economy with international standards. In particular, the Presidential Resolution No. PQ-4611 marked a decisive turning point by mandating the transition to International Financial Reporting Standards (IFRS) for large enterprises, including insurance companies. As a result, the adoption of IFRS became not merely a recommendation but a regulatory requirement [2].

Consequently, the implementation of IFRS, and especially IFRS 17 "Insurance Contracts," has significantly transformed liability accounting practices. Unlike previous approaches, which relied on historical cost and fragmented methodologies, IFRS 17 introduces a comprehensive and unified measurement model. This model is based on the concept of current fulfillment value, which incorporates expected future cash flows, risk adjustments, and the contractual service margin. Therefore, liability accounting becomes more reflective of economic reality and more responsive to changes in market conditions [7, 1-14].

In addition, the adoption of IFRS has led to a fundamental change in the timing and recognition of profit. Under the new framework, profits are not recognized at the inception of the contract but are instead distributed over the coverage period. This approach reduces the risk of premature profit recognition and enhances the credibility of financial statements. Furthermore, the use of discounting techniques ensures that long-term liabilities are measured in present value terms, thereby improving the accuracy of financial reporting.

At the same time, subsequent presidential resolutions have reinforced the institutional environment necessary for the effective implementation of international standards. For example, Resolution No. PP-4412 focused on the structural reform of the insurance market, emphasizing the need for transparency, competition, and financial sustainability [3]. Similarly, Resolution No. PP-5265 introduced

digitalization measures, which play a crucial role in modern accounting systems by enabling real-time data processing and advanced actuarial analysis [4].

These reforms are particularly important because they address not only the technical aspects of accounting but also the broader infrastructure required for its implementation. Indeed, without digital systems and reliable data, the application of complex standards such as IFRS 17 would be practically impossible. Therefore, digital transformation can be seen as a necessary precondition for the modernization of liability accounting.

Furthermore, recent policy initiatives, such as the Presidential Decree No. UP-223 on agricultural risk insurance, illustrate the expanding scope of the insurance sector in Uzbekistan. This development introduces new categories of risk, including climate-related and environmental risks, which must be incorporated into liability measurement models. Consequently, liability accounting becomes increasingly complex and requires more sophisticated analytical tools [5].

In parallel, Uzbekistan is gradually adopting elements of international regulatory frameworks such as Solvency II, which emphasize risk-based supervision and capital adequacy. Importantly, these frameworks are closely linked to accounting practices, as accurate liability measurement is essential for determining solvency ratios and capital requirements. Therefore, the convergence of accounting and regulatory systems represents a key trend in the development of the insurance sector.

Nevertheless, despite these significant achievements, several challenges remain. First, the implementation of IFRS requires substantial investments in human capital, including the training of accountants, actuaries, and auditors. Second, the complexity of international standards may create barriers for smaller insurance companies, which may lack the necessary resources and expertise. Third, the use of forward-looking estimates introduces a degree of subjectivity, which may affect comparability across companies.

However, it is important to emphasize that these challenges are not unique to Uzbekistan but are characteristic of all countries undergoing accounting reform. Moreover, they should be viewed as transitional issues rather than permanent obstacles. Over time, as institutional capacity improves and professional expertise develops, the effectiveness and consistency of liability accounting are expected to increase significantly.

From a strategic perspective, the integration of international standards into Uzbek legislation reflects a

broader commitment to economic modernization and global integration. In particular, the adoption of IFRS enhances the transparency and credibility of financial reporting, thereby attracting foreign investment and facilitating access to international capital markets. Furthermore, improved liability accounting contributes to the stability of the insurance sector, which plays a crucial role in risk management and economic resilience.

In a broader theoretical context, the evolution of liability accounting can be interpreted as part of a paradigm shift in financial reporting. Whereas traditional accounting emphasized historical accuracy and compliance, modern approaches prioritize relevance, transparency, and decision usefulness. Consequently, liability accounting is no longer merely a record-keeping function but has become a critical component of financial analysis and strategic management.

CONCLUSION

In conclusion, the development of liability accounting in insurance companies based on international standards is closely intertwined with legislative reforms and institutional transformations in Uzbekistan. Through the adoption of the Law "On Insurance Activity," the implementation of IFRS under Presidential Resolution PQ-4611, and the introduction of sector-specific reforms, the country has made substantial progress toward aligning its accounting system with global standards. Although the transition process involves certain challenges, the overall trajectory is clearly oriented toward transparency, efficiency, and integration into the global financial system. Therefore, the continued harmonization of national legislation with international standards will remain a decisive factor in the sustainable development of Uzbekistan's insurance industry.

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