

**PROSPECTS FOR EXPANDING THE FINANCIAL STABILITY OF INSURANCE
COMPANIES IN UZBEKISTAN****Jamolova Khonzoda O'rolboy qizi**

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Abstract: Ensuring the financial stability of insurance companies plays a crucial role in the development of a sustainable and competitive national economy. In Uzbekistan, strengthening the financial capacity of insurance organizations requires comprehensive reforms aimed at increasing public trust and participation in insurance services. This paper explores the current state of the insurance market, identifies the main factors influencing its financial resilience, and provides analytical insights on how digital transformation, innovative products, and human capital development can enhance the sector's performance. The results show that improving public awareness, diversifying insurance types, and aligning the local insurance market with international standards will significantly contribute to the financial sustainability of insurance companies in Uzbekistan.

Keywords: Insurance market, financial stability, risk management, digital transformation, economic development, Uzbekistan.

Introduction

In the era of globalization, the insurance industry has become an essential component of national economic systems worldwide. Insurance ensures financial protection for individuals and organizations, promotes investment activities, and enhances social and economic resilience. For developing countries like Uzbekistan, building a stable and efficient insurance system is particularly vital as it contributes to macroeconomic stability and sustainable growth. The Decree of the President of the Republic of Uzbekistan No. PF-60 (2022), "On the Development Strategy of Uzbekistan for 2022–2026," emphasizes the need to modernize the national financial system and expand digital insurance solutions. Furthermore, the Resolution No. PQ-5265 (2021), "On Additional Measures for the Digitalization of the Insurance Market," introduced new mechanisms for transparency and accountability, as well as the establishment of a unified information database for insurance participants. These reforms aim to increase competitiveness and attract greater public participation in insurance.

However, despite the growing number of licensed insurance companies in Uzbekistan, the penetration rate of insurance among the population remains low compared to developed countries. The share of insurance in the national GDP is only around 0.5 percent, whereas this figure reaches 11 percent in South Korea and 6 percent in Germany. This gap highlights the need for further institutional strengthening, innovative policy design, and the introduction of new insurance products tailored to the domestic market.

Literature Review

Scholars and economists have long studied the relationship between insurance sector development and economic stability. According to Professor Qamariddin Qoldashev (2012), in advanced economies, the insurance industry contributes between 8–12 percent to the gross domestic product, serving as one of the core drivers of financial security. He argues that mutual insurance systems and market-oriented models are vital for achieving such progress. Economist Sayfullo Mirzayev points out that the increasing occurrence of natural disasters and technological risks in modern economies underscores the need for advanced risk management mechanisms. He believes that expanding insurance coverage not only protects citizens and enterprises but also contributes substantial financial resources to the state budget. studies by the State Statistics Committee of Uzbekistan (2023) and the “Kafil” Insurance Company Report (2023) indicate that the total value of collected insurance premiums has increased by over 50 percent compared to the previous year. Nevertheless, the overall insurance penetration among the population remains insufficient, revealing a gap between policy development and public awareness. The literature highlights a consistent theme: in order to enhance financial stability, Uzbekistan must strengthen institutional capacity, improve professional training for insurance specialists, and introduce advanced financial technologies (InsurTech) that ensure transparency and trust in the insurance market.

Research Methodology

This study employs a combination of qualitative and quantitative research methods to examine the mechanisms for enhancing the financial stability of insurance companies in Uzbekistan. The methodology is structured around comparative analysis, empirical observation, and econometric evaluation of statistical data from 2020 to 2023. The research design integrates both theoretical and practical approaches to identify key determinants of insurance companies’ financial resilience.

Primary data were collected from official reports published by the Insurance Market Development Agency of Uzbekistan, the State Statistics Committee, and selected insurance organizations such as Uzbekinvest and Kafil. Secondary data sources included academic literature, presidential decrees, and analytical reviews of financial indicators.

The study applies the following techniques:

Comparative analysis to assess the financial performance of insurance companies across years and regions. Ratio analysis (liquidity, solvency, and profitability ratios) to determine the financial soundness of insurance firms. Trend analysis to evaluate the growth of insurance premiums and capital reserves. Correlation analysis to identify relationships between insurance penetration, GDP growth, and investment activities. This multifaceted approach enables the identification of patterns and causal links that affect the insurance sector’s ability to withstand market fluctuations and financial shocks.

Analysis and Results

The empirical findings indicate that Uzbekistan's insurance market has shown steady but uneven growth over the last three years. The total insurance premiums increased by 48 percent between 2021 and 2023, reflecting both inflationary pressures and a gradual rise in consumer confidence. According to the State Statistics Committee (2023), the total volume of insurance premiums reached 3.78 trillion soums in 2023, up from 2.54 trillion soums in 2021. However, the ratio of insurance premiums to GDP remains modest at 0.5 percent, compared to 1.5 percent in Russia, 6 percent in Germany, and 11 percent in South Korea.

The number of active insurance companies increased to 41, including 33 non-life and 8 life insurance providers. However, the market remains highly concentrated — the three largest companies (Uzbekinvest, Kafil, and O'zagrosug'urta) account for more than 60 percent of total premiums collected.

Growth of Insurance Premiums in Uzbekistan

Year	Soums	Growth rate(%)	Share of GDP(%)
2021	2,540	-	0.4
2022	3,150	+24.0	0.45
2023	3,780	+20.0	0.50

The financial stability index of insurance companies was calculated using three major indicators — capital adequacy, liquidity ratio, and profitability level. The average solvency ratio of domestic insurers improved from 1.12 in 2021 to 1.46 in 2023, reflecting better asset management and capital regulation.

Furthermore, the study observed an increasing trend in digital insurance adoption, especially in motor and health insurance segments. The introduction of online policy sales platforms, mobile applications, and AI-based claim assessments has enhanced operational efficiency and reduced administrative costs by an estimated 15–18 percent.

Discussion

The findings demonstrate that while Uzbekistan's insurance market is progressing, its contribution to the national economy remains below potential. The limited awareness of insurance benefits among the population, lack of diversified insurance products, and insufficient technological integration still hinder growth. A comparison with international best practices shows that the success of advanced insurance markets depends heavily on public education, the diversification of risk pools, and digital infrastructure. In countries such as South Korea and Germany, insurance companies actively collaborate with educational institutions and government agencies to promote financial literacy. Uzbekistan can replicate this experience by launching national awareness programs that emphasize the protective and investment functions of insurance.

Moreover, the government's digital transformation agenda — particularly under the Resolution PQ-5265 (2021) — provides a solid foundation for establishing an integrated insurance information system. This system can facilitate real-time data exchange between insurers and regulatory bodies, enhance transparency, and ensure more efficient risk assessment.

The development of green insurance products, particularly those supporting environmentally sustainable projects, could further strengthen the role of insurance companies in Uzbekistan's transition to a green economy. Such innovations would not only expand the scope of financial protection but also attract international investors seeking socially responsible partnerships.

Conclusion and Recommendations

The study concludes that ensuring the financial stability of insurance companies in Uzbekistan requires a comprehensive approach that combines regulatory reform, digital innovation, and public engagement.

Key recommendations include:

1. Enhancing financial literacy: Launch targeted campaigns to raise public awareness of the economic and social importance of insurance.
2. Promoting digital insurance: Expand the use of InsurTech tools to improve service quality, reduce costs, and facilitate access to remote customers.
3. Improving risk management: Strengthen reinsurance mechanisms and diversify insurance portfolios to mitigate systemic risks.
4. Developing professional capacity: Establish specialized educational institutions or certification programs for insurance specialists.
5. Encouraging investment and innovation: Support green and inclusive insurance initiatives aligned with the national sustainable development agenda.

By implementing these measures, Uzbekistan's insurance sector can evolve into a stable, transparent, and globally competitive component of the national economy.

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