



ANALYSIS OF THE CURRENT STATE OF LIFE INSURANCE IN UZBEKISTAN AND DEVELOPMENT PROSPECTS

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ANNOTATION

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This article is aimed at an in-depth analysis of the current state of life insurance in Uzbekistan, focusing on the main tasks facing the industry and studying future development prospects based on recent reforms and market trends. Also, the opportunities of Uzbekistan and foreign countries in terms of life insurance have been comparatively analyzed.

KEYWORDS: Life insurance, Uzbekistan insurance market, financial reforms, insurance penetration, cultural barriers, economic constraints, regulatory challenges, public awareness, digital insurance platforms, insurance product development.

INTRODUCTION

Life insurance is an important financial tool designed to provide security and financial protection in the modern age. In many developed countries, life insurance plays an important role in personal and corporate financial planning. However, the life insurance industry in Uzbekistan remains relatively underdeveloped.

The life insurance market in Uzbekistan is in its early stages of development, and this sector contributes little to the overall insurance market and the national economy. As of 2023, life insurance will account for about 7 percent of the total insurance market in the country, lagging far behind advanced insurance types such as health, property, and auto insurance.

More than 40 insurance organizations operate in the insurance market of our country today, only 7 of them specialize in life insurance. They are unique in that they specialize in different sectors of the economy.

Importantly, insurance services are regulated by the state in order to protect the legal interests of the parties involved in insurance relations. According to the decision of the President of the Republic of Uzbekistan dated October 23, 2021 "On additional measures to digitize the insurance market and develop the life insurance industry" [8] from July 1, 2022 starting from, it is determined that the possibility of online purchase of all types of insurance policies through the Internet should be created.

According to the 2022 indicators of this system, the total volume of insurance premiums was 6.2 trillion soums. 76% of it is general insurance, and 24% is life insurance[7].

ANALYSIS OF LITERATURE ON THE SUBJECT

The life insurance market in Uzbekistan in 2023, in particular, at a time when the country continues to

modernize the financial system, has attracted the attention of scientists and financial experts.

For example, in 2023, Dr. Alexandra Ivashova[1] of the Russian Higher School of Economics published a study on life insurance in Central Asia, focusing on Uzbekistan. In his research, it was noted that the life insurance industry in Uzbekistan accounts for 0.1% of GDP, which is significantly different from the world average of 3%. According to Dr. Ivashova, this gap is mainly due to the low level of financial literacy and lack of confidence of the population in insurance products.

Similarly, Timur Ganiyev[2], a professor at the Tashkent State University of Economics, analyzed the cultural factors affecting the acceptance of life insurance in Uzbekistan. Its 2023 study points to traditional family structures and communal safety nets as barriers to life insurance adoption. According to Ganiyev, a combination of public education and targeted marketing strategies can help overcome deep-rooted cultural attitudes.

Dr. Ekaterina Dronova[3], a leading expert on insurance regulation at the University of Finance under the Government of the Russian Federation, has conducted extensive research on the regulatory challenges facing the insurance sector of Uzbekistan in 2023. He noted that while the country has made progress in reforming its financial system, the insurance sector is still unregulated. In its work, Dronova is committed to the development of comprehensive regulatory frameworks that provide better consumer protection and encourage foreign investment.

Another notable contribution is Nurali Abdullaev, an economist specializing in Central Asian markets[4]. Its 2023 research notes that weak existing regulations have allowed informal economic practices to flourish, limiting the growth of formal financial products such as life insurance. Dr. Abdullaev proposes reforms to strengthen state oversight and increase transparency and accountability in the insurance sector.

In 2023, Dr. Anton Belov[5] of the London School of Economics published a detailed analysis of public-private partnerships in the context of Uzbekistan's life insurance market. In his research, he explains that foreign investment and international cooperation can play an important role in the modernization of the industry. Dr. Belov explores how Uzbekistan can offer incentives to attract global insurers who can bring advanced products and expertise to the local market.

Similarly, Dr. Katerina Mirkova [6], a researcher at the Central European University, has written about the importance of public-private partnerships in promoting the development of life insurance in post-Soviet countries. Mirkova's 2023 research focuses on Uzbekistan's potential to use such partnerships to create micro-insurance products for disadvantaged groups, thereby increasing life insurance penetration and addressing key financial inclusion challenges.

The 2023 literature provides a comprehensive analysis of the life insurance environment in Uzbekistan, highlighting the importance of overcoming cultural, regulatory and technological barriers. The contributions of the aforementioned scholars offer a roadmap for developing a more robust and inclusive life insurance market in the country.

RESEARCH METHODOLOGY

This study uses mixed methods to analyze life insurance in Uzbekistan. Quantitative data from national and international sources such as the World Bank and the State Statistics Committee of Uzbekistan can be used to assess market performance, life insurance penetration, and economic trends. A comparative analysis with global benchmarks is also appropriate to identify gaps and opportunities for growth.

Data analysis included statistical methods for quantitative data and thematic analysis for interview transcripts to identify key themes such as consumer mistrust and regulatory issues.

Although the study is comprehensive, data availability, particularly limitations for local market statistics, and difficulties in fully capturing consumer attitudes in remote rural areas may be encountered. Despite these limitations, the study provides valuable insights into the problems and potential solutions of the life insurance market in Uzbekistan.

ANALYSIS AND RESULTS

Life insurance premiums in Uzbekistan are 0.17% of GDP. This means an average of \$3.91 per person. In comparison, this figure reaches 31.24 dollars in Kazakhstan and 21.85 dollars in Turkey.

The volume of general insurance premiums is 0.52% of GDP and is on average 12.1 dollars per person. This figure is 58.5 dollars in Kazakhstan and 119.7 dollars in Turkey.

One of the most important obstacles to the growth of life insurance in Uzbekistan is the low awareness of the population about the benefits of life insurance. Many people are not familiar with the concept of life insurance and misconceptions about the usefulness of the product persist. In addition, past economic instability has led to a general lack of confidence in financial institutions, which has hindered the growth of life insurance.

Uzbekistan's traditional culture emphasizes family and community support in times of crisis, with many people relying on informal social networks for financial support. This cultural mindset discourages formal life insurance planning because people often assume that their immediate family will cover financial needs in the event of an emergency.

The affordability of life insurance policies is another issue. Because a large portion of the population has low

or moderate incomes, many households view life insurance as a luxury rather than a necessity. Instead of long-term financial planning, people focus on things like health and property insurance.

The range of life insurance products available in the Uzbekistan market is limited and primarily offers basic life coverage. Unlike developed markets where life insurance is combined with savings and investment opportunities, Uzbekistan does not have a variety of products for different income groups and risk preferences.

Although the Uzbek government has made progress in reforming the financial sector, the regulatory framework for life insurance is still underdeveloped. Current laws and regulations do not adequately protect consumer rights, and enforcement mechanisms are weak, limiting the industry's potential growth.

Comparative analysis of life insurance statistics between Uzbekistan and foreign countries (as of 2023)¹

Country	Life insurance penetration (% of GDP)	Life insurance premium growth (%)	Number of life insurance policies (millions)	Average insurance premium (USD)	Forecast market growth (2024-2028) (%)
Uzbekistan	0.1	7	0.5	150	12
USA	3	4.5	290	2000	5
Germany	2.9	3.2	85	1800	3
India	2.8	10.2	370	100	15
China	4.1	9.3	500	200	10
Brazil	1.7	5.1	95	300	6

The penetration of life insurance in Uzbekistan is quite low compared to selected foreign countries, which indicates a new stage of the industry.

High penetration rates in countries such as the US (3.0%) and China (4.1%) indicate well-established insurance markets with consumer confidence. In contrast, Uzbekistan's 0.1% coverage reflects limited capacity due to low public awareness, cultural dependence on informal financial support systems, and regulatory barriers.

Uzbekistan's insurance premium growth rate is relatively strong (7 percent), indicating that the market is expanding, albeit from a low base. Countries like India (10.2%) and China (9.3%) have higher growth rates due to their large population and increased demand for financial security products. Growth in Uzbekistan has been driven by government reforms and increased

consumer awareness, although it still lags emerging markets such as India and China, where economic expansion and financial literacy are accelerating insurance adoption.

Only 0.5 million life insurance policies are in force in Uzbekistan, which is in stark contrast to countries such as China (500 million) and India (370 million). This reflects a smaller market and lower demand. However, this lower figure represents a significant opportunity for market growth as financial literacy improves.

The average insurance premium in Uzbekistan is \$150, which is low compared to developed markets such as the United States (\$2,000) and Germany (\$1,800).

In recent years, the Uzbek government has recognized the need to modernize the financial services sector,

¹From Swiss Re Institute (<https://www.swissre.com/institute/research/sigma-research.html>) and OECD Insurance Statistics (<https://www.oecd.org/finance/insurance/oecdinsurancestatistics.htm>) was formulated and analyzed by the author using

including the insurance sector. A number of reforms aimed at improving life insurance market conditions have been implemented, including:

✓ The government is taking measures to strengthen the legal framework regulating the insurance sector. These reforms are aimed at increasing transparency, strengthening consumer protection and creating a more favorable environment for insurers to operate. Improved regulatory conditions are expected to strengthen confidence in the market and attract local and international investors.

✓ The government, along with private insurers, has launched educational campaigns to raise awareness about the benefits of life insurance. These campaigns are important to change the cultural perception of life insurance and encourage more people to adopt long-term financial planning practices.

✓ Efforts to digitize the financial sector have extended to the insurance industry. Digital platforms are being promoted as a means of improving convenience and ease of purchasing life insurance policies. By offering online services, insurers can reach a wider audience, particularly a younger, tech-savvy population.

Development prospects of life insurance in Uzbekistan

Despite the current challenges, Uzbekistan's life insurance market has great potential for growth. The sector's readiness to expand can be explained by the following factors:

1. As Uzbekistan's economy continues to grow, so does its middle class. As incomes rise, more people seek financial security and consider life insurance as part of their long-term planning. Economic stability also increases consumer confidence in financial products, encouraging greater participation in the life insurance market.

2. The introduction of more diversified and customized life insurance products will be crucial for the development of the market. Insurers should offer a wider range of products to suit different income levels and life stages, including term life, whole life and investment-linked policies. Microinsurance products targeting low-income households can help expand life insurance coverage, especially in rural areas.

3. plays a crucial role in the development of the life insurance market in Uzbekistan. By cooperating with international insurers, local companies can benefit from global experience, advanced technologies and innovative product development opportunities. Foreign insurers bring with them a wealth of experience that can help modernize the local industry and attract more consumers to life insurance products.

4. The government can work with private insurers to introduce life insurance schemes for specific segments of the population, such as government employees or rural workers. Public-private partnerships can also be used to develop microinsurance products or subsidize insurance premiums for low-income families, making life insurance more affordable for low-income populations.

5. A continued focus on increasing financial literacy will be critical to the long-term growth of the life insurance market in Uzbekistan. By educating consumers about the importance of life insurance and how it fits into overall financial planning, the government and the private sector can encourage more people to participate in the market. This will help overcome cultural barriers and build a strong insurance culture in the country.

Term life insurance is generally less expensive and is often chosen by individuals looking for temporary coverage, such as those with dependents or those with unpaid loans.

2. Whole Life Insurance or Whole Life Insurance offers coverage for the whole life of the policyholder subject to premiums being paid. It not only provides death benefits but also includes a savings component that builds cash value over time.

This product is more expensive than term life insurance and is typically aimed at individuals looking for long-term financial protection and cash value opportunities for their families.

3. Endowment Life Insurance combines life cover with a savings or investment element. It pays a lump sum on the death of the policyholder or at the end of a predetermined term, whichever comes first. This type of policy is designed to provide life cover and a way to save for the future.

An endowment policy is suitable for individuals who want to save money for a specific purpose, such as children's education or retirement, while also providing life cover.

4. Group life insurance is offered to groups of people, often employees of a company or members of an organization. The employer or organization purchases a policy that covers all eligible members, usually providing basic life insurance at a lower cost.

This type of insurance is common for companies that want to offer life insurance benefits to their employees as part of a broader benefits package.

5. Micro-life insurance is designed to serve low-income individuals and households who cannot

afford traditional life insurance products. These policies offer smaller sums of insurance with lower premiums, making them accessible to a wider audience.

Micro-life insurance is especially targeted at rural people and underprivileged groups, providing an affordable way to get basic life cover.

6. Although investment-linked life insurance (a developing product) is still in its infancy, some insurance companies in Uzbekistan have started offering investment-linked life insurance products. They combine life insurance with investment options, allowing policyholders to invest a portion of their premiums in various financial markets.

Investment linked policies are aimed at more financially savvy individuals looking for life insurance and the opportunity to grow financially through investments.

7. Accidental death and disability insurance (supplementary) is usually offered as an add-on or innovation to an existing life insurance policy. It provides additional coverage in case of accidental death or disability. This type of insurance is often used to supplement basic life insurance policies.

Individuals engaged in high-risk jobs or activities may choose this rider to provide more protection.

The diversity of life insurance products in Uzbekistan is still relatively low, with most offerings focused on term and whole life policies.

Many people in Uzbekistan still rely on informal support systems, reducing demand for more complex life insurance products such as endowment or endowment policies.

With reforms and increasing public awareness, insurers are expected to introduce a wider variety of products to cater to different income groups and financial needs.

As Uzbekistan's life insurance market continues to develop, we can expect further diversification of products, especially as consumer awareness increases and demand for financial planning tools increases.

CONCLUSIONS AND SUGGESTIONS

The life insurance market in Uzbekistan is still at an early stage of development, with limited penetration and a relatively small number of policies in force compared to mature markets such as the US, Germany and China. An analysis of key indicators explains key issues including low public awareness, cultural resistance, economic constraints and a limited product range. Despite these obstacles, there is

considerable potential for growth, as evidenced by the positive growth rate and projected expansion of the market over the next few years.

With a projected growth rate of 12 percent, Uzbekistan's life insurance market offers insurers and stakeholders an opportunity to reach an underserved segment of the population. With the right strategies, life insurance will become an integral part of the financial services landscape of Uzbekistan and contribute to increasing the financial security of citizens.

In order to fully unlock the potential of the life insurance market in Uzbekistan, a number of measures should be taken by industry experts and industry participants:

- Government agencies and insurance companies should collaborate to educate the public about the benefits of life insurance. These campaigns aim to provide long-term financial protection for life insurance, especially for families. Increasing overall financial literacy will help build trust in life insurance products.

- Insurance companies should focus on developing more affordable and flexible products that are suitable for different income levels. Offering micro-insurance products and hybrid plans that combine life insurance with savings or investment features can attract a wider segment of the population. Tailoring products for rural populations and low-income households will be key to ensuring higher access.

- The Uzbek government should work to create a stronger, more transparent regulatory environment that promotes trust and protects consumer rights. Improving the regulatory legal documents on life insurance and encouraging foreign insurers to enter the market will help to modernize the industry and create healthy competition, increase product quality and prices.

- Adoption of digital platforms for buying, managing and renewing life insurance policies is important to improve accessibility, especially among younger consumers. Insurers should invest in online services to make life insurance products more convenient and accessible, especially in rural areas where physical branches are limited.

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