



# DEVELOPPING THE INSURANCE MARKET OF UZBEKISTAN REGARDING THE LEVEL OF ASSISTANCE SERVICES

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## ABSTRACT

*This abstract provides an overview of the current situation within the insurance market of Uzbekistan with a focus on the level of assistance services. As of the latest available information, the landscape of the insurance sector in Uzbekistan is subject to ongoing changes influenced by regulatory developments, economic conditions, and evolving consumer demands.*

*The insurance market in Uzbekistan has witnessed a notable shift in recent years, reflecting a growing emphasis on enhancing assistance services provided to policyholders. A critical aspect of this evolution is the incorporation of advanced technologies and digital solutions to streamline and improve the efficiency of assistance processes. Insurers are increasingly adopting innovative approaches to offer timely and responsive services, aligning with global trends in insurtech.*

*Regulatory initiatives have played a pivotal role in shaping the assistance services landscape, emphasizing consumer protection and satisfaction. The government's focus on fostering a competitive and customer-centric insurance environment has prompted insurance companies to invest in improving the quality of assistance services. This has led to the development of comprehensive insurance products that not only mitigate risks but also provide a range of support services tailored to the diverse needs of policyholders.*

*Moreover, there is a discernible trend towards collaborative efforts between insurers and other stakeholders, including healthcare providers, automotive service networks, and emergency response organizations. Such collaborations aim to enhance the overall assistance ecosystem by ensuring swift and effective responses to policyholders' needs, especially in critical situations.*

*While advancements are evident, challenges persist, including the need for standardized practices, awareness campaigns to educate consumers about available assistance services, and ongoing efforts to align with international best practices. The future trajectory of the insurance market in Uzbekistan is likely to be shaped by the industry's adaptability to emerging trends and its ability to continually elevate the level of assistance services to meet the evolving expectations of policyholders in an ever-changing economic and technological landscape.*

**KEYWORDS:** *Insurance Market, Assistance Services, Regulatory Developments, Consumer Demands, Insurtech, Healthcare Providers, Policyholders*

## INTRODUCTION

The insurance market in Uzbekistan stands at a crossroads, marked by dynamic changes and an evolving landscape that reflects the influence of regulatory frameworks, economic shifts, and the ever-changing demands of consumers. This introductory overview delves into the current state of the insurance market in Uzbekistan, focusing on a pivotal aspect—the level of assistance services offered by insurance providers. In recent years, this sector has witnessed a notable transformation, driven by a concerted effort to enhance the overall customer experience and streamline assistance processes.

As the global insurtech wave sweeps through the industry, Uzbekistan's insurance sector is increasingly embracing digital solutions and innovative approaches to cater to the diverse needs of policyholders. This transition is not only shaped by domestic factors but is also influenced by the broader international trends in the insurance landscape. Regulatory initiatives championing consumer protection and satisfaction have played a central role in shaping the assistance services provided by insurers, encouraging them to invest in technological advancements and service quality improvements.

This paper explores the multifaceted dimensions of the current state of assistance services in Uzbekistan's insurance market, examining the integration of advanced technologies, collaborative efforts with external service providers, and the challenges and opportunities that define the industry's trajectory. The intricate balance between regulatory mandates, industry trends, and consumer expectations sets the stage for a comprehensive analysis of how insurers are navigating this dynamic environment to deliver effective and responsive assistance services to policyholders.



## LITERATURE REVIEW

A comprehensive analysis of the literature on the development of insurance assistance services reveals several key themes, challenges, and opportunities within this dynamic and evolving sector. The following synthesis provides an overview of the main findings and trends identified in the literature:

### 1. Technological Advancements and Insurtech:

The literature consistently underscores the transformative impact of technology, particularly insurtech, on insurance assistance services. Researchers highlight the integration of artificial intelligence, machine learning, and data analytics as pivotal in enhancing operational efficiency and the overall customer experience [1].

### 2. Consumer-Centric Approaches:

Studies emphasize the shift toward consumer-centric approaches in the development of insurance assistance services. Consumer expectations, preferences, and behaviors play a crucial role in shaping service offerings. Personalization, ease of access, and real-time responsiveness emerge as key factors influencing consumer satisfaction [2].

### 3. Regulatory Landscape:

Researchers delve into the regulatory environment, emphasizing the need for insurers to navigate complex legal frameworks governing assistance services. The literature points out that compliance with evolving regulations is crucial, especially in areas concerning data protection, privacy, and consumer rights [3].

### 4. Collaborative Initiatives and Partnerships:

Collaborative initiatives between insurance companies and external service providers are recognized as instrumental in advancing assistance services. Successful partnerships contribute to innovation, streamlined processes, and a broader range of service offerings [4].

### 5. Claims Processing Efficiency:

An area of considerable focus is the integration of assistance services into the claims processing workflow. Studies highlight that efficient assistance services contribute to faster claims settlements, reduced fraud, and increased overall customer satisfaction [5].

### 6. Global Trends and Cross-Cultural Considerations:

The literature explores global trends in insurance assistance services, acknowledging regional variations and cultural considerations. Researchers recognize the importance of understanding diverse consumer needs and adapting services to different cultural contexts [6].

### 7. Ethical and Social Implications:

Ethical considerations related to the development and deployment of insurance assistance technologies are discussed. Researchers highlight the importance of responsible use of customer data, transparency in decision-making processes, and addressing potential biases in algorithmic models [7].

### 8. Challenges and Opportunities:

The literature identifies challenges such as standardization issues, the need for improved communication channels, and the adaptation to rapidly evolving consumer expectations. Opportunities lie in leveraging emerging technologies, exploring new service models, and fostering collaborations to address these challenges [8].

### 9. Cross-Sector Insights:

Research extends beyond the insurance sector, exploring cross-sector insights, especially in collaborations with healthcare providers, emergency services, and automotive assistance. These interdisciplinary approaches contribute to a holistic understanding of assistance services.

In conclusion, the analysis of the literature on the development of insurance assistance services underscores a paradigm shift driven by technology, consumer-centricity, and collaborative endeavors. As the industry continues to evolve, addressing regulatory challenges, ethical considerations, and adapting to global and cultural nuances emerge as crucial aspects for insurers seeking to optimize and innovate their assistance services.

## ANALYSIS AND DISCUSSION

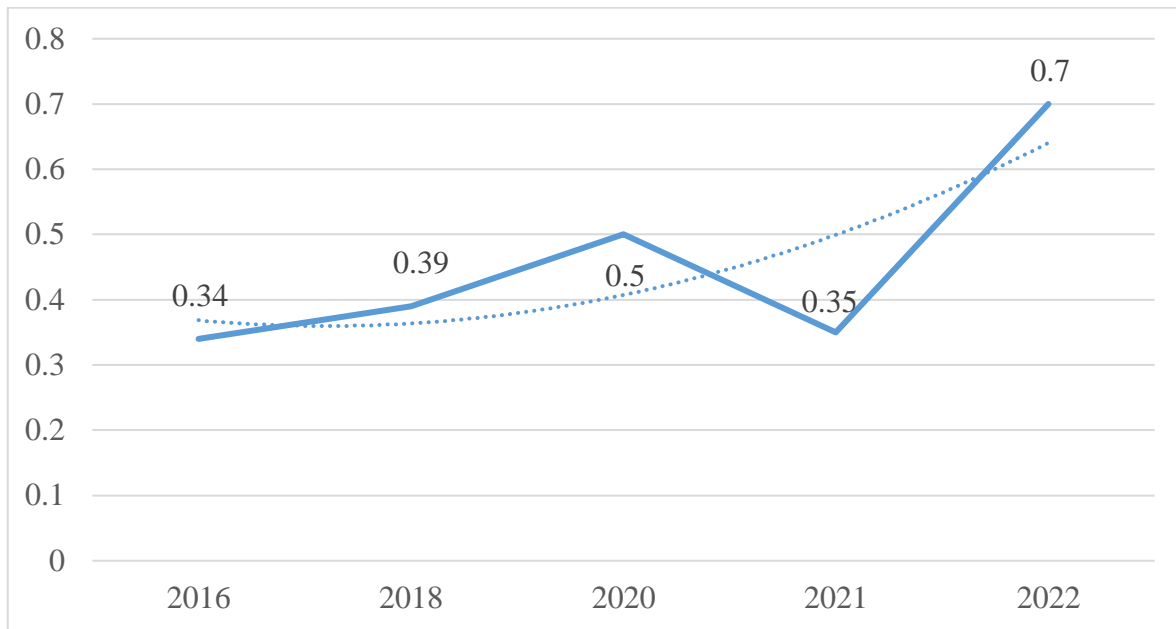
The main macroeconomic indicators of the insurance market:

- the amount of gross calculated insurance premium;
- the share of gross calculated insurance premium in GDP (insurance penetration level);
- the insurance rate (gross amount of insurance premium per capita);
- the loss coefficient (ratio of gross insurance payments to the gross calculated insurance premium).

An analysis of the dynamics of gross insurance premium calculated in recent years (Fig. 2.1.) showed that increased more than 4 times in 2016-2022. A slight decrease in the dynamics of NPS in 2020 compared to 2019 is due to the consequences of the COVID-19 pandemic.



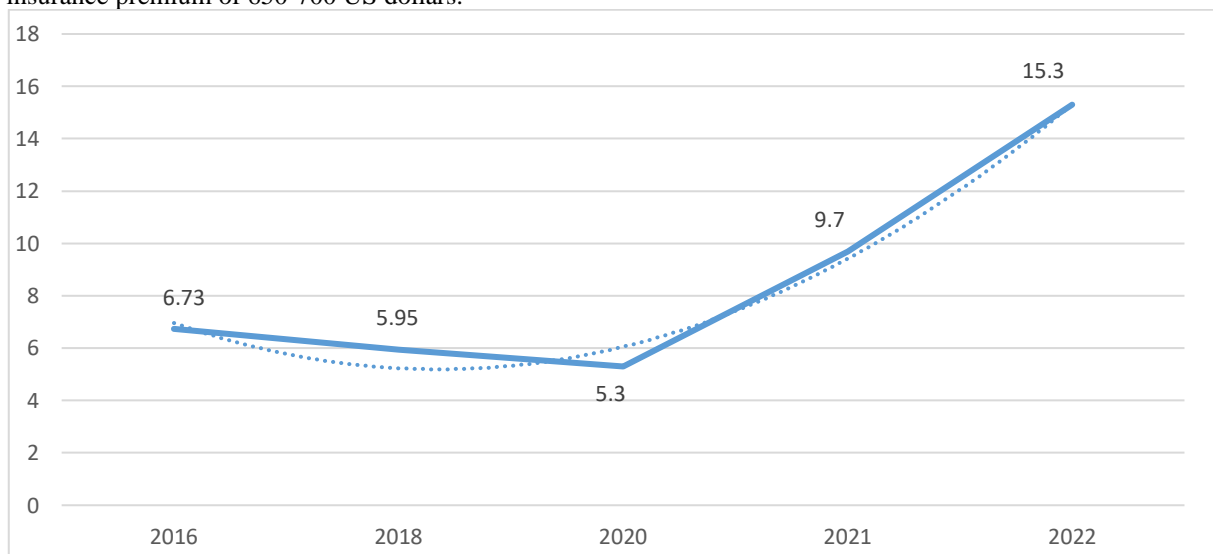
The most important macroeconomic indicator of the importance of insurance as an element of the risk management system of legal entities and individuals is the ratio of total insurance premiums to gross business product. The largest value of this parameter is in Taiwan, where insurance premiums are 19 percent of GDP, Hong Kong (17-18 percent), South Africa (14 percent), South Korea (13 percent) and Finland (12 percent). In the USA and Japan, the value of this indicator is 9.5-10%, in the European Union this indicator is on average 8%, in Latin America, Eastern Europe and African countries - from 2% to 3.5% , in Uzbekistan in recent years, the value of this indicator has ranged from 0.34 to 0.7% (Fig. 1).



**Figure 1. Share of gross business product in gross business product of insurance premium (%)<sup>1</sup>**

A similar situation of this indication shows that most local insurance companies fulfill the existing demand created by the banking industry. And individuals and private and personal enterprises do not work enough to create demand for such insurance services.

The importance of insurance is also determined by the insurance coverage. In recent years, each inhabitant of the planet has an average insurance premium of 650-700 US dollars.



**Figure 2. Insurance price in Uzbekistan (USD) Official exchange rate US\$<sup>2</sup>**

<sup>1</sup> Developed by the author based on site data [www.mf.uz](http://www.mf.uz)

<sup>2</sup> Developed by the author based on site data [www.mf.uz](http://www.mf.uz)



In developing countries, this figure is about \$150. An average of \$80 goes to life insurance premiums. In Uzbekistan, according to the end of 2022, the insurance premium for each resident was slightly more than 15 dollars.

The situation related to the level of insurance penetration and insurance density in Uzbekistan is mainly explained by the insufficient insurance literacy and insurance culture of the population, as well as the distrust of legal entities and individuals in insurance.

At the same time, the general income level of the population also plays an important role, which is much lower in Uzbekistan than in the above countries.

The main point of providing auxiliary services is to optimize the ratio of voluntary and compulsory insurance types. In economically developed countries, the share of insurance premiums by types of compulsory insurance is more than one third of the total insurance premium.

In 2020, the increase in fees for the types of compulsory insurance is explained by the introduction of compulsory civil liability insurance of vehicle owners, compulsory civil liability insurance of the employer and compulsory civil liability insurance of the transporter.

The state of insurance activity in the country allows the insurance market of Uzbekistan to be called a "soft" insurance market, characterized by a relatively high number of participants and low rates of insurance premiums. The structure of the insurance market in 2016-2022 is presented in Table 1. As of the end of 2022, 41 insurance companies operated in the insurance market of Uzbekistan, 8 of them operated in the field of life insurance. Not all domestic insurance companies are active players in the insurance market, 7 insurers have a market share of less than 1% in premiums.

**Table 1. The structure of the insurance market of the Republic of Uzbekistan for 2016-2022<sup>3</sup>**

Years	Number of insurance organizations	Including life insurance	Total authorized capital of insurance organizations (million dollars)	Number of insurance brokers	Number of insurance brokers	Number of insurance agents	Number of insurance surveyors and adjusters	Number of assists
2016	29	3	137,1	3	4	5800	12	6
2018	30	6	125,1	4	4	8700	18	6
2020	40	8	137,4	5	5	8870	18	6
2021	42	8	146,7	5	5	9581	18	6
2022	41	8	167,8	5	5	9155	18	6

In recent years, the level of insurance services and tariffs is determined only by market conditions.

The reality of insurance as an element of the risk management system of legal entities and individuals is confirmed by the following indication, the harmfulness of the insurance premium.

Analysis of the harmfulness of the insurance premium (the ratio of insurance payments to insurance premiums) in the general insurance sector in 2016-2022 allows it to determine the very uneven dynamics of this indication (Fig. 2.6). Such a change in this reading may indicate the high quality underwriting of local insurance companies or their policies aimed at increasing insurance payments, some of which have a loss of less than 2 percent of the insurance premium. That is, insurance payments are less than 2 soums per 100 soums of insurance premium.

By the end of 2022, the majority of insurance premiums (more than 23%) were collected by state-owned insurance companies. In the past few years, state-owned insurers have been among the leaders in the business insurance market. But from year to year their influence on the conditions of the country's insurance market is decreasing. During 2015-2022, the total share of state-owned companies in the general insurance sector decreased.

From the point of view of monopolization, the situation in the insurance market is considered a market. In this case, the main part of the total insurance premium is produced by ten or more competitors. At the same time, the largest share of one of them should

<sup>3</sup> Developed by the author based on data from the website [www.mf.uz](http://www.mf.uz)



not exceed 31% of the total amount of the insurance premium, two - 44%, thirty - 54%, and four - 64%. The state of the insurance market of Uzbekistan meets the above requirements.

The insurance market of Uzbekistan is characterized by a very high geographical concentration (Table 2). The reason for this is that although the insured objects are distributed in the territory of the republic, almost all financial flows are concentrated in the capital. The main share of the insurance premium (more than 50%) is still formed in the city of Tashkent. This shows the dominance of domestic corporate insurance insurers in the insurance portfolio.

The task of providing the regions with insurance services is solved due to the presence of insurance companies with headquarters in Tashkent, the presence of many divisions (branches and divisions) in the regions, and the presence of assistance companies in the republic.

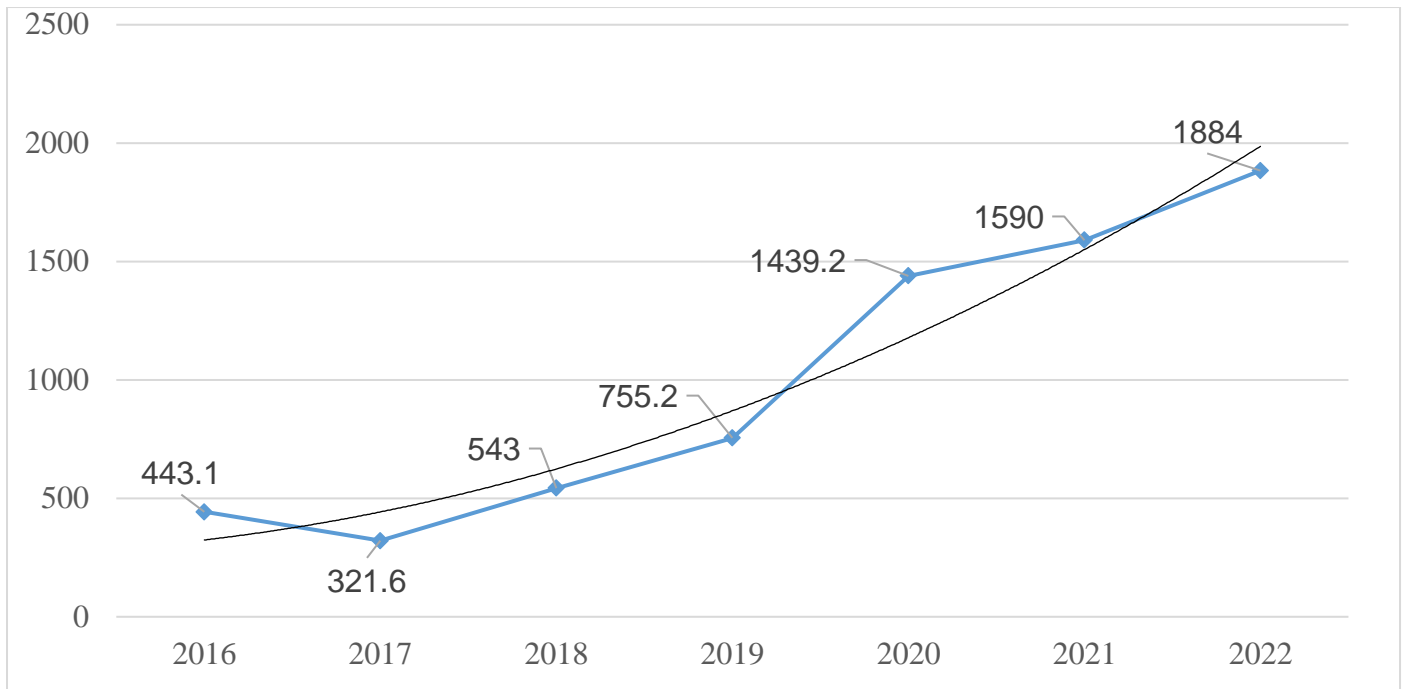
The current stage of business insurance market development is characterized by an insignificant amount of authorized capital of insurers both in the general insurance network and in the life insurance network. As of January 1, 2023, the total authorized capital of Uzbekistan's insurance companies amounted to 1.8 trillion soums.

**Figure 2.**  
**Share of the Insurance Premium Related to the regions<sup>4</sup>**

Regions	Share of the insurance premium corresponding to the region, (%)						
	2016	2017	2018	2019	2020	2021	2022
Tashkent city	53,7	54,8	52,2	55,6	52,0	60,9	68,1
Tashkent region	7,3	7,2	7,5	7,5	6,9	4,0	3,0
Fergana region	5,6	5,2	5,4	5,4	5,5	4,3	3,2
Andijan region	4,3	4,2	4,2	4,3	4,5	3,5	3,6
Samarkand region	4,4	4,1	4,3	4,2	4,3	3,0	3,5
Bukhara region	3,9	3,9	4,0	3,8	4,0	3,0	2,7
Namangan region	3,4	3,4	3,7	3,1	3,7	3,6	2,7
Kashkadarya region	4,2	4,0	4,1	3,5	3,4	3,2	2,6
Khorezm region	2,9	2,8	3,2	3,0	3,3	2,4	2,5
Navai region	1,9	1,9	2,3	2,2	3,1	2,7	2,2
Surkhandarya region	2,6	2,6	2,8	2,2	2,8	1,9	1,4
Republic of Karakalpakstan	2,4	2,3	2,5	2,2	2,7	4,3	4,2
Jizzakh region	1,7	2,0	2,2	2,0	2,3	1,6	1,3
Syrdarya region	1,7	1,7	1,5	1,1	1,5	1,5	0,9

Analysis of this indicator for the period 2015-2020 (Fig. 2.7) shows that if the extreme year 2017 is excluded (the insurance market left a number of players), there is a stable growth trend. By the end of 2022, the total volume of authorized capital of local insurers has increased by 4 times from the level of 2016.

<sup>4</sup> Developed by the author based on data from the website [www.mf.uz](http://www.mf.uz)



**Figure 4. The total amount of authorized capital of local insurers in 2016-2020 (billion soums)<sup>5</sup>**

One of the main obstacles to the development of assistance is the underdevelopment of infrastructure (lack of evacuation services in each settlement, lack of private medical facilities, lack of professional personnel, etc.). Therefore, the possibilities of assistance are determined by the geography of the capital and regional centers. Therefore, the main task of assistance companies in the near future will be to develop a network of offices throughout the country, so that the client can be assisted in any region, regardless of where the policy was purchased.

Recently, others should be added to the actively developing types of support mentioned above. On the example of developed countries, the "concierge" service may become very popular in our Uzbekistan. Employees of the Assistance company helps the insured to solve plumbing and other personal problems around the house. They also order gifts, tickets, a table in a restaurant and many other things.

An important issue in the development of assistance is the form of cooperation (relationship) between the insurance company and the assistance. There are three job options. Each has its advantages and disadvantages: 1. The insurance company outsources the care of its customers. 2. It will create a department that will enter into direct cooperation agreements with companies serving customers (medical institutions, service stations, etc.) in his work. 3. It establishes a separate affiliate assistance company.

The simplest way for an insurance company to provide assistance to its customers is to contract with an external assistance company and outsource the service. In most cases, local insurance companies do this. The insurance company burdens itself by transferring part of the work to an external operator, because there is no need to spend money on creating your own service and train employees. The client receives a high level of service, because the assistance company specializes in providing a certain type of service, for which it has the necessary technical base and personnel. In this case, the costs of assistance depend directly on the agreement between the insurer and the company providing it. Although different payment methods can be used, it can be a percentage of collected rewards, a fixed fee per customer served, or a fee per referral.

The payment method, as a rule, depends on the specific characteristics of the insurance product. If the probability of an insured event is high, the service will be cheaper to pay the specified amount. If it's low, it's better to pay a little more for each customer referral. Experts believe that in the future the cost of such outsourcing services of the insurance company will decrease (on the one hand, due to the increase in competition between companies that provide such services, on the other hand, due to the increase in the

<sup>5</sup> Developed by the author based on data from the website [www.mf.uz](http://www.mf.uz)





number of customers). An obstacle to cost reduction can be the price of Assistance services, which is constantly increasing, and the price of the insurance policy remains almost unchanged.

Some local insurance companies develop their support by establishing a customer support center or assistance affiliate within the insurance company business. In addition, if the number of clients is insignificant, it makes sense to create an additional division within the insurance company itself. According to experts, a similar trend is related to the requests of customers themselves. Potential customers, when choosing an insurance company, ask the question of who will serve them - their assistant or an outsourcer. It makes perfect sense for the client to assume that their support will take better care of the client than a hired contractor. A second argument in favor of developing its own assistance service may be the business interest of the assistant in developing the main insurance company. There is something like a circular motion: the better the assistance works, the wider the insurance company's customer base and, as a result, the more people who use the assistance services.

If the assistance company works with several insurance companies, then there is less reason for self-development and improvement. Another important advantage of own assistance service is the price. Self-care becomes cheaper when assistance services reach a certain volume of clients. Funds saved in working with your own assistance can be directed to further expand the offered services or reduce their price in the conditions of increased price competition in the insurance market.

However, the establishment of a company or division specializing in assistance, in order to be able to provide high-quality service, requires a lot of effort and financial costs from the insurance company.

With a large number of clients and the need to expand the range of services provided, it is preferable to establish a separate company dealing only with assistance. Based on this scenario, the largest local insurance company, Uzbekinvest, created its assistance subsidiary.

By dividing its assistance into a separate structure, the insurance company creates the necessary conditions for the formation of an additional profit center, because the potential of the business unit is determined only by the range of clients of the main insurance company. When an affiliate assistance company sells its services to insurance companies that are not willing to increase their assistance, the insurance company can become a profit center. But on the other hand, when it comes to offering assistance operator services associated with any insurance company, other insurers are wary of it and prefer to work with independent assistance companies. The reason for this is the fear of leaking customer information. By the way, in developed countries, assistance does not always benefit the company, sometimes it works at a loss level.

## SUMMARY

Today, it is possible to observe dumping by some companies in the market of assistance services in order to attract customers. As a rule, this applies to new companies. That's because they can't provide a product or quality that's an order of magnitude higher than existed market leaders, but they can only offer a similar service at a lower price. But it doesn't always work. Today, it is very difficult to attract a loyal customer from a reliable assistance company, even when using dumping. Insurance companies understand that you have to pay for quality, so they strive to cooperate with leaders of assistance companies that offer the highest quality services. And since only companies with large capital can lower the price below the cost of service (and such tactics cannot be long-term), dumping will not be a "way to the top" for young and developing companies.

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