

ANALYSIS OF THE DEVELOPMENT OF THE INSURANCE MARKET IN UZBEKISTAN

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Annotation. This article analyzes the current state of the insurance market of Uzbekistan, the dynamics of the insurance market and the activities of leading insurance companies in the period 1997-2023, and also develops scientific and practical proposals and recommendations for the development of the insurance market.

Keywords: insurance, digitalization, insurance premium, insurance reserves, types of insurance, financial protection, risk.

Аннотация. В данной статье анализируется современное состояние страхового рынка Узбекистана, динамика страхового рынка и деятельность ведущих страховых компаний в период 1997-2023 гг., а также разрабатываются научно-практические предложения и рекомендации по развитию страхового рынка.

Ключевые слова: страхование, цифровизация, страховая премия, страховые резервы, виды страхования, финансовая защита, риск.

The insurance services market in Uzbekistan is becoming an increasingly important segment of the financial sector of the national economy. Therefore, the issues of its development in line with modern trends not only in Uzbekistan but also in the global economy are highly relevant.

The significance of insurance for the national economy is substantial, which determines the urgency of studying its operations and addressing its challenges, including its sustainability, strengthening, and efficient development, considering the most critical trends for the progress of society as a whole.

As of the end of 2023, 38 insurance companies were operating in the Uzbek insurance market, of which 7 specialized in life insurance. However, not all of these companies are active participants in the market; the market share of insurance premiums of 7 insurers was less than 1%. In recent years, the pricing of insurance services has been determined solely by market conditions. This has led to insufficiently justified pricing of insurance services, driven by new insurers' desire to increase their market share.

Since 2016, the key indicators of Uzbekistan's insurance market have shown a growth trend. The average annual nominal growth rate of gross written insurance premiums between 2016 and 2023 was 215%. Notably, during this period, the average annual nominal growth rate of the country's gross domestic product (GDP) was 126.9%. A

comparative analysis of the nominal growth rates of GDP and gross written insurance premiums shows that from 2014 to 2020, the growth rate of gross written insurance premiums consistently outpaced GDP growth. However, in 2020, the nominal growth rate of gross written insurance premiums was 95.5%, compared to 113.4% for GDP. According to the rating agency S&R Global Ratings, the impact of the COVID-19 pandemic was the main factor affecting the negative growth indicators of insurance premiums in 2020.

Between 2010 and 2016, the high growth rate of premium revenues was achieved primarily due to mandatory insurance types such as OSAGO and OSGOR. However, between 2018 and 2023, the growth rate was driven by socio-economic reforms initiated in Uzbekistan under the leadership of President Shavkat Mirziyoyev. These reforms aim at fundamentally transforming the economy.

The liberalization of currency policy, the increase in lending volumes, and the growth of investments in housing and infrastructure construction have led to an increase in demand for insurance services and the emergence of new types of insurance products.

The most important macroeconomic indicator of the insurance market is the ratio of total insurance premiums to gross domestic product (GDP). In European Union countries, the average insurance premium-to-GDP ratio is around 8%, while in Latin America, Eastern Europe, and African countries, it ranges between 2% and 5% [2]. In Uzbekistan, this indicator has ranged from 0.32% to 0.5% in recent years. As of the end of 2023, the share of insurance premiums in GDP reached 0.76% (Figure 1).

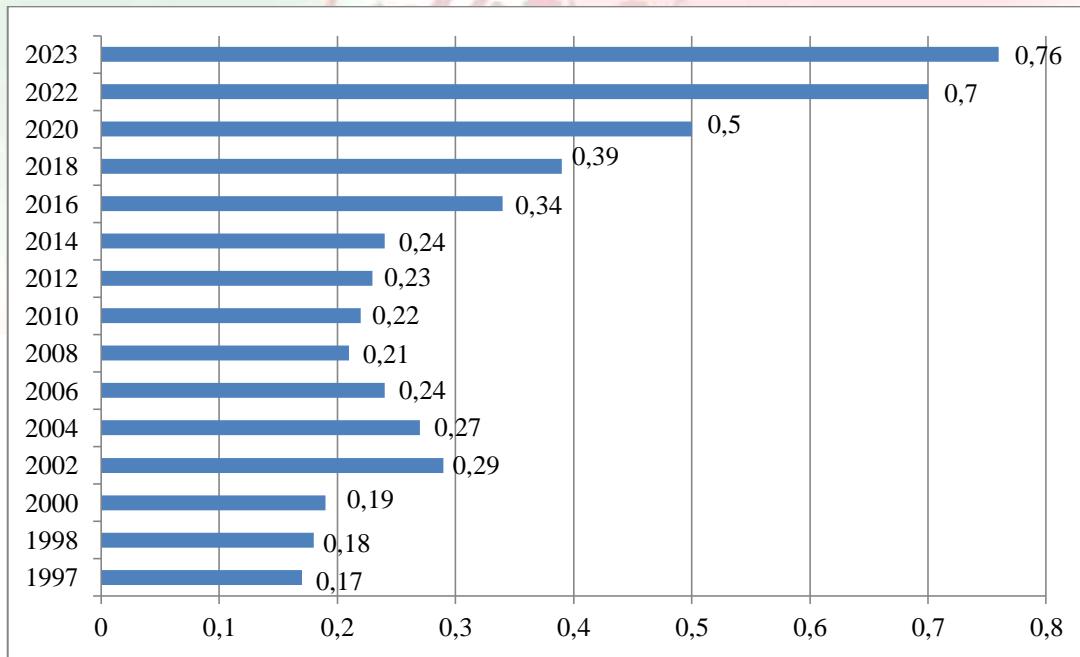


Figure 1. Share of Gross Insurance Premiums in GDP (Percentage) [3]

At the same time, in developing markets, the average per capita insurance expenditure is approximately \$150, with 54% allocated to life insurance premiums and 46% to general insurance. In European Union countries, the average annual per capita insurance expenditure is around \$3,000, while in Latin America and Eastern European countries, it



ranges between \$200 and \$600. In countries like the United States and Canada, it exceeds \$4,000 per year. As of the end of 2023, the per capita insurance premium in Uzbekistan amounted to only 173,000 UZS (slightly over \$15), whereas in 2019, this figure stood at 51,290 UZS, and in 2015, it was 17,570 UZS.

An analysis of the loss ratio (the ratio of insurance claims paid to insurance premiums collected) in the general insurance sector from 1998 to 2023 reveals highly uneven dynamics (Figure 2). Such fluctuations in this indicator may suggest either high-quality underwriting by insurance companies or a policy aimed at minimizing claim payouts. Some companies have a loss ratio of less than 2%, meaning that for every 100 UZS in insurance premiums collected, less than 2 UZS is paid out in claims.

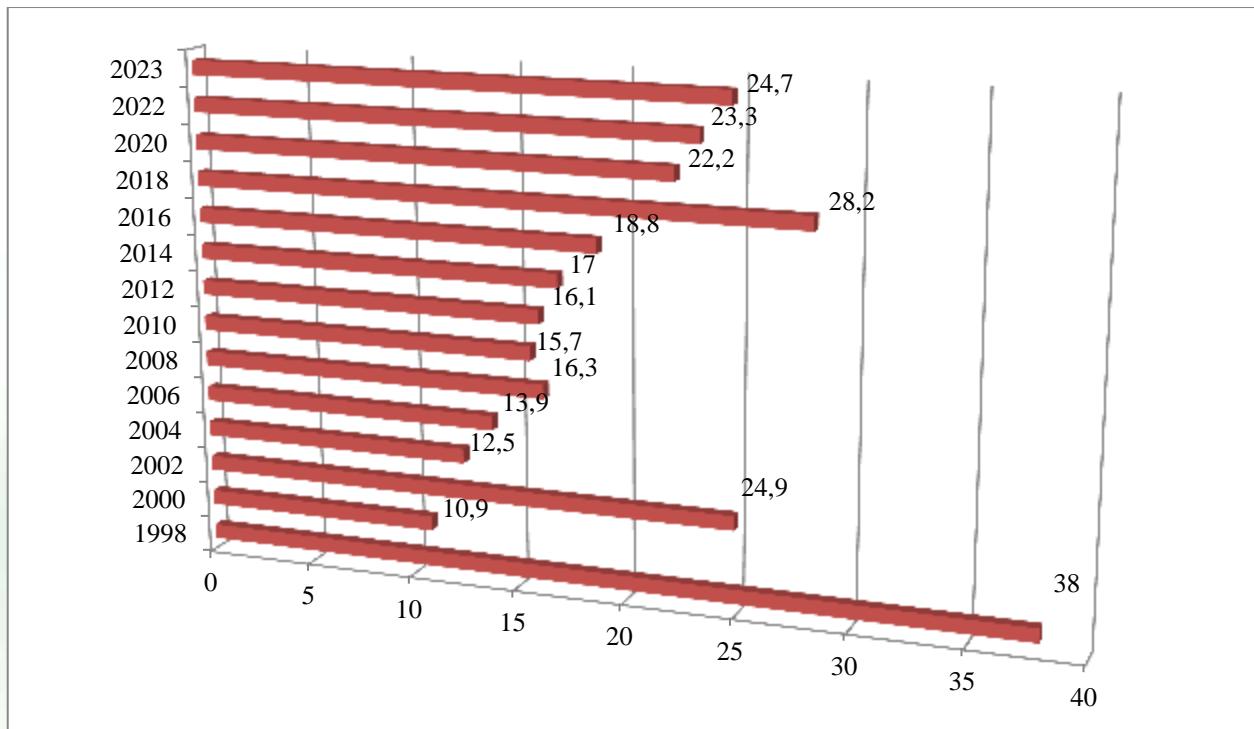


Figure 2. Dynamics of the Loss Ratio in the General Insurance Sector (Percentage) [4]

An analysis of the distribution of gross insurance premiums among insurance companies in the general insurance sector indicates that the general insurance market has a low level of monopolization. This is also confirmed by the Herfindahl-Hirschman Index, which is used to measure market concentration and stood at 5.8% in 2023.

State-owned insurance companies have remained market leaders for several years, but their influence on the country's insurance market has been gradually declining. Notably, between 2017 and 2023, the total market share of state-owned companies in the general insurance sector decreased by 1.5 times.

In developed countries, an insurance market is considered competitive from a monopolization perspective when the majority of total insurance premiums are generated by ten or more competitors. At the same time, the largest company's share should not

exceed 31% of total insurance premiums, the top two companies' combined share should not exceed 44%, the top three companies' share should be within 54%, and the top four companies' combined share should remain below 64%. The current state of Uzbekistan's insurance market meets these criteria (Table 1).

Table 1. Leading Companies by Market Share in the General Insurance Sector (2017–2023) [5]

№	Company name	Market share, %						
		2017	2018	2019	2020	2021	2022	2023
1	"Apex Insurance" JSC	-	0,004	2,3	6,4	6,1	12,3	26,4
2	"Uzbekinvest" EISK JSC	14,1	14,1	16,5	14,0	10,1	12,0	15,1
3	"Kafolat" JSC	8,7	8,7	8,7	8,0	5,8	5,4	8,5
4	"My Insurance" JSC	-	-	2,3	5,4	6,1	4,1	5,8
5	"Gross inshurans" JSC	8,8	8,8	12, 8	13, 4	6,5	4,6	5,7
6	"Kapital sug'urta" JSC	2,7	3,4	2,7	2,6	3,3	2,7	3,0 1
7	"KAFIL SUG'URTA" JSC	1,4	1,6	2,3	2,7	3,1	2,3	3,0
8	"ASKO-VOSTOK" JSC	1,4	1,7	1,8	1,9	2,0	2,6	2,9
9	"INSON" JSC	1,7	1,8	1,9	2,0	1,7	2,3	2,7
10	"ALSKOM" JSC	1,2	1,5	1,6	1,7	1,8	2,4	2,5

Although the insurance market demonstrates stable growth rates, insurance has not yet secured its place as a key system for protecting the property interests of individuals and business entities. Its further development requires implementing several measures to expand digitalization and improve its regulatory, legal, and organizational foundations.

The following proposals have been put forward for the development of Uzbekistan's insurance market:

developing and implementing a large-scale State Program aimed at increasing public insurance awareness, including a three-year intensive advertising and marketing campaign;

creating reliable, modern, and digitized insurance products tailored to the interests of small and private business entities;

conducting targeted digital marketing of insurance services;

introducing nationwide incentives to encourage the development of modern insurance products;

developing and implementing comprehensive measures to digitize the insurance business based on policyholders' needs, as well as transitioning the majority of customer service operations to an online format;

establishing clear, transparent, and strict regulations for insurance companies to fulfill their obligations, and enforcing strict penalties in case of non-compliance. Additionally, creating effective mechanisms for policyholders to protect their rights and ensure that their claims are addressed efficiently.

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