

## Insurance Market of Uzbekistan and its Impact on Financial Stability

No'monjonova Shokhsanam Muzaffarovna

*Gulistan State University, Faculty of digital economy and innovation, A student of economics*

**Abstract:** This article analyzes the current state of the insurance market of the Republic of Uzbekistan, its development trends, and its impact on the country's financial stability. Normative and legal frameworks, development problems, and prospects in the field of insurance were studied.

**Key words:** insurance market, financial stability, insurance companies, risk management, financial protection, macroeconomic analysis, economy of Uzbekistan, investments, innovative development.



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### INTRODUCTION

In the modern economic system, the insurance market plays an important role in managing financial risks and ensuring the financial protection of society. The development of the insurance sector in the Republic of Uzbekistan is being implemented as an integral part of the process of transition to a market economy.

Insurance activity is important in ensuring the financial stability of economic entities, attracting investments, and effective distribution of capital. Also, the funds collected by insurance companies are directed as investments in the real sector of the economy and increase the stability of the financial system.

The legal basis of the insurance market in Uzbekistan was created by the Law "On Insurance Activities" adopted in 1999. President of the Republic of Uzbekistan Sh. On August 2, 2019, Mirziyoyev, in the decision No. PQ-4412 "On measures to reform the insurance market of the Republic of Uzbekistan and ensure its rapid development": "The Ministry of Finance of the Republic of Uzbekistan together with the "El-Yurt Umid" foundation for training specialists abroad and communicating with fellow citizens ensure that education, training and internship in organizations are organized on a systematic basis by the established procedure."<sup>1</sup> which started a new stage in the development of the field.

<sup>1</sup> President of the Republic of Uzbekistan Sh. On August 2, 2019, Mirziyoyev, in the decision No. PQ-4412

Currently, the role of the insurance market and its impact on financial stability in the conditions of stable development of the country's economy and integration into international financial markets require in-depth study.

The main types of services provided by insurance companies to citizens and entrepreneurs are as follows:

- ✓ Insurance of vehicles;
- ✓ Medical insurance;
- ✓ Cargo insurance;
- ✓ Mortgage insurance;
- ✓ Property insurance and others.

### Analysis and results:

According to the report for the end of 2019, 7,401,287 contracts were concluded by 40 insurance companies, or 112.0 percent compared to the same period in 2018. The total amount of insurance for the republic (Table 1) is 690,462.7 billion. Was 15.6% or 93,012.4 billion soums compared to 2018. increased to soums. The share of voluntary insurance is 68.0 percent (469,250.7 billion soums), while 32.0 percent (221,212.0 billion soums) is compulsory insurance.

In 2019, the income from insurance premiums was 2138.8 billion. Amounted to soum. Of this, voluntary insurance is worth 1,832.1 billion. Sums (85.7 percent of the total amount), compulsory insurance 306.7 billion. Sums (14.3 percent). In 2019, the total amount of insurance payments was 808.6 billion. Amounted to soum. This indicator is 442.8 billion in the same period of 2018. amounted to soum.

Insurance is carried out based on property or personal insurance contracts concluded by a citizen or legal entity (insured) with an insurance organization (insurer).

**Table 1. Main indicators of the activities of insurance organizations in the republic<sup>2</sup>**

| Indicator name                            | Number of signed contracts (units) | Insurance amount | Insurance premium income | Insurance payments |
|---|------------------------------------|------------------|--------------------------|--------------------|
| Voluntary insurance                       | 4138895                            | 469250707,5      | 1832120,6                | 719539,1           |
| General insurance network                 | 4118126                            | 468603082,6      | 1355545,3                | 197001,9           |
| Precautionary insurance against accidents | 2583476                            | 35101642,2       | 46760,4                  | 6592,2             |
| Insurance of ground vehicles              | 144150                             | 23061594,6       | 246666,3                 | 33713,2            |
| Marine insurance                          | 9                                  | 34597,4          | 742,2                    | -                  |

As of June 1, 2022, 42 insurance companies were operating in the insurance market of Uzbekistan. By the end of the first half of 2023:

<sup>2</sup> National Statistics Committee of the Republic of Uzbekistan [stat.uz]

- 1) gross authorized capital of insurance companies - 2.1 trillion soums (119.1 percent increase);
- 2) total collected insurance premiums - 3.8 trillion soums (an increase of 136.3 percent), of which 3.4 trillion soums correspond to voluntary insurance and 355.5 billion souls to compulsory insurance;
- 3) total insurance payments made - 883.0 billion soums (compared to the corresponding period of the previous year - 23.4% less (at the expense of life insurance), of which 121.2 billion soums correspond to voluntary insurance and 761.8 billion souls to compulsory insurance;
- 4) the volume of total investments — 5.2 trillion soums (128.3% increase); 4.3 million new insurance contracts were concluded (an increase of 18.8 percent), the total number of valid insurance contracts is 8.4 million (an increase of 120.1 percent);
- 5) the share of insurance premiums in the gross domestic product was 0.81 percent (an increase of 15.7 percent).

Currently, more than 20 insurance companies are operating in the country. Among them, such large companies as "Gross" received a financial stability rating from Fitch Ratings with a forecast of "stability" at the level of "B+", and the company "SQB Insurance" confirmed a rating with a forecast of "Stable" at the level of "BB-".

Insurance reserves and technical provisions accumulated by insurance companies act as a source of long-term funds in the financial system, and these funds are usually invested in government securities, corporate bonds, and other financial instruments. The insurance mechanism reduces the impact of financial shocks for individual companies and individuals and increases overall economic stability, as it is possible to share risks among economic entities. However, insurance companies are important institutional investors.

The insurance market is one of the new and newly introduced sectors for Uzbekistan, and the market here is poorly developed, lacks professional personnel, and applies to limited types of industries.

### **Conclusion:**

In conclusion, the insurance market of Uzbekistan has significant potential for ensuring the financial stability of the country, and by developing it on the basis of the right policy and strategic approaches, it can significantly contribute to the sustainable growth of the economy.

The insurance market of Uzbekistan is currently in the process of development and contributes to the financial stability of the country. The activity of insurance companies plays an important role in ensuring macroeconomic stability, risk distribution, and investment attraction.

The main advantages of the market include continuous support from the state, improvement of the regulatory framework, and high economic growth rates. The financial stability review for the first half of 2024 shows the improvement of financial conditions in the global and Uzbekistan economy.

However, in order to solve the problems, it is necessary to improve the legal framework, improve the competitive environment, introduce international standards, and develop the personnel training system, in short, a comprehensive approach is required.

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