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DEVELOPMENT OF INSURANCE SERVICES IN UZBEKISTAN BASED ON FOREIGN EXPERIENCE

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ABSTRACT

This article examines the development of insurance services in Uzbekistan through the lens of advanced foreign experience. Insurance services are an essential component of a modern financial system because they protect households and businesses from economic shocks, mobilize long-term savings, support investment activity, and strengthen overall financial stability. In Uzbekistan, the insurance market has been developing gradually; however, its potential remains underutilized due to limited voluntary insurance demand, insufficient public trust, weak product diversification, low insurance culture, and the incomplete integration of digital technologies.

KEYWORDS*: Insurance Market, Insurance Services, Voluntary Insurance, Insurtech, Risk Management, Financial Inclusion.*

INTRODUCTION

In the contemporary global economy, insurance services play a strategic role in maintaining financial resilience, protecting economic agents against uncertainty, and transforming accumulated premiums into long-term investment resources. Unlike many other financial institutions, insurance companies perform a dual function: on the one hand, they compensate policyholders for unexpected losses; on the other hand, they act as institutional investors by accumulating and allocating long-term funds in the economy.

For Uzbekistan, the development of insurance services is particularly important in the context of economic modernization, private sector expansion, growth of household incomes, and increasing exposure of businesses to market risks. A well-functioning insurance market can reduce the financial vulnerability of households, support entrepreneurship, improve the stability of credit and investment activities, and decrease the fiscal burden on the state in responding to certain social and economic shocks.

At the same time, the national insurance market faces several structural challenges. Voluntary insurance products are not yet sufficiently popular among the population and small businesses. Insurance is often perceived as a compulsory payment rather than as a financial protection instrument. In addition, digital insurance services, customer-oriented products, actuarial risk assessment, and long-term life insurance products remain areas requiring further development. Therefore, the study of foreign experience is essential for designing a more effective model for developing insurance services in Uzbekistan.

LITERATURE REVIEW

Foreign academic literature considers insurance market development as a key factor of financial deepening, risk redistribution and economic growth. Outreville emphasized that insurance markets in developing economies are closely linked with income levels, financial sector development and institutional quality [1]. This approach is relevant for Uzbekistan because the demand for insurance services depends not only on the availability of insurance products but also on household income, financial literacy and trust in financial institutions.

Ward and Zurbruegg examined the relationship between insurance and economic growth in OECD countries and found that the effect of insurance on growth differs depending on institutional and market conditions [2]. Their findings show that insurance market development cannot be achieved only through the expansion of companies or products; it requires stable regulation, effective supervision, and consumer confidence.

Arena analyzed industrialized and developing countries and demonstrated that both life and non-life insurance may contribute to economic growth by promoting risk transfer and financial intermediation [3]. This is important for Uzbekistan because non-life insurance can support business continuity and property protection, while life insurance can generate long-term savings and investment resources.

Recent studies also highlight the importance of digital transformation in the insurance sector. Eling and Lehmann argue that digitalization affects the whole insurance value chain, including product design, underwriting, policy distribution, claims settlement and customer communication [4]. Similarly, the European Insurance and

Occupational Pensions Authority notes that digital tools allow consumers to compare offers, accelerate claims processing and improve access to insurance and pension products, although digital exclusion and misinformation remain important risks.

From a regulatory perspective, the International Association of Insurance Supervisors emphasizes the importance of effective supervision, policyholder protection and risk-based regulation. The IAIS Insurance Core Principles are widely used as international standards for sound insurance supervision, while the Insurance Capital Standard provides a globally comparable risk-based capital framework for internationally active insurance groups. These standards are relevant for Uzbekistan in strengthening solvency requirements, risk management, corporate governance and consumer protection.

The European Union's insurance market is characterized by strong regulatory supervision, consumer protection and prudential requirements. The Solvency II framework introduced risk-based capital regulation, which requires insurance companies to hold capital according to the risks they undertake. This approach helps improve financial stability and protects policyholders from insurer insolvency.

The European experience also demonstrates the growing role of digitalization. According to EIOPA, consumers increasingly use digital tools to compare insurance offers, manage products and expect faster claims processing. At the same time, regulators pay attention to risks related to digital exclusion, unfair pricing, misleading information and algorithmic discrimination.

For Uzbekistan, this experience suggests that digital insurance should not be developed only as a technological innovation. It must be accompanied by consumer protection rules, transparent contract terms, clear disclosure standards and mechanisms for resolving customer complaints.

Germany has one of the most developed insurance markets in Europe. Its experience is important because insurance services are deeply integrated into household financial planning, business risk management and social protection. German insurers offer a wide range of products, including health insurance, property insurance, liability insurance, life insurance and pension-related insurance.

The key lesson from Germany is that insurance market development depends on long-term institutional trust. Consumers are more likely to purchase voluntary insurance when they believe that insurance companies are financially stable and claims will be paid fairly. Therefore, Uzbekistan should prioritize transparency, solvency supervision, customer rights protection and public disclosure of insurer performance.

The United Kingdom is known for its advanced insurance market, especially through the London insurance market and Lloyd's. The UK experience is valuable because it combines traditional insurance with innovation, specialized risk coverage and global reinsurance capacity. In recent years, InsurTech solutions have expanded in areas such as digital underwriting, telematics-based motor insurance, online distribution, automated claims processing and parametric insurance.

For Uzbekistan, the UK model shows the importance of innovation-friendly regulation. Regulatory sandboxes, pilot projects and partnerships between insurers and technology companies can help introduce new insurance products while controlling risks. This is especially relevant for developing online insurance platforms, mobile applications and simplified insurance products for small businesses.

Japan's insurance market is particularly strong in life insurance. Life insurance companies play an important role in mobilizing household savings and investing them in long-term financial instruments. The Japanese experience demonstrates that life insurance can serve not only as a protection instrument but also as a savings and investment mechanism.

For Uzbekistan, this experience is significant because the national insurance market is still dominated by short-term and compulsory insurance products. Developing life insurance, pension-related insurance and savings-based insurance products could help mobilize long-term domestic resources and strengthen the role of insurance companies as institutional investors.

South Korea has actively integrated digital technologies into financial services, including insurance. Online sales channels, mobile applications, digital identity systems and data-based risk assessment have helped expand insurance access and improve service quality. The South Korean model also shows that digital transformation requires strong technological infrastructure and high digital literacy among consumers.

Uzbekistan can use this experience by developing electronic policies, online claims registration, remote customer identification, and integrated databases between insurers, banks, healthcare providers and public institutions.

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However, such reforms should be implemented gradually, considering cybersecurity, personal data protection and public readiness.

For emerging economies, inclusive insurance and microinsurance are especially important. The World Bank emphasizes that insurance can help low-income households and micro, small and medium enterprises recover from shocks such as natural disasters, illness or loss of income. The World Bank's insurance market development approach also highlights the role of insurance in supporting national development goals and reducing vulnerability.

This experience is highly relevant for Uzbekistan, where small businesses, farmers and low-income households may not be able to afford traditional insurance products. Microinsurance, agricultural insurance, health-related insurance and simplified business risk insurance can expand coverage and make insurance more inclusive.

The first problem is the limited development of voluntary insurance. Many individuals and businesses purchase insurance only when it is legally required. This indicates that insurance culture and financial awareness remain insufficient.

The second problem is the low level of product diversification. Traditional insurance products dominate the market, while life insurance, health insurance, agricultural insurance, liability insurance, export insurance and microinsurance are not yet fully developed.

The third problem is the lack of trust between insurers and customers. Complicated contracts, limited understanding of exclusions, delays in claims settlement and insufficient transparency may reduce public confidence in insurance companies.

The fourth problem is the incomplete digital transformation of the insurance sector. Although digital services are expanding, online insurance platforms, automated claims settlement, digital risk scoring and integrated databases still require further development.

The fifth problem is the limited role of insurance companies as institutional investors. In advanced economies, insurance companies are major investors in government securities, corporate bonds and infrastructure projects. In Uzbekistan, this function remains underdeveloped due to the limited scale of long-term insurance products.

Table 1. Foreign Experience and Its Application to Uzbekistan

Country	Key experience	Relevance for Uzbekistan
European Union	Risk-based supervision, consumer protection, digital disclosure	Strengthening solvency control and policyholder protection
Germany	High insurance culture and institutional trust	Improving transparency and claims payment discipline
United Kingdom	InsurTech, regulatory sandbox, specialized insurance markets	Developing innovation-based insurance products
Japan	Life insurance and long-term savings mobilization	Expanding life and pension-related insurance products
South Korea	Digital insurance platforms and integrated data systems	Introducing e-policies, online claims and digital underwriting
Emerging markets	Microinsurance and inclusive insurance	Expanding affordable insurance for households, farmers and MSMEs

This table shows that Uzbekistan should not mechanically copy foreign models. Instead, international experience should be adapted to national institutional capacity, consumer behavior, digital infrastructure and income levels.

First, Uzbekistan should strengthen consumer trust in insurance services. This requires transparent insurance contracts, clear explanation of exclusions, fast claims settlement and public reporting on claims payment indicators.

Second, voluntary insurance products should be expanded. Special attention should be paid to life insurance, health insurance, property insurance, business risk insurance, agricultural insurance and export insurance. These products should be simple, affordable and adapted to the needs of different population groups.

Third, digital insurance infrastructure should be developed. Electronic policies, mobile applications, online claims registration, remote verification and automated payments can reduce transaction costs and improve customer experience.

Fourth, insurance companies should be encouraged to become long-term institutional investors. For this purpose, life insurance and savings-based insurance products must be developed, while investment regulations should allow insurers to invest safely in capital market instruments.

Fifth, insurance services should be linked with financial literacy programs. Schools, universities, banks, insurance companies and mass media should jointly explain the practical value of insurance for households and businesses.

Sixth, the regulatory framework should gradually move toward risk-based supervision. International standards such as IAIS Insurance Core Principles can serve as a methodological basis for improving solvency control, corporate governance and market conduct supervision.

CONCLUSION

The development of insurance services in Uzbekistan is a necessary condition for strengthening financial stability, protecting households and businesses from economic risks, and mobilizing long-term investment resources. Foreign experience shows that successful insurance market development requires a combination of strong regulation, consumer trust, digital transformation, diversified products, financial literacy and institutional investment capacity.

The European Union demonstrates the importance of risk-based supervision and consumer protection; Germany highlights the role of institutional trust and insurance culture; the United Kingdom shows the value of InsurTech and innovation-friendly regulation; Japan provides useful lessons on life insurance and long-term savings; South Korea illustrates the potential of digital platforms; and emerging markets demonstrate the importance of inclusive and microinsurance products.

For Uzbekistan, the main priority should be to move from a predominantly compulsory insurance model toward a diversified, voluntary, customer-oriented and digitally enabled insurance market. Such a transformation will increase the role of insurance in the national economy, support private sector development, strengthen social protection, and improve the resilience of households and enterprises against financial shocks.

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