



“Directions For Improving and Developing the Capacity of Life Insurance”

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ABSTRACT

In recent years, life insurance is popular in many countries day by day. Today, organizations are competing in complex business environments characterized by continuous changes in economic, social politico-legal and regulatory factors. The insurance sector along with other elements of marketing, as well as financial infrastructure, have been touched and influenced by the process of liberalization and globalization in Uzbekistan. In order to develop life insurance, many changes are being made. And this article will discuss how to find other ways to improve the system and enhance awareness among individuals. The customer is the king in the market. Life Insurance companies deal in intangible products. With the entry of private players, the competition is becoming intense. In order to satisfy the customer, every company is trying to implement a consumer behavior (CB) program.

Keywords:

Life insurance, insurance system, insurance policies, economy, market, insurance service.

1.Introduction

Since our country gained independence, significant changes have taken place in the insurance system. As part of the market relations, the insurance system serves as one of the economic tools for ensuring the sustainable development of the economy by protecting the interests of individuals and legal entities, providing them with a necessary means to cover potential losses that may occur as a result of risks.

During that time, cash reserves were primarily used to provide services related to their main objectives. For example, military cash reserves were established to provide supply services for soldiers and their families. Similarly, professional cash reserves were formed to pay for damages related to the risks associated with the lives and health of professionals.

Today, cash reserves operate in an organizational form. Their main purpose is to insure their clients against risks related to their

lives and health and to provide them with insurance. Cash reserves offer various types of insurance to their clients, such as animal insurance, insurance policies, investment insurance, and others. In addition, cash reserves provide financial assistance, services, and other forms of support to their clients.

Therefore, by operating in an organizational form and providing various types of insurance to their clients, cash reserves have achieved their main objectives. This includes insuring against risks related to human life and health and providing them with insurance as an important tool.¹

In our country as a result of the modernization of the insurance market from a quality perspective, national insurance providers are offering more than 200 insurance services to the public. This is evidence of the development

¹Yuldashev O.T., Zakirxodjayeva Sh.A. Hayot sug'urtasi. Darslik/ Toshkent Moliya instituti – T.: —IQTISOD–MOLIYAI, 2020.

of the Uzbekistan insurance market, which is becoming more competitive. The development of the insurance market ensures healthy competition among insurance companies and provides opportunities for effective use of life insurance. It is also important to study the theoretical and practical aspects of life insurance, as that kind of companies are now considered one of the most important financial institutions in every country in the world. Their effective activity contributes to economic growth, social welfare, macroeconomic stability, and the development of investment activities in the national economy. Therefore, in the coming years, great attention will be paid to the insurance sector, especially to life insurance.

In recent years in order to ensure national insurance market rapidly and enhance public confidence in it, as well as to implement the tasks set out in the state program for the development of Uzbekistan for the period 2017-2021 in five priority areas, including "Supporting youth and strengthening public health", great attention was paid to carrying out the tasks outlined in the strategy for the development of the insurance market. Accordingly to this, from July 1, 2022, permission is granted to implement all types (classes) of insurance in electronic form. Besides that, all types of insurance policies are registered in a single automated information system operated jointly by the Insurance Market Development Agency under the Ministry of Economy and Finance, and the Guarantee Fund for Insurance Payments. Furthermore, starting from January 1, 2023, the process of formalizing insurance policies on paper forms for all types of mandatory insurance is canceled.² And these are great opportunity to further improve the national insurance market and solve a number of related issues. Today life insurance facing many challenges, but with the guidance of government and efforts to increase public awareness and partnerships with key industries, the sector can thrive and provide

benefits to individuals and the economy at large.

Here are some problems:

- First, the life insurance sector faces a lack of trust in service and claims, an underdeveloped regulatory environment, and a lack of information to consumers.
- There is also a limited understanding of the benefits of life insurance and an absence of a culture of long-term planning.
- Complex policies. Life insurance policies can be complex and difficult to understand, which can make it hard for consumers to know what they are buying.
- Inflation. The value of the death benefit may be eroded over time due to inflation, which can make it less valuable to beneficiaries.
- Limited availability of insurance options, and challenges with fraud and misrepresentation.

This article will provide several steps that can be taken to develop the capacity of life insurance in Uzbekistan.

2. Methodology

Development of life insurance sector like all the financial intermediaries has a significant training effects on economy. Life insurance companies all as the contractual savings institutions, in addition to offer a social protection to economic agents, are specialized in mobilization of domestic savings from many small investors; and to channel it to productive investment opportunities.³

Over the past four years, there has been an increase in the number of companies operating in the life insurance industry. Companies in this industry manage to rapidly increase the volume of insurance operations mainly in cumulative types of life insurance. The main incentive for this growth is the favorable tax conditions created by the government of the

²O'zbekiston Respublikasi Prezidentining qarori, 23.10.2021 yildagi PQ-5265-son

³ Dickinson, G. (2000), Encouraging a Dynamic Life Insurance Industry: Economic Benefits and Policy Issues, London: Center for Insurance and Investment Studies.

country for individuals using long-term life insurance services. It should be noted that in 2018 the tax rate on personal income was reduced to 12%, while before it was progressive tax rate up to 23% which may affect the trends and dynamics of insurance premiums in the life insurance industry in subsequent years. As noted above, the number of players in the life insurance industry has increased to six companies. The total premiums for companies operating in the life insurance industry increased by 3 times and amounted to 417 billion UZS (\$49 million USD).⁴

⁴ LLC “RB Asia” 100002, Uzbekistan, Tashkent,

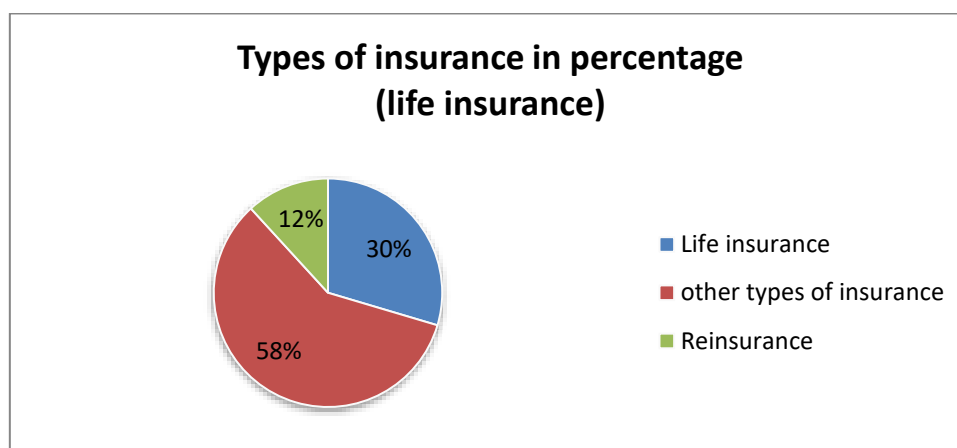


Figure 1. Types of insurance in percentage (life insurance)⁵

Insurance services in the total volume of financial services for the first half of 2022 amounted to 7.2%. In their structure, 29.6% are life insurance services. Services for accident insurance, medical insurance, vehicle insurance, property insurance and other types of insurance accounted for 58.6%. Reinsurance services in the total volume of insurance services for the period under review were fixed at the level of 11.8%.

The top three reasons people buy life insurance include: covering burial expenses, compensating for the income of a diseased wage earner and transferring wealth or leaving an inheritance.

- 83% of Americans consider covering burial and final expenses an important reason to buy life insurance.
- 68% of Americans consider covering the income of a deceased wage earner an important reason to buy life insurance.
- 63% of Americans consider it important to buy life insurance to help transfer wealth or leave an inheritance.⁶

Some of the most common reasons people don't buy life insurance are because of the cost, other financial priorities taking precedence or because they're unsure of what type to get.

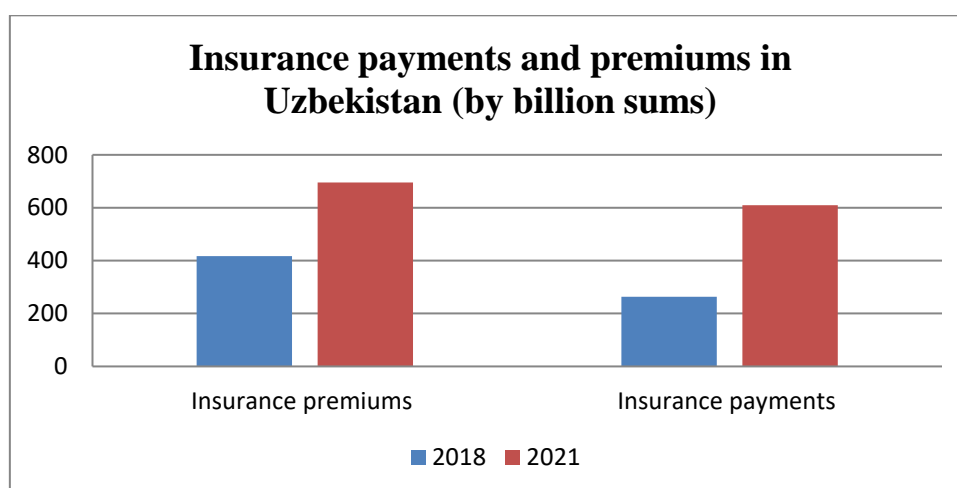


Figure 2. Insurance payments and premiums in Uzbekistan (by billion sums)⁷

⁵ Prepared by a student using www.stat.uz

⁶ <https://www.annuity.org/life-insurance/statistics/>

⁷ Prepared by a student using www.stat.uz

In 2021, the total premiums for companies operating in the life insurance industry increased, amounted to 696 billion UZS (\$57 million USD). Insurance payments for the industry showed a higher growth rate, which amounted to 609 billion UZS (\$50 million USD). So in most cases, the higher a plan's deductible, the lower the premium. When you're willing to pay more up front when you need care, you save on what you pay each month. The lower a plan's deductible, the higher the premium.

3. Result

The insurance industry is undergoing significant changes and challenges in 2023, driven by global factors such as the health crisis, economic shifts, and climate risks. Amidst these uncertainties, there are opportunities for insurers to thrive by embracing key actions.

First step is increasing public awareness. Engage in public outreach campaigns through various media channels, provide education programs in schools and universities, and partner with influencers and organizations to effectively communicate the benefits of life insurance. For example, design symbols and logos that can help consumers easily recognize and differentiate between various life insurances. Then, create targeted advertisements for various channels such as social media, television, and universities.

The next one is infrastructure improvement. Infrastructure such as digital identity verification systems, electronic payments, and digital signature are necessary enablers for life insurance services to be delivered efficiently. The government should invest in these infrastructures to support development.

And then capacity building. The government may also consider supporting training programs for insurance professionals, facilitating exchanges with international experts, and promoting academic research on the sector.

There is a question in front of us which is "Why we need life insurance?" There are 4 main reasons:

- Income replacement

- Debt coverage
- Estate protection
- Peace of mind

The benefit of a flourishing life insurance sector is vast. It not only provides a safety net for individuals and families, especially in cases of emergencies such as death and total disability but also diverts capital to long-term savings and investments for economic growth. A healthy life insurance sector can also create job opportunities and mitigate government budgetary pressures on the social welfare system as resilience, profitability, and growth are shared.

A recent policygenius survey found that 49% of the sandwich generation (people with a parent age 65 or older who also are raising children or supporting adult children) doesn't have life insurance to help financially support their loved ones after they die. If that's your case, a term life insurance policy is an easy and affordable way to provide your family with a financial safety net in your absence.

4. Conclusion

The improvement and development of life insurance in Uzbekistan is an urgent matter for individuals, economic growth, and social welfare. Insurance is an important investment for your future and the only you know what each type of insurance suits your health condition. Don't distract your mind on what is cheapest, but give your attention what it provides. It can save from thousands or more dollars in unplanned expenses when unexpected situations arise.

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