

Digitalization of Insurance Industry of the Republic of Uzbekistan

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Abstract

This article discusses the current trends in the development of the insurance market. The factors contributing to the growth of the insurance market have been identified. The analysis and comparison of the state of the insurance market of Uzbekistan with the markets of other countries is carried out. Based on the conducted research, the features of the state, shortcomings and problems of the insurance market of Uzbekistan have been identified. In accordance with the results obtained, recommendations are given for the development of the insurance market and improvement of the quality of services provided.

Keywords: *insurance services, insurance market, insurance premium gross premium, insurance companies, institutional development, insurance business, insurers.*

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It should be noted that during the years of independence, the insurance market of Uzbekistan has changed dramatically and today it can be confidently stated that insurance is an integral part of the economy of the republic. One of the most important achievements is the formation of an insurance market environment, the elimination of the state monopoly and, as a result, the rapid growth in the number of insurance organizations.

The main reformer of the insurance market is the state. At the same time, the emphasis is on the advanced development of the legislation of the sphere, the creation of legal foundations for effective reform of this sector.

The complex of measures being implemented to further expand and reform the insurance market of Uzbekistan is aimed at strengthening public confidence in insurance and insurance organizations, as well as improving the quality of services provided, increasing the level of capitalization of insurance organizations to ensure their financial stability.

The insurance market has created a reliable and secure system of reserving and investing available funds, which in the shortest possible time can be transformed into means of payment to cover their obligations.

Thus, thanks to these measures, over 3,732,845 million were collected by insurance organizations of Uzbekistan in 2021. the sum of insurance premiums, which is 68.6% more than in 2020. In general, over the past 5 years, the national insurance market has changed qualitatively and quantitatively, demonstrating an increase of more than 3 times.

Worldwide, the insurance business is growing by an average of 3% per year. Over 10 years, insurance premiums have increased from 2.6 trillion euros in 2010 to 3.6 trillion in 2020.

Insurance premiums per capita are also growing, on average they amount to 847 euros per person. At the same time, the dynamics of growth by region is changing. The traditional leaders — North America and Western Europe - lost 4% and 6% of the total insurance fees, respectively. While China, for example, has almost tripled in relation to other players in 10 years — from 4% to 11%.

The so—called insurance penetration rate, which is calculated by the sum of all insurance premiums divided by GDP, globally amounts to 6.35%, in Uzbekistan - only 0.5%. The gap is huge.

Insurance premiums per capita in the world are equal to 847 euros, in Uzbekistan — 5 euros. This indicates the low price of the product. At the same time, the leader of the list — Hong Kong — has this figure of 7.5 thousand euros. Nigeria has a similar indicator with Uzbekistan (5 euros).

It takes a lot of effort to break out of this lagging segment and rise at least to the global average. Now the lag is 162 times.

By the end of 2021, the volume of insurance premiums in Uzbekistan amounted to 0.5% of GDP, insurance premiums per capita amounted to 14.7 thousand soums.

Currently, 42 insurers operate in the insurance market of Uzbekistan, including 36 in the general insurance network and 8 in life insurance, as well as 5 insurance brokers, 5 actuarial organizations and 22 assistants, agents and surveyors. Also, the number of insurance departments during the reporting period reached 1,773. The staff of insurers includes 6.6 thousand employees and 9.5 thousand insurance agents.

According to insurance companies, the total authorized capital of insurers reached 1,545,784 million soums (an increase of 106591), and the volume of investments in the economy reached 3,746,665 million soums (an increase of 10.8%). At the same time, 58.9% of investments are placed on bank deposits, 29.3% - in shares, and the rest - in other securities.

By the end of 2021, insurance payments amounted to 1,232,326 million soums, of which 616,029 million soums were paid for general insurance and 616,298 million soums for life insurance.

There is an imbalance of the components of the insurance market in the country, that is, 46.8% of general insurance and +93.8% of life insurance. In developed countries, the share of life insurance is 50%.

The decree of the President of the Republic of Uzbekistan "On additional measures for digitalization of the insurance market and development of the life insurance sector" was adopted.

- from July 1, 2022, it will be allowed to carry out all types (classes) insurance in electronic form.
- from January 1, 2023, the practice of issuing insurance policies on paper forms for all types of compulsory insurance is canceled.
- Until June 1, 2022, a unified automated information system for registration of all insurance policies and control over their turnover will be implemented on the basis of the unified information system for compulsory civil liability insurance of vehicle owners.
- Registration of insurance contracts through a Single information system is mandatory for insurance organizations.

1-Table. The purpose of coverage of mass segments of the insurance market

Target markets	Sales channels
Insurance of smartphones, tablets, laptops, consumer electronics and household appliances	Retail and telecom stores, e-commerce (online stores and trading platforms)
Tourist insurance	Sites of tour operators
Medical Application	Corporate clients
Property insurance	Developers
CTP and CASCO for car owners	Gas stations, retailers and e-commerce of automotive products
Online sale of insurance policies on the Internet	Insurance aggregator

- Insurance policies are sold both at offline points of sale and online
- Sellers work online via a web interface in the cloud via any device
- The insurance company integrates its line of insurance products into the system, monitors the receipt of insurance contracts, compensation, mutual settlements with partners
- Analytical reports for managers and management of the company
- Support for auto-completion of smartphone data by IMEI, which speeds up the registration of the policy
- Staff training is carried out online

- The system can be deployed both in the secure AWS cloud and on the partner's local servers
- Creation and development of the customer's ecosystem.

For further development of the insurance market, integration of domestic insurance companies with foreign ones is needed. Speaking in general about the development of the insurance services market in Uzbekistan, it is necessary to note the following points:

- the domestic insurance market has a significant unrealized potential to increase the volume of insurance services provided, but there is no clear strategy for its development;
- the existing system of state regulation of the insurance market is not effective enough. Despite the fact that there are private companies in the insurance market, the vast majority of companies were created with the participation of the state;
- there is a low level of economic confidence of the population in the insurance system;
- marketing is insufficiently developed, there are no effective channels for promoting insurance information. The lack of information hinders the inflow of public savings into the insurance sector and their transformation into investments. The problem is aggravated by the poor quality of infrastructure: poor provision of communication facilities, low line capacity, weak degree of implementation of IT technologies.

For a more dynamic development of the insurance market, it is necessary to improve the regulation of the insurance market and modernize its infrastructure. It is also necessary to improve corporate and antimonopoly legislation. It requires a significant improvement in the general conditions of investment activity, reducing the role of the state and stimulating the development of private insurance institutions in the financial market, the development of an effective network of insurance agents and intermediaries, the formation of a competitive environment that encourages diversification and improvement of the quality of insurance services.

The main factors for the development of the insurance market:

- The independence of the competent state regulatory authority is important for the development of the insurance market.
- Strengthening control in the insurance market will contribute to the development of the insurance business.
- The insurance market should be monitored in accordance with international standards.
- For the development of the insurance market, control and regulation must be carried out together. Regulation should be based on foreign experience and take into account the peculiarities of the local insurance market.
- Insurance activity develops in a broad financial environment. The BankInsurance principle plays an important role in the development of life insurance. That is, life insurance of a person in credit relations is a necessary factor in the development of life insurance.
- Reforms should focus on risk-based capital requirements, rather than nominal capital requirements.
- Liberalization of insurance tariffs (especially for CTP) should be carried out in stages. Rapid liberalization will have negative consequences for the insurance market.

- Corridor liberalization of insurance tariffs for mandatory types of insurance based on actuarial calculations;
- Step-by-step implementation of Solvency II principles in the process of regulation and supervision of insurers' activities;
- Improvement of the methodology for calculating insurance reserves by insurers, the procedure for their formation and placement;
- Development of a national insurance platform for agricultural and livestock insurance;
- Introduction of real estate insurance against natural disasters and man-made disasters;
- Development of a regulatory document based on foreign experience for the development of actuarial activities;
- Gradual harmonization of national insurance legislation with international insurance principles (Insurance core principles);
- Creation of an integrated information system for remote control, online monitoring, accounting and reporting on the activities of professional participants in the insurance market.

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