

Current State of the Insurance Market in Uzbekistan

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Abstract

One of the most important achievements of Uzbekistan's development has been the formation of an insurance market environment and the elimination of the state monopoly on insurance. From the subsidiary sector of the economy, as insurance was in the years of Soviet power, insurance in Uzbekistan has been promoted to strategic positions over the past period. This is primarily due to the active state policy, in which the insurance market is considered by the state authorities as one of the main components of the market infrastructure of the country.

Over 2016-2022, gross accrued insurance premium increased more than 4 times and amounted to more than 1.4 trillion soums, and the insurance penetration rate for these years was in the range from 0.34 to 0.7%. During the above period, the insurance density varied from 6.7 to 15.3 USD. The loss ratio at the end of 2022 was over 23%. At the end of 2022, 41 insurance companies were operating in the insurance market of Uzbekistan, of which 8 - in the life insurance industry. Not all domestic insurance companies are active players in the insurance market, 7 insurers have a market share of less than 1% in terms of insurance premiums.

The insurance market of Uzbekistan is characterized by a very high geographical concentration. This is explained by the fact that although insurable objects are distributed throughout the territory of the republic, almost all financial flows are concentrated in the capital. The main share of insurance premium (more than 68%) is still formed in the city of Tashkent, which indicates the predominance of corporate insurance in the insurance portfolio of domestic insurers.

The current stage of development of the domestic insurance market is characterized by insignificant sizes of authorized capitals of insurers both in the general insurance industry and in the life insurance industry. The size of total authorized capital of insurance companies in Uzbekistan as of January 1, 2023 amounted to about 1.8 trillion in soums terms.

The state of the insurance market of Uzbekistan today is characterized by the following positive trends:

- high growth rates of total insurance premium volume (not less than 10% annually)
- presence in the market of 40 insurance companies in the general insurance industry, including three of them - with state-participation, which have been operating in the domestic insurance market for more than 20 years and are actually national brands - joint stock companies "Uzagrosugurta", "Kafolat" and export-import insurance company "Uzbekinvest", as well as 8 companies in the life insurance industry;
- sufficiently high degree of insurers' presence through branches, representative offices and a network of insurance agents in all regions of the country;
- availability of a large number of insurance agents (more than 7 thousand).

Keywords: insurance, insurance market, insurance products

The development of the domestic insurance market in recent years is characterized by high dynamics. The analysis of gross written insurance premium (GWIP) for the last years (Fig. 1.), showed that for 2016-2022 GWIP increased more

than 4 times. Some decrease in the dynamics of GWIP in 2020 compared to 2019 is explained by the effects of the COVID-19 pandemic.

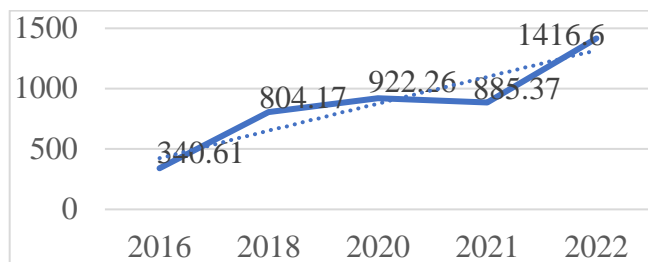


Fig. 1. Dynamics of GWIP for the period 2016-2022, billion soums¹

The most important macroeconomic indicator of the importance of insurance is the ratio of total insurance premiums to gross domestic product (insurance penetration indicator). The highest value of this parameter is in countries such as: Taiwan (insurance premiums account for 19% of GDP), Hong Kong (17-18%), South Africa (14%), South Korea (13%) and Finland (12%). In the USA and Japan, the value of this indicator is 9.5-10%, in the EU this figure averages 8%, in the countries of Latin America, Eastern Europe and Africa - from 2% to 3.5%, in Uzbekistan the value of this indicator in recent years has been in the range from 0.34 to 0.7% (Fig. 2).

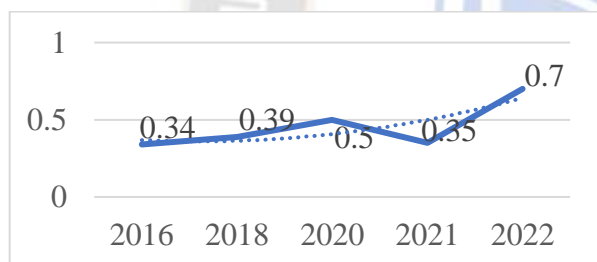


Fig. 2. Share of GWIP in GDP (%)²

This state of this indicator indicates that the majority of domestic insurance companies are realizing the existing demand generated by the banking sector.

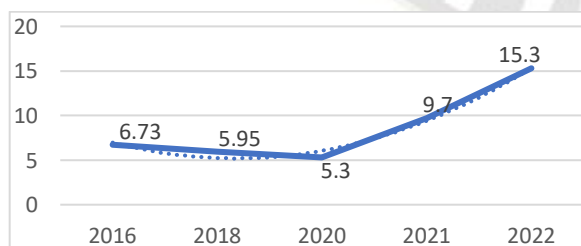


Fig. 3. Insurance density in Uzbekistan (USD at official exchange rate)³

The importance of insurance is determined by the density of insurance - in Uzbekistan, at the end of 2022, the volume of insurance premium per capita was just over \$15 (Fig. 3).

The current situation in Uzbekistan with the level of insurance penetration and insurance density is explained mainly by insufficient financial literacy and insurance culture of the population, and as a consequence, the distrust of legal entities and individuals in insurance. In this case, the general level of income of the population also plays an important role, which in Uzbekistan is significantly lower than in the above countries.

The key point in the provision of insurance services is to optimize the proportions in the ratio of voluntary and compulsory types of insurance. The increase in fees for compulsory types of insurance in 2020 is explained by the introduction of compulsory civil liability insurance for vehicle owners, compulsory employer civil liability insurance and compulsory carrier civil liability insurance, respectively (Fig. 4).

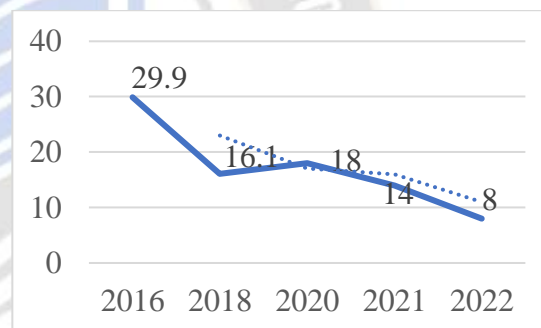


Fig. 4. Share of compulsory types of insurance in the total insurance premium (%)⁴

The state of insurance activity in the country allows us to classify the insurance market of Uzbekistan as the so-called “soft” insurance markets, which are characterized by a relatively large number of participants and low insurance premium rates. The structure of the insurance market for 2016-2022 is shown in Table 1. At the end of 2022, 41 insurance companies operated in the insurance market of Uzbekistan, of which 8 were in the life insurance industry. Not all domestic insurance companies are active players in the insurance market; 7 insurers have a market share in insurance premiums of less than 1%.

¹Developed based on data from the website www.mf.uz

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Table 1.-Structure of the insurance market of the Republic of Uzbekistan for 1998-2020⁵

Of the year	Number of insurance organizations	Including life insurance	Total authorized capital of insurance organizations (millions of US dollars)	Number of insurance brokers	Number of certified actuaries	Number of insurance agents	Number of insurance surveyors and adjusters	Number of assistance services
2016	29	3	137.1	3	4	5800	12	6
2018	30	6	125.1	4	4	8700	18	6
2020	40	8	137.4	5	5	8870	18	6
2021	42	8	146.7	5	5	9581	18	6
2022	41	8	167.8	5	5	9155	18	6

The level of tariffs for insurance services in recent years has been determined exclusively by market conditions (Fig. 5).

The reality of insurance as an element of the risk management system for legal entities and individuals is confirmed by such an indicator as the unprofitability of the insurance premium (Fig. 6).

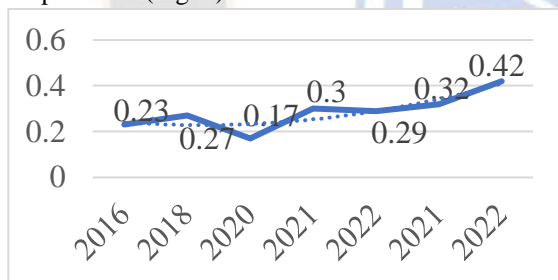


Fig. 5. Ratio of total insurance premium to total insurance liability (average market rate) for 2016-2022 (%)⁶

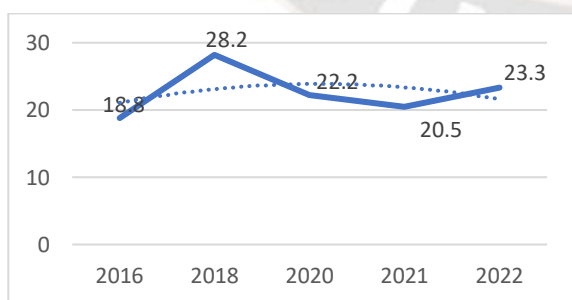


Fig. 6. Dynamics of the insurance premium loss ratio in the general insurance industry⁷

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⁷Developed by the author based on data from the website www.mf.uz

Analysis of insurance premium loss ratio (ratio of insurance payments to insurance premiums) for the general insurance industry for 2016-2022 makes it possible to identify extremely uneven dynamics of this indicator (Fig. 6).

A significant share of the insurance premium at the end of 2022 (more than 23%) was collected by insurance companies with state participation. Over the past few years, insurers with state participation have been among the leaders in the domestic insurance market, but from year to year their influence on the situation in the country's insurance market has been decreasing - the total share of companies with state participation in the general insurance industry for the period 2015-2022 decreased by more than 1.4 times (Table 2).

The situation in the insurance market is considered to be market-based from the perspective of monopolization when the main part of the aggregate insurance premium is generated by ten or more competitors. At that, the largest share of one of them should not exceed 31% of the aggregate insurance premium, two - 44%, three - 54% and four - 64%, the state of the insurance market of Uzbekistan meets the above requirements (Table 2.2).

The insurance market of Uzbekistan is characterized by very high geographic concentration. This is explained by the fact that although the insured objects are distributed throughout the territory of the republic, almost all financial flows are concentrated in the capital. The main share of the insurance premium (more than 68%) is still formed in

Tashkent, which indicates the predominance of domestic corporate insurance insurers in the insurance portfolio.

The problem of providing regions with insurance services is solved due to the presence of insurers, whose head

office is in Tashkent, a large number of divisions (branches and offices) in the regions and the presence of assistance companies in the republic.

Table 2.- Leading companies by market share in the general insurance industry for 2015-2020⁸

Company	Market share, %							
	2015	2016	2017	2018	2019	2020	2021	2022
1. LLC "Apex Insurance"	-	-	-	-	2.3	6.4	8.1	16.4
2. JSC EIIC "Uzbekinvest"	14.5	15.0	14.1	14.1	16.5	14.0	13.4	16.0
3. JSC "Uzagrosugurta"	19.8	20.6	14.5	14.4	14.6	9.5	6.2	7.8
4. JSC "Kafolat"	10.5	10.9	8.7	8.7	8.7	8.0	7.7	7.2
5. JSC "Gross insurance"	1.9	5.3	8.8	8.8	12.8	13.4	8.6	6.1
6. JSC "My Insurance"	-	-	-	-	2.3	5.4	8.1	5.5
7. JSC "Kapital sug'urta"	-	-	2.7	3.0	2.7	2.6	4.4	3.6
8. JSC "Asko-Vostok"	-	-	-	-	1.8	1.9	2.6	3.5
9. JSC "Eurasia Insurance"	1.7	2.2	0.33	3.8	7.5	7.7	4.8	3.1
10. JSC "Kafil sug'urta"	-	-	1.4	1.3	2.3	2.7	4.2	3.0

The current stage of development of the domestic insurance market is characterized by insignificant amounts of authorized capital of insurers both in the general insurance industry and in the life insurance industry. The size of the total authorized capital of insurance companies in Uzbekistan as of January 1, 2023 amounted to about 1.8 trillion in UZS terms.

Analysis of this indicator for 2015-2020 (Fig. 7) shows that, if we exclude the extreme year of 2017 (a number of players left the insurance market), there is a steady growth trend. The total amount of authorized capital of domestic insurers at the end of 2022 exceeded the level of 2016 by more than 4 times.

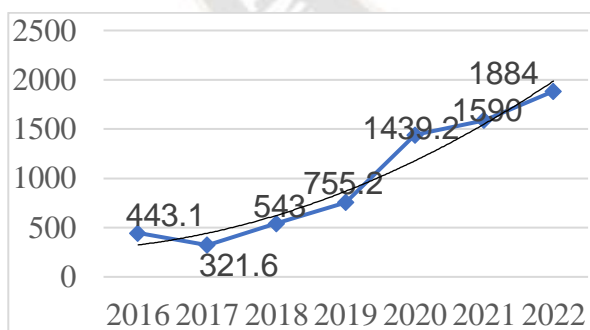


Fig. 7. The total amount of authorized capital of domestic insurers for 2016-2020 (billion soums)⁹

⁸Developed by the author based on data from the website www.mf.uz

Thus, the insurance market of Uzbekistan today is characterized by the following positive trends:

- rapid growth in the volume of total insurance premiums - at least 50% annually;
- presence on the market of 38 insurance companies in the general insurance industry and 8 companies in the life insurance industry;
- developed branch network - more than 1,451 branches of insurers and more than 9,150 insurance agents;
- a developing legislative framework that promotes the development of the activities of professional participants in the insurance market;
- availability of tax incentives – a stimulating regime for insurance companies.

Negative factors of the insurance market of Uzbekistan can be divided into objective and subjective.

Objective negative factors include:

- relatively low level of income of the population;
- insufficient level of insurance culture among the general population, along with the lack of a system for explaining the advantages and benefits of insurance;
- lack of conscious involvement of small businesses and private entrepreneurship in the processes of insurance against property and commercial risks.

Subjective negative factors include:

- a small share of insurance in the Republic's GDP;

⁹Developed by the author based on data from the website www.mf.uz

- low share of voluntary types of insurance in the portfolios of insurance companies in the segment of individuals;

- poor professional training – lack of qualified personnel in the insurance labor market;

- a small number of insurance companies with foreign capital participation;

- insufficiently attractive insurance products and insurance programs, including digital ones, for individuals and corporate clients;

- low quality of claims work; the processes of assessing insured events that have occurred and paying insurance compensation are complicated and bureaucratic.

Taking into account the above, we consider it advisable to introduce and implement the following proposals:

- increasing requirements for the financial stability and solvency of insurers in general and the size of authorized capital in particular;

- adaptation of national legislation on insurance of cyber risks and other risks of the digital economy;

- providing conditions for accelerated digitalization of the domestic insurance business;

- increasing the level of management system for general and insurance activities of insurers, with an emphasis on optimizing business processes and increasing the level of customer service;

- ensuring the development of insurance infrastructure, aimed primarily at surveying and adjusting;

- development and implementation of a state program for the development of the insurance culture of the population, which provides for an active advertising and marketing campaign among the population, highlighting the advantages and benefits of insurance among representatives of small and medium-sized businesses, increasing the insurance literacy of the younger generation;

- development of individual digital insurance products with their adaptation to the individual needs of policyholders.