

Uzbekistan Insurance Market: Targeted Development Indicators and General Insurance Market Analysis

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Annotation.: As is generally known, insurance relations and insurance services occupy the special place in development of world economy. The incremental analysis of indexes of having a special purpose insurance market development is therefore important. In the article the indexes of having a special purpose insurance market of Uzbekistan development are analyzed in the future their classification. In addition, correlation of having a special purpose index is studied for passing ahead insurance market of Uzbekistan development, and on the basis of this cross-correlation analysis drawn conclusion, the closeness of correlation is certain.

Keywords: insurance companies, insurance services, insurance market integration, level of development, insurance premium

1. Introduction.

In the current context of rapid globalization, the socio-economic role of the insurance market in society is growing. Further development of the financial market in our country, expansion of coverage of clients with quality financial services, support of insurance activities, guaranteed and consistent implementation of protection of the interests of consumers in the sector are provided.

Although the scientific work of economists of our country provides quantitative and qualitative indicators of the development of the insurance market, it is observed that the insurance relationship is not sufficiently studied as a whole through systematic research. In particular, insurance activity is a means of financing the damage (loss) that a person may suffer from insurance events such as work capacity, health, life, property, liability [1].

Today, the stability of the world economy is inextricably linked with the process of integration. It is worth noting that this process, like all sectors of the economy, covers the insurance sector.

The analysis of modern development traditions of the insurance market shows that the quantity and quality of coverage of insurance services provided in them vary. Therefore, accelerating the integration of insurance markets in countries with different levels of development is unlikely to yield the expected results in the future. Proof of this can be seen in the fact that the EU insurance market is not as efficient as expected in the example of Southeast European insurance market integration [2].

It should be noted that both theoretical and practical research aimed at ensuring the rapid development of the national insurance market, the introduction of new types of insurance services in high demand, increasing consumer confidence in the insurance market based on the study of targeted development indicators of the insurance market and their correlation is relevant.

2. Literature review

Analysis of the insurance market development G.Dickinson, A.Carl, R.Carter, T.Levitt, T.Merfi it is worth noting that Murphy, L.Turrow, M.Fernandes, O. Futterknext, G.Chernova and other economists are covered in scientific developments. It should also be noted that the work of scientists such as N.Adamchuk, I.Zhuk, I.Kotlobovsky, N.Kuznetsova, J.Pisarenko, K.Turbina, R.Yuldashev focuses on the management of services provided by the insurance market of developed and developing countries. The analysis of these works is studied in detail in the doctoral work of J.V.Pisarenko [3].

"The insurance market is a whole system of dialectical integrity of the internal system and the external environment. They work together and interact with each other. The internal system is fully managed by the insurer. The external system or external environment consists of elements that can be controlled by

the insurer and elements that cannot be controlled. In this case, the external environment surrounds and limits the internal system” [4].

“In the legal system of control, the state gives a legal form to certain requirements. Insurance companies must comply with these requirements, and the role of the supervisory body is to monitor compliance with these rules” [5].

Insurance is also a separate licensed activity, provided by a specially authorized body and maintained. “The license is issued to the insurer for voluntary and compulsory personal insurance, property insurance, liability insurance and reinsurance, indicating the specific types of insurance” [6].

In her dissertation, A.R.Mustafina elaborated on the development of the insurance market in the context of globalization and the role of insurance services in it by scientists such as A.Kyose, J.Peyhun, S.Prasad, U.Hokans, R.Sharma [7].

Some issues of targeted development of the insurance market of the Republic have been studied by economists H.Sobirov, T.Iminov, M.Mirsodikov, H.Shennaev, T.Baymuratov, I.Abdurahmonov, A.Nurullaev, S.Sherov and others. can be found in S.Sherov’s doctoral dissertation [8].

The essence of the insurance market, its development factors and management, in particular, the improvement of insurance relations and services, has been partially studied in the scientific developments of these economists.

An analysis of the relevant literature shows that while the insurance market is an integral part of the financial market, insurance relations are one of the foundations of the public financial system. There are different views on this, for example, M. Gossob studied the problems of insurance coverage from the point of view of probability, and proposes a modification of Arrow’s proposals in the classical literature to find a solution to this problem [9]. Yu.M.Makhdieva and M.G.Makhdiev propose to consider insurance services as a commodity [10]. Development of insurance activity in the economy of the Republic insurance is based on the following:

- risk minimization;
- guaranteed protection of consumers and the state from unforeseen contingencies;
- Despite the accumulated scientific experience and targeted research on the development of the insurance services market globally and regionally, to assess the opportunities for the development of the national insurance market, to determine the prospects, to develop a unique solution.

3. Research methodology.

Economic research methods such as data collection, analysis, synthesis, and logical thinking have been widely used to enhance the position of insurance companies in the financial market of the country.

4. Analysis and discussion of results.

The insurance market of Uzbekistan is also the most promising financial market in the country in terms of its potential.

Only if this market lags behind the requirements of the economy: the coverage of various insurance services, which are internationally relevant (for example, life insurance classes (types)), the role of insurance in the investment process, which is the main source of income, is not in demand. This situation is explained by the fact that the capitalization of insurance companies, as well as the share of insurers in the reinsurance market is not high enough.

Thus, insurance is a relationship of protection of legal entities and individuals, insurance premiums (contributions) of state entities at the expense of funds collected from the funds of the insured, taking into account the occurrence of certain insured events.

Insurers are insurance organizations and societies established on the basis of the legislation of the Republic of Uzbekistan, which carry out insurance and reinsurance activities on the basis of a license. Legal entities and individuals who have concluded contracts with insurance companies are the insured. The activity of insuring and reinsuring the insured is called insurance activity. The insurance system depends on the improvement of the legal framework, the effectiveness of the state’s financial and monetary policy, the quality of control over insurance activities and the reliability of insurance companies.

The main purpose of insurance activity is to protect the property and various activities of legal entities and individuals, which must perform the following functions:

- pursuing a unified state policy in the field of insurance;
- Establishment of insurance principles and formation of the insurance mechanism ensuring economic security of citizens and economic entities of the Republic.

In order to make insurance activity more significant among the population in our country, it is expedient to establish the following insurance services:

- life insurance, which provides for protection up to a certain age or, presumably, guaranteed protection against an insured event;
- marriage insurance;
- pension insurance;
- insurance against various diseases and accidents;
- health insurance;
- vehicles;
- cargo insurance;
- agricultural insurance (crop insurance, crop insurance, animal insurance);
- property insurance of legal entities and individuals;
- liability insurance;
- business risk insurance;
- financial risk insurance and others.

As of January 1, 2021, a total of 46 insurance companies have been licensed in the country to carry out insurance activities [11].

According to the New Frontier of the United Kingdom, the Insurance Penetration Rate, which is determined by the ratio of total insurance premiums to GDP, is 6.35% worldwide [12], in Uzbekistan, the figure is only 0.4% [13].

In the world, per capita insurance premiums amounted to 847 euros, while in Uzbekistan this figure is 6 euros. This means that the coverage of this service remains low. The leader among the countries of the world belongs to Hong Kong, where the insurance premium is 7.5 thousand euros per capita, and the minimum is 5 euros, which belongs to the state of Nigeria.

The main problems in the insurance relationship in the country are the refusal to pay insurance coverage, the use of digital technologies in the provision of insurance services is not at the required level, the price of the insured object is determined by mutual agreement, the insurer is obliged to pay coverage, no alternative dispute resolution etc.

It is these problems, various disagreements between stakeholders, that contribute to the tension in the relationship and, ultimately, to the growing distrust of the insurance company.

Table 1

Targets for the accelerated development of the insurance market of Uzbekistan, As of 2018-2022 [14]

Over the years	2018	2019	2020	2021	2022
Assets of insurance companies	2,5	3,0	3,6	4,3	5,2
Types of insurance services	105	115	135	155	175
Number of regional divisions	1450	1500	1580	1660	1740
The amount of insurance premium per capita	50,0	65,0	88,0	114,0	148,0
The share of insurance services in GDP	0,4	0,5	0,6	0,7	0,8

A factor that further strengthens the role of insurance in the economic and social life of the country is the introduction of compulsory insurance. Compulsory insurance provides contractual insurance protection in the event of liability for damage to the life, health and property of certain persons, other persons. This is a social function of compulsory insurance. Economically compulsory insurance increases the premium income of insurance companies and ensures that insurance enters the economic and social life of the country. The following figure shows the financial analysis of insurance premiums and insurance payments of the largest companies operating in the insurance market of the Uzbekistan (Figure 1).

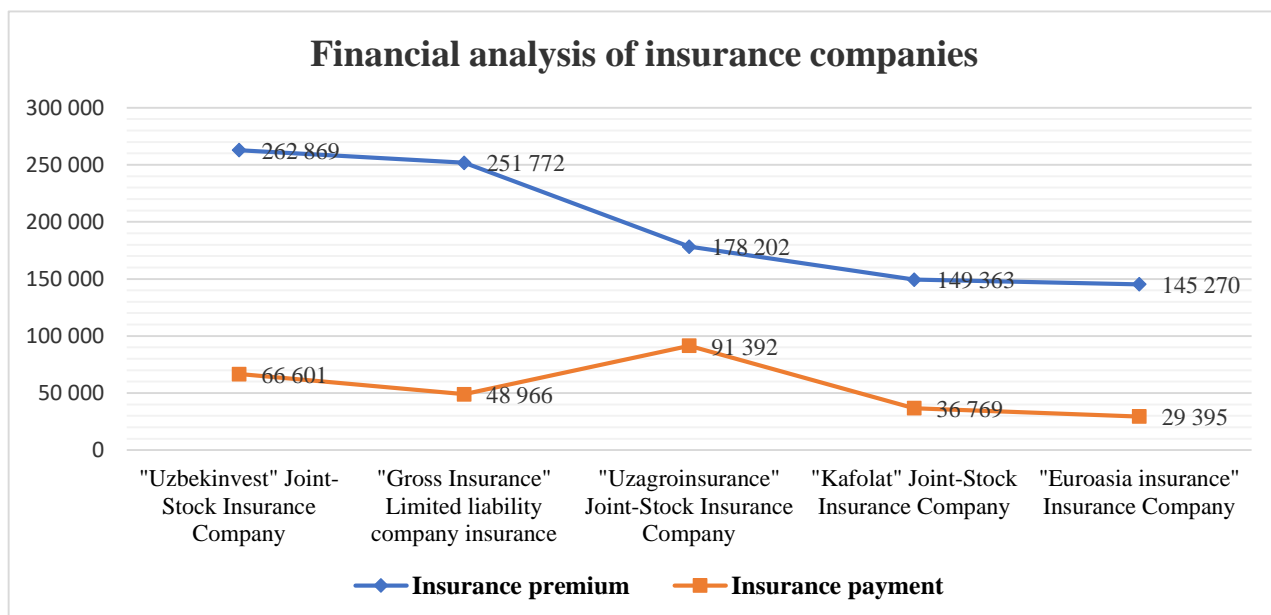


Figure 1. Financial analysis of insurance companies operating in the Republic of Uzbekistan Top-5 as of 2021 (in million soums) [15]

The results of the above analysis show that in the Uzbek insurance market, the insurance company “Uzbekinvest” JSC has 262,869.20 million soums in insurance premiums. The company’s current charter capital is 282.2 billion soums. At the same time, on December 5, 2019, the international rating agency Moody’s Investors Service (USA) officially announced that the national insurance company Uzbekinvest has increased its financial stability from “B1” to “Ba3” with a “Stable” outlook.

Today, there are 30 insurance companies in the country, 24 of which specialize in general insurance and 6 in life insurance. As of January 1 this year, the total assets of insurance companies amounted to 2.5 trillion. The total authorized capital amounted to 534 billion soums. The analysis shows that a number of problems have arisen in the field of radical reform of the industry by improving the quality, scope and diversification of insurance services.

The results of the study of the implementation of the Law “On Insurance Activity” in the Ministry of Finance by the Committee on Budget and Economic Reforms of the Senate of the Oliy Majlis clearly prove this.

In particular, the work carried out by the ministry in accordance with the requirements of the law, despite the measures taken, there are still many issues that need to be addressed in this area. In particular, the current state of the insurance market does not meet the requirements of the ongoing reforms, and the needs of the population and entrepreneurs in this service remain unmet.

Table 2

Indicators of the general insurance market of the Republic of Uzbekistan by regions as of 2021 (in million soums) [16]

Nu.	Regions	Insurance premiums		
		31.12.2020	31.12.2021	Change,%
Common		1 879 346	2 996 541	+59,4%
1.	The Republic of Karakalpakstan	48 678	135 843	+179,1%
2.	Andijan region	73 641	108 373	+47,2%
3.	Bukhara region	80 555	100 871	+25,2%
4.	Jizzakh region	44 677	47 748	+6,9%
5.	Kashkadarya region	65 318	114 547	+75,4%

6.	Navoi region	48 337	67 963	+40,6%
7.	Namangan region	68 800	81 805	+18,9%
8.	Samarkand region	79 814	98 412	+23,3%
9.	Surkhandarya region	49 813	63 896	+28,3%
10.	Syrdarya region	43 557	49 671	+14,0%
11.	Tashkent region	161 952	124 694	-23,0%
12.	Fergana region	87 981	120 788	+37,3%
13.	Khorezm region	53 968	72 096	+33,6%
14.	Tashkent city	972 254	1 809 834	+86,1%

In the table above, we can see the insurance premiums by region. The data in the table suggest that the insurance market in the country has grown significantly in 2021 compared to 2020, while the results of growth are expressed in percent and million soums. According to the table, Tashkent region, which is in a sharp regression in terms of insurance premiums in 2021, and the city of Tashkent are listed as the region with the highest insurance premiums.

This indicates the high incidence of insurance accidents in Tashkent region, as well as the low level of insurance culture among the population.

One of the main reasons for this is the limited number of employees of the Insurance Supervision Inspectorate under the Ministry, who mainly keep statistics. As a result of insufficient information on insurance activities in the regions, the population’s confidence and understanding of insurance is not fully formed. This has a negative impact on the growth of the industry’s share in GDP and the financial stability of companies (Diagram 2).

The share of insurance premiums in GDP

■ Uzbekistan ■ Western Europe ■ Asia ■ Russian ■ Kazakhstan

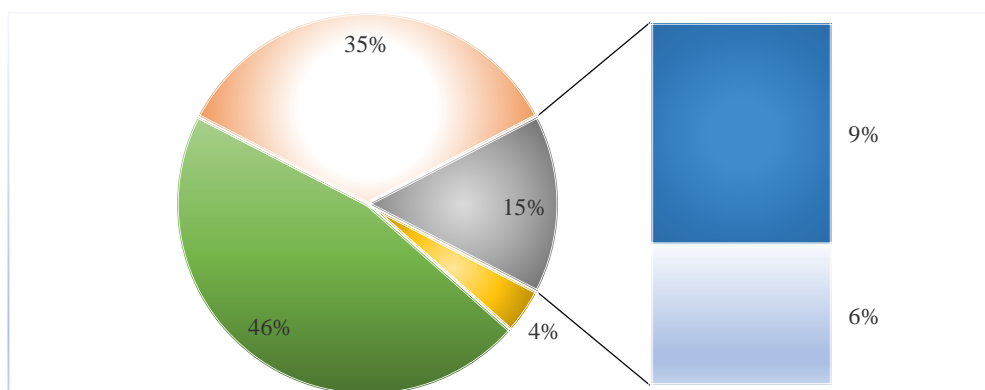


Diagram 1. Share of insurance premiums of foreign countries in GDP 2022 y. (in percent) [17]

The law “On Insurance Activity”, adopted 15 years ago, does not fully meet today’s requirements. In particular, certain types of compulsory insurance have been introduced on the basis of government decisions and are not regulated by law. In addition, the lack of involvement of large international insurance and reinsurance companies in the country’s insurance market, as well as the incomplete implementation of international norms, standards and principles of the International Association of Insurance Supervisors and financial reporting and accounting is an obstacle for medium-sized companies to obtain international ratings.

5. Conclusions and suggestions.

Further reform of the national insurance market and its rapid development, introduction of new types

of insurance services in high demand, increase consumer confidence in the insurance market, as well as reform of the insurance market in accordance with the State Program for the implementation of the Action Strategy on five priorities and the following rapid development:

- improving the regulatory framework in the field of insurance, including the consistent introduction of international standards and recommendations, as well as best international practices in this field;
- institutional development of activities aimed at ensuring the stability of this market through the application of effective mechanisms of regulation and prudential control;
- increase the level of capitalization, solvency and financial stability of professional participants of the insurance market, optimize the structure of their assets, as well as the development of investment activities of insurers;
- development of the insurance market infrastructure on the basis of activating the activities of insurance brokers, improving the system of insurance agents, introducing bank insurance mechanisms, as well as increasing the role of professional participants in the insurance market in general;
- strengthening the protection of the rights of consumers of this service and the subjects of insurance relations, increasing public confidence in insurance, ensuring the transparency of the insurance market;
- increase the volume and variety of insurance services provided through the introduction of innovative insurance products and the development of traditional products in high demand;
- extensive use of modern information technologies in the field of insurance, active development of electronic forms of insurance services;
- improving the system of training, retraining and advanced training of specialists in the field, the use of modern methods of education in the field of insurance, targeted incentives for research activities;
- the main directions are to form and maintain a positive image of the national insurance market and increase its investment attractiveness, including through the integration of the national insurance market with international and foreign insurance markets [18].

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