



Article

Analysis of Current Issues and Development Perspectives of the Insurance Market in Uzbekistan

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Abstract: This scientific paper is dedicated to analyzing the current issues of the insurance market in Uzbekistan to identify ways to address them, as well as examining the prospects for the development of the insurance sector in the national economy. The article provides a critical overview of the current state of the insurance market, highlighting the main problems hindering its development. Additionally, the authors present practical measures and step-by-step strategies for effectively overcoming the identified problems and determining the prospective directions for the development of the insurance sector in Uzbekistan in the future.

Keywords: insurance, insurance market, development problems, solutions, prospective directions, development strategies

1. Introduction

The development of the insurance market plays a crucial role in the economic stability and social protection of a state. Despite government reforms and the growth of key indicators in recent years, Uzbekistan's insurance sector faces numerous challenges that hinder its development and negatively impact the country's economic dynamics.

This article analyzes the insurance services market in Uzbekistan to identify the main issues that obstruct the stable development of this sector in the country. The primary goal of this research is to determine effective solutions for the existing problems in Uzbekistan's insurance market and to identify promising directions for future development.

The authors do not only highlight the current issues in the insurance services market but also provide specific practical solutions with detailed descriptions, including the advantages of certain methods. Additionally, the study helps identify key prospective directions for more effective development of the insurance sector in the near future.

Research Objective.

The purpose of this article is to analyze the insurance market of Uzbekistan in order to identify the main problems and ways to solve them, as well as to determine promising directions for the development of this sector in the future.

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Research Tasks.

To achieve this goal, the following tasks have been defined within the framework of this research:

- Identify the main problems of the insurance market in Uzbekistan at the present stage.
- Find effective solutions to the current problems.
- Determine promising directions for the development of the insurance market in Uzbekistan in the future.

Research Object.

The object of the research is the insurance market of Uzbekistan, including its individual components and aspects.

Research Subject.

The subject of the research is the insurance market of Uzbekistan with the aim of identifying existing problems, as well as determining ways to solve them and promising directions for the development of the insurance sector in the future.

Research Methods.

The research methods used include the analysis of the current state of the insurance services market in Uzbekistan to identify the main problems and find practical solutions, as well as forecasting methods to determine priority areas for development.

Scientific Novelty.

The scientific novelty of this research lies in the analysis of the current state of the insurance market in Uzbekistan with a focus on the main problems that hinder the development of this sector, the study of methods to eliminate them, and the identification of ways to develop the insurance market in the future.

Practical Results of the Research.

The results of this research, obtained from the analysis of the main problems of the insurance sector in Uzbekistan, including practical methods, can be applied to improve the state of the insurance services market and ensure its further stable development.

Content of the Main Research Provisions

Despite government reforms in state regulation and the growth of key indicators in recent years, Uzbekistan's insurance services market continues to face numerous problems that negatively impact the development of this sector in the country's economy.

One of the key factors contributing to the underdevelopment of the insurance services market in Uzbekistan is **the extremely low level of public interest in insurance services**. The main reasons for this phenomenon include:

- **Low trust rate in insurance organizations.** Many people believe that insurance companies do everything possible to avoid paying compensation when insured events occur.
- **Lack of financial literacy.** A significant portion of Uzbekistan's population views purchasing an insurance policy as an unnecessary expense, undermining interest in insurance services.
- **Misunderstanding of insurance terms.** Often, when obtaining insurance policies, clients do not thoroughly read the terms of the insurance contract, leading to disputes when claims arise.
- **Unjustified denials of insurance claims by insurance organizations.** The reduction and delayed payment of compensation decrease public trust in insurance companies.

One proposed solution to the trust issue, suggested by the head of the Department of Insurance Market Development at the National Agency for Prospective Projects of the Republic of Uzbekistan, O.O. Fayziyev, is the creation of a rating system for insurers based on consumer trust levels. This tool is intended to be widely publicized in the media to strengthen public trust in insurance companies.

Additionally, plans include the implementation of minimum standards for the operations of insurance organizations and procedures for providing insurance services to ensure broader coverage of the population. As part of these measures, insurance companies will be required to provide clients with detailed information about services and insurance terms to raise public awareness of insurance mechanisms in Uzbekistan.

To address the problem, measures to improve the overall financial literacy of the population may also be adopted. This task can be achieved by conducting seminars and webinars for a broad audience, allowing a significant portion of the population to be reached. Such events offer an opportunity to learn about the basic aspects of insurance, including its benefits, terms, and the process

of obtaining insurance payouts.

Another significant barrier to the development of the insurance market is **the absence of healthy competition among insurance organizations**. Currently, insurance companies employ various practices in providing their services, including:

- Returning a large portion of the insurance premium as rewards (up to 80%);
- Offering services at very low rates, among other strategies.

These methods result in the diversion of financial resources into the informal sector, which negatively impacts the country's economy as a whole and reduces the volume of tax revenues flowing into the state treasury.

To address the issue of the lack of healthy competition among insurance organizations, the following measures can be implemented:

- **Introducing strict regulations and oversight by regulatory authorities.** Regulators should establish clear rules and standards for the provision of insurance services to prevent unfair competition and illegal practices.
- **Digitalization of the insurance services market.** Digitalizing the operations of insurance organizations will ensure transparency and increase the accessibility of services for clients, improve service quality, and reduce both time and resource costs for insurance companies and their clients.

Unfortunately, the digitalization of the insurance market in the Republic of Uzbekistan remains at a low level. This, in turn, negatively affects the population's access to insurance services. According to statistics, at the end of 2023, despite the mandatory nature of some types of insurance services, only 7.2% of employers, 8.6% of carriers, 1.8% of hazardous facilities, and 9.2% of construction and installation works were insured¹.

One of the solutions for low rate of digitalizing of the insurance market could be the creation of online platforms where the population can purchase insurance policies that meet their needs, selecting key parameters (term, insured events, and others). The first of such innovative projects is «Sug'urta bozor». This startup represents an online marketplace for insurance services, featuring reliable insurance companies offering their services at competitive rates. Clients can choose suitable tariffs and insurance companies that meet their needs. Currently, the platform offers digitalized insurance services such as CMTPL (compulsory motor third-party liability insurance), comprehensive car insurance, and travel insurance. Additionally, insurance companies can perform remote vehicle inspections and scoring, eliminating paperwork, reducing time costs, and protecting against fraud.

To accelerate the digitalization process of Uzbekistan's insurance market, the following steps are planned:

- **Mandatory electronic registration of insurance contracts (including reinsurance) and issuance of insurance policies in a unified information system.** This will eliminate routine paper reporting, create a unified database for recording and processing information, and ensure data accuracy, facilitating more informed decisions for market development.
- **Implementation of a system to identify individuals whose mandatory insurance policies have expired.** The integration of insurance company databases with those of tax and customs committees, as well as other state agencies, is planned for effective monitoring and control.
- **Simplification, automation, and gradual transition to forming insurers' reports in a unified information system.** This will ensure faster and more efficient information exchange between authorized bodies and insurance companies.
- **Implementation of an automated system to monitor insurance organizations' activities to detect regulatory violations and consumer rights breaches.** This will enhance transparency and the effective functioning of the insurance market, strengthening public trust in insurance companies.

Considering the aforementioned issues, the insurance services market in Uzbekistan currently faces several obstacles hindering its development. Systematic resolution of these problems can open new prospects for sector growth and positively impact the country's economic dynamics.

One of the most relevant directions for developing the insurance market in Uzbekistan is the **digitalization of services**. This process has numerous advantages, including:

- **Increased accessibility of services.** Digitalization makes insurance products and services more accessible to a wide range of the population. Online platforms and mobile applications allow clients to

¹ Interview with the Head of the Insurance Market Development Department of the Republic of Uzbekistan, Fayziyev O.O. – Spot. – Tashkent, 15.11.2023.

explore various types of insurance and purchase policies anytime and from anywhere, enhancing convenience and flexibility for consumers.

- **Improved service quality.** The introduction of digital technologies enhances the quality of customer service. Automation of processes, chatbots, and online consultations enable quick and efficient responses to customer inquiries, speeding up the application review process and improving the overall service experience.
- **Optimization of business processes.** Digitalizing insurance services allows companies to optimize their business processes. The implementation of digital management systems automates routine operations, reducing the time and costs of execution while increasing accuracy and efficiency.
- **Enhanced analytics and forecasting.** Digitalization also enables insurance companies to collect and analyze large volumes of data on clients and risks. This facilitates more accurate risk assessment, fairer pricing, and market trend forecasting.

The digitalization of insurance services in Uzbekistan will broaden the population's coverage, driving further development of insurance organizations, increasing their profitability and significance in the national economy. Another promising direction for the development of the insurance market in Uzbekistan is **the expansion of the range of insurance services**. This will enable the following:

- **Satisfy diverse customer needs.** Expanding the range of insurance services will allow insurance companies to offer clients a broader selection of products that cater to their individual needs, providing comprehensive protection against various risks.
- **Attract new categories of clients.** The introduction of new types of insurance can attract new customer segments who previously did not consider insurance as a means of protecting their interests.
- **Increase insurance companies' revenues.** Expanding the range of insurance services allows insurance companies to diversify their portfolios and increase revenue sources. New types of insurance can attract additional premiums, contributing to overall revenue growth.
- **Enhance competitiveness.** Offering a wide range of insurance products enables insurance companies to improve their competitiveness in the market. Clients tend to choose companies that offer the most comprehensive and suitable insurance, so expanding the range of services can help attract new clients and retain existing ones.

In developing Uzbekistan's insurance market, it is also essential to consider the social aspects. Among other priority areas, special attention should be given to **the establishment of a state medical insurance system**. The advantages of implementing a state medical insurance system include:

- **Financial protection.** A state medical insurance system will provide financial protection to citizens in the event of illness or injury, covering the costs of medical treatment, medications, and rehabilitation. This will help reduce the financial burden on families and lower out-of-pocket healthcare expenses.
- **Efficient resource utilization.** A state medical insurance system will allow for the efficient use of healthcare resources, optimizing expenses and increasing the accessibility of medical services.
- **Stimulation of healthcare development.** The implementation of a state medical insurance system will stimulate the development of healthcare, including the construction of new medical facilities, modernization of equipment, and enhancement of healthcare professionals' skills.

The implementation of a medical insurance system for the population will not only accelerate the development of the insurance market but also positively impact the overall well-being of the country's population. Additionally, it will help reduce state expenditure on social welfare, making the process more efficient.

Besides the medical insurance system, one of the key directions for developing the insurance sector, as outlined in the «UZBEKISTAN – 2030» strategy, is **the organization of a system for compensation payments due to occupational accidents through a guaranteed social insurance system**. This approach offers several advantages that can significantly impact the socio-economic development of the country. Primarily, it ensures effective social protection for workers and their families, minimizing financial losses due to accidents and providing funds for rehabilitation and support. This approach also helps reduce the financial burden on employers by eliminating significant expenses related to compensation and medical care. Moreover, guaranteed social insurance can stimulate economic development by strengthening the confidence of workers and their families in the future, thus enhancing labor motivation and social stability, which positively impacts the country's overall economic indicators.

Another strategic objective outlined in the «UZBEKISTAN – 2030» Strategy is **the reorganization of the insurance system for agricultural products and livestock by establishing a separate guaranteed payment fund for farmers**. Additionally, the strategy includes partial

reimbursement of up to 50% of insurance premiums for participants in this sector. These measures aim to mitigate financial risks associated with agricultural activities, including adverse weather conditions, livestock epidemics, and other factors. Creating a guaranteed payment fund will provide reliable protection for agricultural enterprises against potential financial losses. Furthermore, reimbursing insurance premiums will reduce the financial burden on agricultural entities and encourage them to actively utilize insurance mechanisms. These steps will not only ensure the financial stability of agricultural enterprises but also contribute to increasing agricultural production.

The implementation of a state medical insurance system and other social programs mentioned in the «UZBEKISTAN – 2030» Strategy represents a significant step towards creating a stable and prosperous social environment in the country. These measures are aimed at protecting citizens' interests, increasing the accessibility of medical services, mitigating financial risks for families and businesses, and stimulating the development of key economic sectors. They ensure social security and promote sustainable economic growth, which is a crucial element of strategic planning and reform in Uzbekistan. The main goal of these initiatives is to improve the quality of life for the population and increase the overall level of well-being in the country.

Therefore, the insurance market in Uzbekistan has multiple vectors for future development. However, the primary focus should be on addressing existing issues, particularly the digitalization of the insurance market, expanding the range of services offered, and improving service quality. These directions are considered priorities because each of them provides opportunities for the accelerated growth of the insurance sector in the national economy and enhances the competitiveness of companies in the market.

Conclusion

The insurance market in Uzbekistan currently faces numerous challenges that require special attention for comprehensive resolution. These issues impede the stable growth of this sector and have a negative impact on the entire financial system of the country.

Addressing the current problems in Uzbekistan's insurance sector necessitates a systematic analysis and the implementation of comprehensive strategies aimed at eliminating negative aspects, enhancing oversight of insurance companies' activities, improving market development incentive mechanisms, and elevating the professional qualifications within the industry. Additionally, a range of other initiatives will be essential. Such a holistic approach will enable the resolution of pressing issues and ensure the sustainable and efficient development of the insurance sector in the context of the country's overall economic growth.

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