SJIF Impact Factor (2024): 8.282 Journal DOI: 10.36713/epra0003 ISSN: 2250 – 2017
International Journal of Global Economic Light (JGEL)
Volume: 10 | Issue: 11 | November 2024

PROSPECTS FOR THE FORMATION OF THE NATIONAL INSURANCE MODEL

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ABSTRACT
The strategy proposed in this study was developed on the basis of the above analysis of the relations between the state, the insured and the insurers, taking into account the mentality of the people of Uzbekistan to some extent. First of all, it is aimed at the formation and development of the demand for insurance mechanisms for the protection of property interests of individuals and legal entities in the conditions of a modernizing economy. In addition, a national model of protection of property interests of individuals and legal entities through insurance has been formed. Also, the innovative perspectives of the insurance industry in the technological, economic and product directions as an element of the risk management system of legal entities and individuals in Uzbekistan have been identified. In Uzbekistan until 2026, a strategy for the development of the insurance sector has been formed on the basis of the national insurance model as an element of the risk management system of individuals and legal entities.
KEY WORDS: *national insurance model, microinsurance, insurance contract, insurance premium, insurance object, loss, insurance activity, property interests*

INTRODUCTION

Uzbekistan aims to increase its gross domestic product (GDP) by 2.1 times and triple per capita income by 2030. The country also strives to raise the average life expectancy to 78–80 years and ensure full housing provision for its population. These ambitious goals are outlined in the draft concept for Uzbekistan's socio-economic development until 2030.

The draft decision was developed by the Ministry of Economy and Industry in accordance with the decrees of the President of Uzbekistan and directives from the Presidential Administration. To achieve these objectives, "roadmaps" have been designed for both the medium-term (2022–2026) and long-term (2027–2030) periods[1].
The primary drivers for achieving the concept's goals include:

1. Maintaining macroeconomic stability to ensure sustainable growth.
2. Accelerating the transition to a market economy, creating conditions for competitive markets.
3. Strengthening social protection and service delivery for citizens while converting demographic growth into effective economic development.
4. Enhancing the role of the state in a robust market economy, ensuring balanced oversight and support.
5. Efficient utilization of regional factors to promote equitable development across territories.
6. Pursuing a targeted investment policy to ensure economic growth and structural transformation.
7. Improving the efficiency of environmental resource use, promoting sustainability and green initiatives.

The development of the insurance sector in Uzbekistan is closely tied to these priorities. For maintaining macroeconomic stability, insurance plays a vital role in safeguarding the property and economic interests of both the state and businesses. This is achieved by employing insurance mechanisms to modernize the economy and mitigate financial risks.

A significant focus is placed on utilizing classical insurance mechanisms, such as reinsurance of accepted risks with reliable local and international reinsurers, particularly for large enterprises and financial-industrial groups. This includes voluntary insurance contracts for property, civil liability, and investment risks, as well as mandatory insurance policies. These contracts involve substantial insured amounts and corresponding premiums.

[1] *Decree of the President of the Republic of Uzbekistan dated March 26, 2020 No. PF-5975 "On measures to fundamentally update the state policy in the field of economic development and poverty reduction."*

Furthermore, for many foreign-invested projects, insurance and reinsurance are mandatory components to ensure successful implementation and risk mitigation.

LITERATURE REVIEW

The Role of Insurance in Advancing a Competitive Market Economy. The transition to a competitive market economy relies heavily on the effective management of risks faced by individuals and businesses. Insurance plays a pivotal role in this process by creating favorable working conditions through risk mitigation strategies. This involves enhancing underwriting processes and improving the quality of pre-insurance expertise, ensuring that physical and legal entities are better protected from potential financial losses [1].

Insurance Mechanisms in Risk Management. The tasks of insurance in a competitive economy include achieving an adequate level of property interest protection within the framework of traditional insurance mechanisms [3]. One such approach is the incorporation of a national insurance model, which allows a portion of the insurance premium to be returned to the policyholder in cases of pre-agreed profitability thresholds. This model ensures shared responsibility between the insurer and the insured, thereby fostering trust and collaboration [4].

Reinsurance remains a critical component of risk management, particularly for large enterprises and medium-sized businesses that do not belong to financial-industrial groups. However, challenges arise from the dominance of foreign reinsurers in shaping key conditions and insurance rates. This reliance on foreign expertise often stems from a shortage of qualified local actuaries, who are essential for accurately assessing insurance tariffs. Currently, actuarial evaluations are frequently conducted by foreign specialists, and their findings are presented as finalized recommendations on policy terms and tariff rates [5].

Challenges in Actuarial and Reinsurance Practices. Local actuaries often base their calculations on global market perspectives, which may overlook essential data such as long-term statistical information, reliability indicators, and detailed technical specifics about insured objects [5]. Consequently, there is a significant outflow of reinsurance premiums from the domestic market to foreign reinsurers. To address this, establishing national reinsurance funds is considered a viable solution to retain financial resources within the country [6].

For smaller enterprises, private firms, and budgetary organizations, the national insurance model is particularly relevant. By returning a portion of the insurance premium in cases of non-profitability, this model incentivizes participation while ensuring financial sustainability. Additionally, mandatory insurance agreements, such as contracts for insuring pledged property and cargo, contribute to broader market participation and risk coverage [7].

Socio-Economic Impact of Insurance Mechanisms. Insurance mechanisms serve to mitigate financial burdens caused by natural disasters, technological accidents, and unforeseen emergencies. This reduces reliance on state budgets for compensation, allowing for more efficient allocation of public resources [8]. Moreover, the introduction of a three-tiered state insurance system fosters greater engagement of entrepreneurs and the public in the insurance sector. This system promotes insurance literacy and reduces dependency on state support, encouraging a culture of self-reliance within society [9].

The role of insurance in facilitating Uzbekistan's transition to a competitive market economy is multifaceted. It spans from risk management and resource retention to fostering financial independence among businesses and individuals. Addressing challenges such as reliance on foreign reinsurers and enhancing local actuarial capacity will be crucial for achieving a resilient and self-sustaining insurance sector. Additionally, the development of mandatory insurance contracts and a national insurance model will further bolster economic stability and growth, aligning with the broader goals of socio-economic development.

RESEARCH METHODS

The methodology employed in this study involves analyzing the state of the insurance market through the examination of international and local national insurance models. It focuses on developing and implementing insurance models in the practices of risk insurance and the realization of insurance products. The methods utilized include analysis, synthesis, abstract-logical and critical thinking, scientific approbation, and generalization.

ANALYSIS AND RESULTS

The research identifies the following goals for developing the insurance sector in Uzbekistan, taking into account the interests of a modernizing economy: ensuring macroeconomic stability by protecting the property interests of

the state, entrepreneurs, and citizens through the application of insurance mechanisms to address economic modernization challenges; accelerating the transition to a competitive market economy by effectively managing the risks of individuals and legal entities and creating favorable business conditions; strengthening state regulation of insurance activities in alignment with international standards of insurance supervision, developing self-regulation mechanisms within the sector, and enhancing the role of non-governmental organizations and professional associations.

Furthermore, the goals include improving social stability in society by expanding access to quality healthcare and education for a broad segment of the population through the application of insurance mechanisms; promoting regional insurance development by implementing a three-tiered national insurance model, thereby increasing insurance literacy among regional populations and the owners of private and small business entities located in those areas; progressively involving middle-income families in property insurance processes; and fostering the development of long-term, accumulation-based insurance types aligned with the cultural values of the population.

The research also emphasizes the efficient use of long-term financial resources by leveraging the national model of non-commercial mutual insurance based on the principle of financial participation, utilizing temporarily idle funds accumulated in special community funds (mahallas), and ultimately increasing investment potential. Additionally, it seeks to ensure the protection of the property interests of individuals and legal entities against environmental risks as well as natural and man-made disasters. To achieve these objectives, specific tasks must be undertaken, as illustrated in Figure 1.

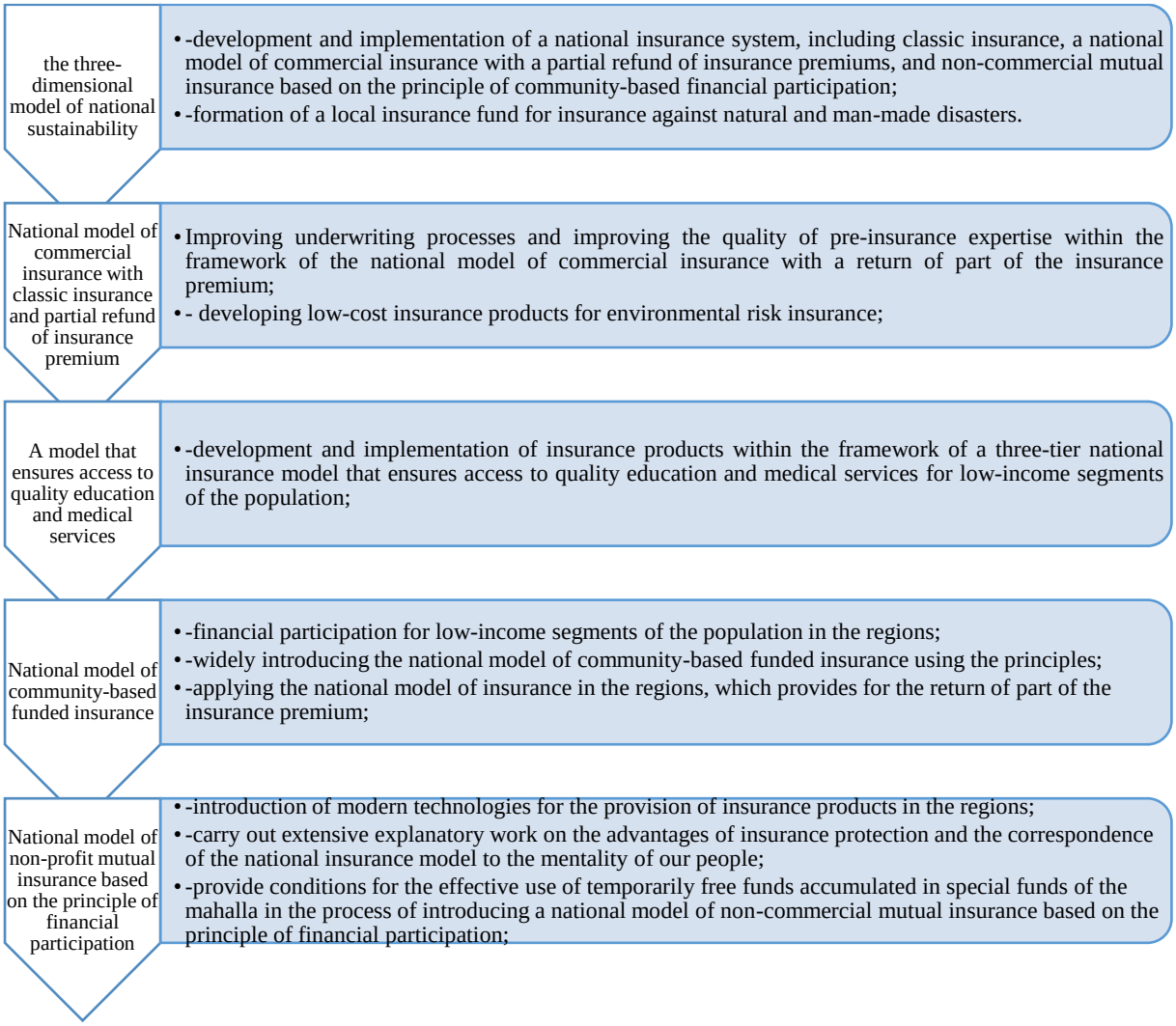


Figure 1. Description of the modern three-tier model of national insurance [2]

[2] *Researcher's work.*

The phase of economic modernization in a country is characterized by a significant increase in the number and severity of various risks, including technological, financial, political, and social risks. This environment particularly affects low-income individuals and small private enterprises that are at the early stages of entering the business sector. These groups often face limited capacity to manage their risks effectively, a situation typically exacerbated by insufficient financial resources.

In international practice, microinsurance has been widely employed to address this issue, providing a mechanism for risk management tailored to the needs of low-income individuals and small business entities. In Uzbekistan, there are some existing practices and experiences relevant to the development of the microinsurance sector.

Microinsurance, as defined in official frameworks, is a financial service designed to protect the property interests of individuals and legal entities against a variety of risks. To classify a service as microinsurance, it must meet specific criteria, including accessibility, affordability, and relevance to the targeted population\u2019s needs. The activity must also adhere to simplified procedures and operational standards suited for small-scale risk coverage.

Microinsurance offers several benefits, including the provision of financial security to vulnerable groups and the promotion of economic inclusion by enabling low-income households and small businesses to participate more actively in economic activities. By offering coverage for risks such as health emergencies, property damage, or business interruptions, microinsurance helps reduce the vulnerability of these groups to unexpected financial shocks.

Moreover, in the context of Uzbekistan\u2019s economic modernization, the development of microinsurance could play a crucial role in fostering social stability and economic resilience. By mitigating risks that disproportionately impact low-income individuals and small businesses, microinsurance aligns with broader national goals, such as ensuring inclusive economic growth and improving the standard of living.

The effective implementation of microinsurance requires careful attention to the unique needs of the target audience, the establishment of appropriate regulatory frameworks, and the involvement of both public and private stakeholders. Figure 2 illustrates the specific requirements and operational features necessary for microinsurance activities to be classified and function effectively.

Overall, leveraging microinsurance as a tool for risk management during economic modernization can significantly enhance the financial security and entrepreneurial potential of disadvantaged groups, thereby contributing to broader socio-economic development objectives.

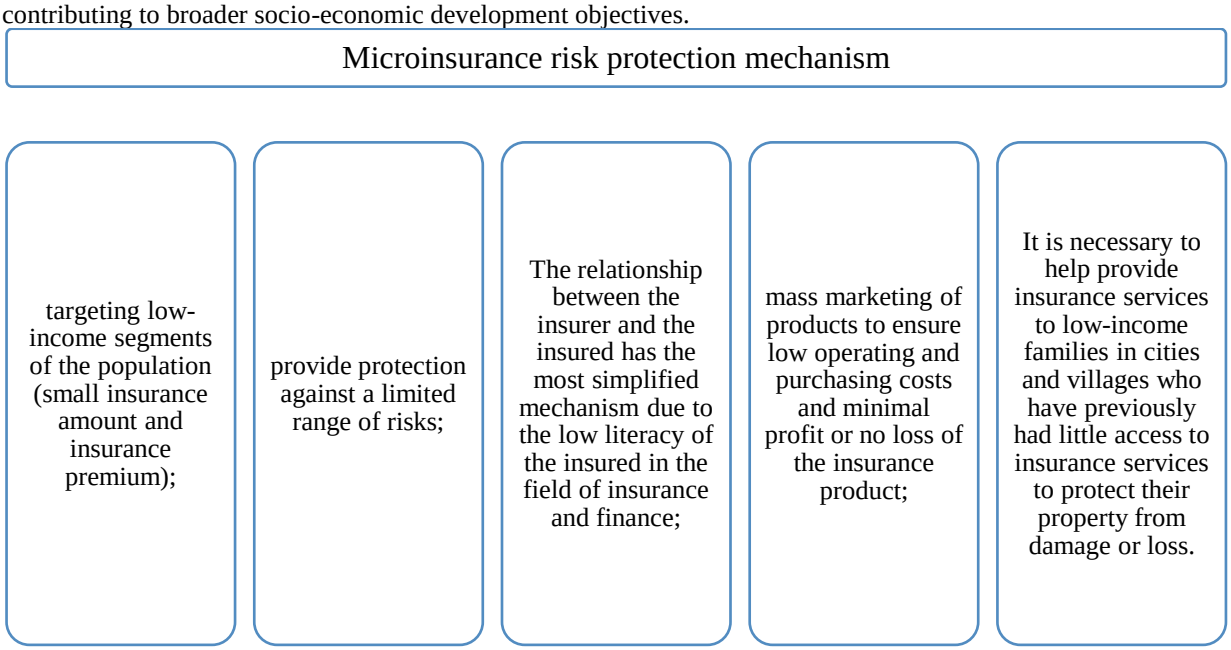


Figure 2. Requirements for microinsurance to protect the property interests of individuals and legal entities from various risks [3]

[3] *Researcher's work.*

Formulating an effective strategy for the development of insurance as an integral element of the risk management system for individuals and legal entities is primarily determined by the presence of solvent demand. This demand, in turn, is closely tied to the macroeconomic state and growth prospects of the national economy, including sectors such as industry and services, the financial system—specifically the insurance market—and the state's social policies.

It is important to note that the proposed strategy is indicative rather than imperative. Its overarching goal is to introduce a national insurance model in Uzbekistan under conditions of economic modernization. The strategy aims to foster the development of a solvent demand for insurance services among individuals and legal entities while creating conditions for the accelerated growth of insurance mechanisms that protect property interests.

The main objectives of the proposed strategy are as follows:

1. Enhancing living standards and quality of life for individuals by utilizing insurance mechanisms under conditions of economic modernization.
2. Supporting economic development by offering affordable insurance mechanisms for managing the risks of individuals and legal entities.
3. Creating conditions for the development of insurance culture and the overall insurance sector.

The successful realization of the strategy is based on the following principles:

- Prioritization of interests: Placing the interests of individuals and legal entities at the forefront when utilizing insurance mechanisms for risk management.
- Developing protective measures: Formulating and implementing actions to advance insurance mechanisms that safeguard property interests under economic modernization conditions.
- Integration with global markets: Ensuring the strategic interests of the local insurance market while integrating it into regional and global insurance markets.
- Shared responsibility: Developing comprehensive insurance mechanisms that manage risks in a market economy based on shared responsibility and partnership among the state, entrepreneurs, and ultimate beneficiaries.
- Transparency and predictability: Promoting transparency and predictability in the development of insurance mechanisms for managing risks in the context of economic modernization.

The proposed national insurance model encompasses the following elements:

1. Classical types of commercial insurance and mutual commercial insurance.
2. Modernized types of commercial insurance, including inclusive insurance and profit-sharing insurance that engages policyholders in the insurer's financial performance.
3. Non-commercial mutual insurance based on voluntary associations of residents within a community, leveraging financial participation principles for risk pooling and coverage.

This strategy envisions the development of a robust insurance ecosystem that aligns with Uzbekistan's broader economic modernization goals. By fostering a solvent demand for insurance services, it aims to enhance risk management capabilities, integrate local markets with global counterparts, and create a more resilient socio-economic structure for individuals and businesses.

The main tools for implementing the proposed strategy may include the following: laws, subordinate regulations, normative-methodological documents related to the introduction and application of the national insurance model, the draft Law of the Republic of Uzbekistan "On Mutual Insurance," normative-methodological documents for organizing non-commercial mutual insurance activities based on the principle of financial participation through voluntary associations of citizens residing in the same community; the application of soft and indirect regulatory measures in organizing non-commercial mutual insurance based on voluntary associations of residents; strengthening control and applying supervisory measures for classical commercial insurance and mutual insurance types to ensure the legality and protection of the interests of professional participants in the insurance market and ultimate beneficiaries; creating infrastructure and ensuring equal access to it for organizing non-commercial mutual insurance based on the principle of financial participation through voluntary associations of residents in the same community; reducing uncertainty and ensuring transparency of information and collaboration between professional insurance market participants and ultimate beneficiaries through the Agency for Insurance Market Development under the Ministry of Finance of the Republic of Uzbekistan; and influencing the behavior and activities of professional insurance market participants, individuals, and legal entities.

CONCLUSION

In conclusion, the implementation of the proposed strategy will rely on tools such as Presidential decrees, resolutions of the Cabinet of Ministers of the Republic of Uzbekistan, medium-term documents and roadmaps developed by the Ministry of Finance and the Insurance Market Development Agency, as well as specific action plans adopted by local authorities. These action plans, aimed at advancing insurance mechanisms for protecting the property interests of individuals and legal entities under conditions of economic modernization, should specify participants and deadlines for execution.

To ensure alignment with other documents influencing the development of the local insurance market, it is advisable to establish an interagency working group under the Cabinet of Ministers of the Republic of Uzbekistan. This group would operate throughout the strategy's implementation period, focusing on evaluating its execution and preparing proposals for updates. The working group could include representatives from ministries and agencies interested in developing the insurance market, the Insurance Market Development Agency, as well as members of the business and scientific communities.

The working group should conduct an analysis at least once every three years to assess the need for updating the strategy and submit relevant reports to the Cabinet of Ministers. Based on these reports, decisions regarding amendments to the strategy can be made.

Additionally, legislative changes will be required, including amendments to the laws of the Republic of Uzbekistan, presidential decrees, government resolutions, and regulatory legal documents issued by the insurance market's supervisory authority. This process should be carried out under the supervision and coordination of the Cabinet of Ministers, in collaboration with the Ministry of Finance, the Central Bank, and other relevant state institutions.

It is worth noting that the successful implementation of the strategy necessitates the availability of qualified professionals capable of operating effectively within the framework of the national insurance model. To this end, it is essential to establish inter-organizational training centers for the preparation and retraining of specialists in the insurance sector.

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