



Analysis of the Functioning Practice of the Insurance Market of the Republic of Uzbekistan

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ABSTRACT

At the moment, the insurance market of Uzbekistan continues to develop and attract the attention of foreign investors. This article analyses the insurance market of the Republic of Uzbekistan, its development trend, comparisons with previous years.

Keywords:

Insurance, insurance market, insurance policies, life insurance

The transition of the Republic of Uzbekistan to a market economy was accompanied by fundamental changes in the pre-existing way of governance. In a transitional economy, the insurance industry, which is one of the most important components of the financial sector of the economy of developed countries, is designed to help solve the most important socio-economic problems. Insurance is an integral element of a market economy. The risky nature of social production is the main cause of concern for every property owner and producer for their material well-being. Proceeding from this, the idea of compensation for material damage through its joint distribution among the interested owners of property arose naturally. If each individual owner tried to compensate for the damage at his own expense, he would be forced to create material or monetary reserves equal in value to his property, which, of course, is fatal.

In a market economy, insurance, on the one hand, acts as a means of protecting entrepreneurship and the welfare of the population, and on the other hand, it is an activity through which it receives income. The sources of profit of an insurance organization are income from insurance activities in the form of insurance premiums, from investing temporarily free funds in objects of production and non-production areas of activity, company shares, bank deposits, securities, etc. Insurance is an important factor in stimulating production activities and ensuring a healthy lifestyle, it creates new incentives for the growth of labor productivity in accordance with a personal contribution to production and ensuring one's own well-being. The main task of insurance as a specialized sector of the economy is to create an effective system of insurance protection of property interests of citizens and legal entities in Uzbekistan, providing real compensation for losses

(damage, harm) caused as a result of various types of activities, unforeseen natural phenomena, man-made accidents, catastrophes, negative social circumstances and incidents, as well as in creating a reliable and stable economic environment necessary for economic growth. The formation and development of the insurance market in Uzbekistan is directly related to the state policy aimed at the gradual reform of the economy. The phased transition to market relations clearly reflects the current state of the country's insurance market, as well as its negative and positive aspects. The insurance market of Uzbekistan is quite young. The law "On insurance" was first adopted in the republic in 1993. In 2002, a new law "On insurance activity" was adopted, which is still in force. In addition, dozens of by-laws on insurance were adopted.

Compulsory insurance is developing especially rapidly. This was facilitated by the adopted laws on compulsory liability insurance of vehicle owners (2008), employer (2009) and carrier (2015). From year to year, domestic insurance companies increase the volume of insurance premiums, as a result of which the trend towards a decrease in the concentration of insurance premiums remains, that is, a further increase in the volume of insurance activities in the regions of the Republic. It becomes obvious that insurance in the republic belongs to the category of fast-growing sectors of the economy. As mentioned above, according to the Decree of the President of the Republic of Uzbekistan "On measures to reform and ensure the accelerated development of the insurance market of the Republic of Uzbekistan" (1), on the basis of the State Inspectorate for Insurance Supervision under the Ministry of Finance of the Republic of Uzbekistan, the Agency for the Development of the Insurance Market was established, which until 30 November 2019 was to submit to the Cabinet of Ministers of the Republic of Uzbekistan draft laws on the introduction of mechanisms for compulsory medical insurance (CHI) in Uzbekistan. The pilot project was planned to be implemented in the Syrdarya

region starting from 2020, and in general the system was supposed to start operating in 2021, and from 2023, the implementation in Karakalpakstan, Tashkent, Samarkand, Navoi, Surkhandarya and Ferghana regions, and from 2025 - throughout country. The Presidential Decree also approved the Roadmap for the Accelerated Development of the Insurance Market for 2019-2020. It includes a gradual increase in the minimum authorized capital of insurance companies depending on the type of insurance activity, an increase in the maximum size of the reserve fund of an insurance organization and the introduction of an electronic policy issuance mechanism (E - policy) for certain types of insurance. At the same time, it was provided in this document that policies issued via the Internet, mobile applications and information kiosks will be equated to paper insurance contracts. When using mobile applications for the sale of insurance services, it is planned to use the Cashback system and accrual of bonuses.

In addition, according to the Decree, innovative types of insurance for Uzbekistan will be introduced. Among them: comprehensive bank insurance, insurance against delays or cancellations of railways and flights, cancer insurance with the possibility of treatment abroad, and others. At the same time, it should be emphasized that, in accordance with this Decree, the share of insurance services in the country's GDP should increase by 0.1% annually. According to the State Statistics Committee, in January-September 2022, the share of the value added of the financial and insurance sectors in the gross domestic product (GDP) reached 5.7%.

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Raising the minimum size of the authorized capital of insurance companies

Types of insurance activity	from July 1, 2020	from July 1, 2022
Voluntary insurance in the general or life insurance industry	15 billion	20 billion
Compulsory insurance in the general or life insurance industry	25 billion	35 billion
Exclusive reinsurance	35 billion	45 billion

In the corresponding period of last year, this figure was 4.6%. For comparison, over the current period, the share of the financial and insurance sector in GDP, compared to the same period last year, increased by 1.1%.

On October 23, 2021, the Decree of the President of the Republic of Uzbekistan No. PP-5265 "On additional measures to digitalize the insurance market and develop the life insurance sector" was adopted.

According to the resolution, in order to ensure the accelerated development of the national insurance market, increase consumer confidence in the insurance market, as well as the fulfillment of the tasks defined in the State Program for the implementation of the Action Strategy in five priority areas of development of the Republic of Uzbekistan in 2017-2021 in the "Year of Support for Youth and public health promotion":

Starting from July 1, 2022, all types (classes) of insurance in electronic form are allowed. Insurance policies for all types of insurance are registered in the Unified Automated Information System, which is maintained by the Agency for the Development of the Insurance Market under the Ministry of

Finance together with the Insurance Payments Guarantee Fund;

Starting from January 1, 2023, the practice of issuing insurance policies for all types of compulsory insurance on paper forms is cancelled.

In the period from January 1, 2022 to January 1, 2025, the established income tax rate accrued on part of the activities in the field of life insurance of organizations operating in this field is reduced by 50 percent.

In the period from January 1, 2022 to January 1, 2024, funds sent by employers to legal entities licensed to carry out insurance activities in the Republic of Uzbekistan on the basis of accident insurance contracts and types of medical insurance concluded for their employees are not considered in as the total income of individuals.

Based on the Tax Code of the Republic of Uzbekistan, the funds of individuals directed under a long-term life insurance agreement, as well as the insurance payment (insurance compensation) paid on them, are not subject to taxation

Until June 1, 2022, the Insurance Payments Guarantee Fund, together with the Agency for the Development of the Insurance Market under the Ministry of Finance and the Ministry for the Development of Information Technologies and Communications, must ensure the implementation of the Unified Automated Information System for Registration and Control over the Turnover of All Insurance Policies (hereinafter referred to as the Unified Information System) on the basis of the Unified Information System of Compulsory Insurance of Civil Liability of Vehicle Owners.

Determine that the execution of insurance contracts through the Unified Information System will be mandatory for insurance companies.

The Ministry of Finance will develop proposals and recommendations on the direction of inflation-linked government securities for the purpose of investing by insurance organizations funds generated from insurance premiums from voluntary pension

insurance and types of long-term (five years or more) life insurance.

For 2022, 42 insurance companies operate in the insurance market of the Republic of Uzbekistan. Of these, 34 - in the field of general insurance, 8 - in the life insurance sector. In addition to insurance companies, there are also 7 insurance brokers, 5 actuarial organizations and 22 adjusters, surveyors and assistance companies. Of the 42 operating insurers, 17 companies carry out reinsurance activities as reinsurers.

Based on the report of the Agency for the Development of the Insurance Market, the volume of insurance premiums for the first half of 2022 increased by 63% compared to the same period last year. Insurers received about 2.8 trillion soums under contracts. The main share of insurance premiums fell on general insurance - 1.98 trillion soums (+40.3%). It should be noted that life insurance is the leader in terms of growth in premium income. A year earlier, the volume of premiums amounted to 286.4 billion soums, and now it is 791 billion soums, i.e. increased from 17% to 29%. The premium portfolio (volume of insurance premiums) in the general area amounted to 1.74 trillion soums (+45%).

The most significant share in compulsory insurance falls on motor third party liability insurance (OSAGO) - the volume increased by 27% compared to the previous year and amounts to 114.6 billion soums, car insurance (CASCO) - 237.9 billion soums, (there was an increase by 90%).

The insurance market of Uzbekistan is one of the most developed in Central Asia. It is represented by more than 30 insurance companies that provide a wide range of services in the field of life, health, property, motor transport, cargo transportation and other activities.

The largest insurance companies in Uzbekistan are Uzbekinvest Hayot, Kafolat, Asia Insurance, Alskom and UzAgroSigorta. They have considerable experience and a high level of professionalism, which allows them to compete effectively in the market.

Insurance in Uzbekistan is regulated by legislation that ensures the protection of consumer rights and the stability of insurance companies. There is also a system of compulsory insurance, which includes motor vehicle insurance, medical insurance and industrial accident insurance.

In general, the insurance market of Uzbekistan has great potential for development and attraction of foreign investment. The development of new products and technologies, as well as increasing the level of professionalism of insurance companies, can contribute to further market growth.

The national insurance market has changed dramatically over the years of independence, and today it can be said with confidence that the insurance industry is becoming an increasingly important component of the economy of Uzbekistan. A set of measures to further develop and reform the insurance market, improve the regulatory framework, regulate and control insurance activities is aimed primarily at strengthening public confidence in insurance operations and increasing its share in the country's GDP.

List of used literature:

1. Decree of the President of the Republic of Uzbekistan "On measures to reform and ensure the accelerated development of the insurance market of the Republic of Uzbekistan" dated August 2, 2019, No. PP-4412.
2. <https://hook.report/2022/08/insurance>
3. <https://kapital.uz/insurance-market/>