

DIRECTIONS FOR THE DEVELOPMENT OF THE GENERAL INSURANCE INDUSTRY IN UZBEKISTAN

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Annotatsiya

In the article, it is stated that the insurance activity in Uzbekistan is carried out in two areas and that the general insurance area constitutes a significant part of the total insurance system. Based on this, the problems observed in the activity of insurance companies operating in the field of general insurance today, the mistakes made in the provision of insurance services, the low level of awareness of the population in the field and the measures to increase it are highlighted. Also, in the article, the mechanisms of effective organization of general insurance industry activities are proposed and its prospects are defined.

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The effective activity of financial institutions has an important place in the basis of the positive changes taking place in the socio-economic life of Uzbekistan. They include the national insurance market, which offers a wide range of insurance services and protects the population both socially and financially. The positive changes taking place in this sector, which has become one of the leading sectors of the national economy, are explained by the existing high potential in it and the consistent policy implemented by the state to further improve this sector.

Today, comprehensive conditions are being created for insurance companies in order to develop the market of insurance services in our country at the level of international standard requirements, to encourage the active participation of individuals and legal entities in the insurance market. This leads to the formation of a healthy competitive environment in the market. Today, we can safely say that there is a healthy competition between the insurance companies operating in our country, which can be seen from their number and the quality of the insurance services they provide. Currently, 41 companies are providing various insurance services to clients, striving to increase their share in the gross domestic product of our country. 33 of them work in the general insurance network, 8 in the life insurance network. So, 81 percent of insurance companies in the national market operate in the field of general insurance.

In the world, insurance activity is divided into two areas: life insurance and general insurance, in international terminology it is called life insurance and non-life insurance. The fields differ from each other according to the objects of insurance, that is, if the risks arising from human health, life, and work ability are insured in the life insurance network, all objects other than those listed in the general insurance network, in particular, property, financial, business, and liability risks are insured. Similarly,

insurance activities in our country are carried out in two areas: life and general insurance.

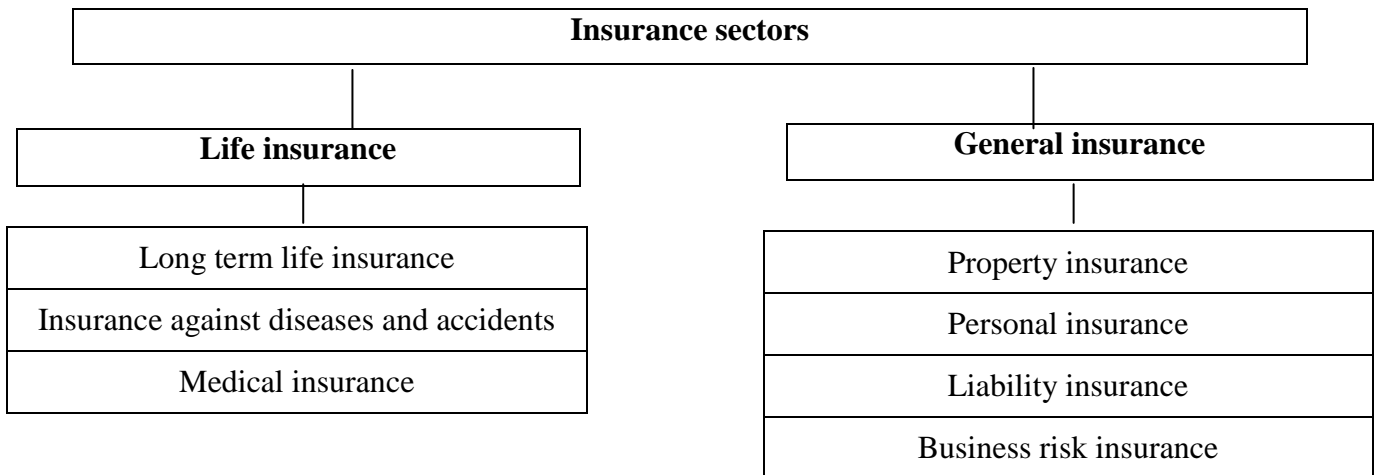


Figure 1. Division of insurance into sectors¹

The main difference between the general insurance industry and the life insurance industry is that contracts for general insurance classes are concluded only for a period of up to one year and expire after one year regardless of the occurrence of the insured event. General insurance manages the risk against losses caused by fire, sea, theft, natural calamities, various events that may occur². In the life insurance network, insurance contracts are concluded for at least one year and more than one year, and it has a priority character with the nature of accumulation. In the field of general insurance, in cases where the insured events do not occur, the insurance premiums are not returned to the customers, they are considered as the income of the company.

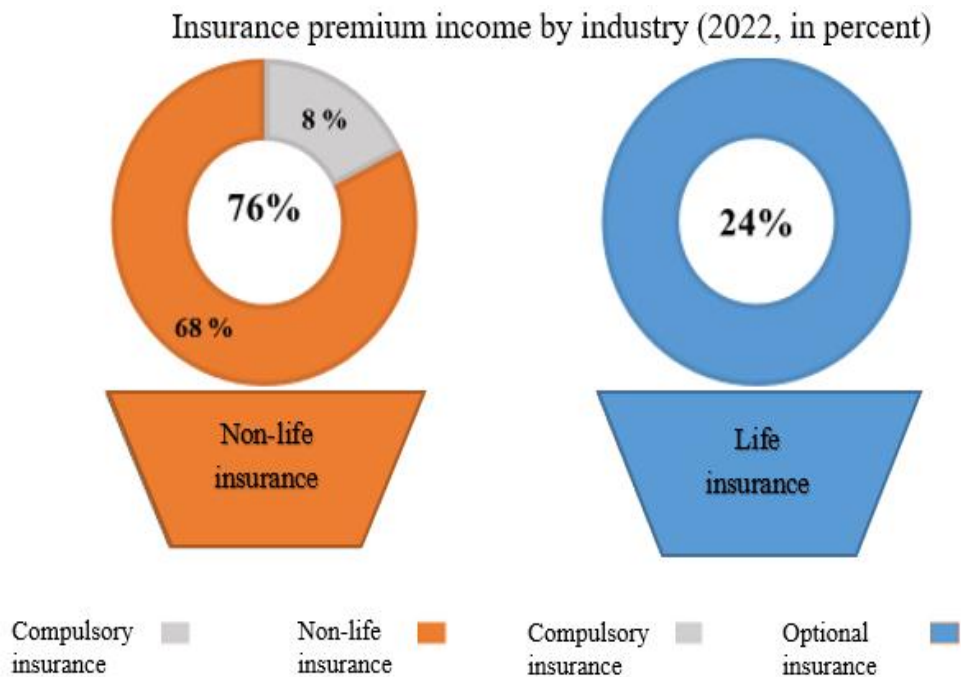


Figure 2. Insurance premium income by industry³

¹ Image created by the author.

² nischal.risal@ncc.edu.np Determinants of insurance companies profitability: analysis of non-life insurance companies in Nepal. ELK ASIA PACIFIC JOURNAL OF FINANCE AND RISK MANAGEMENT ISSN 2349-2325 (Online); DOI: 10.16962/EAPJFRM/ISSN 0976 -7185 Volume 11 Issue 3

³ Information from the official site of the Insurance Market Development Agency <http://www.imda.uz>

According to the official information published by the Republic Insurance Market Development Agency for 2022, the ratio of general insurance and life insurance was equal to 76:24 in the reporting year. 6.2 trillion soums by organizations operating in the field of general insurance and 1.5 trillion soums by life insurance organizations have been collected.

In the Development Strategy of New Uzbekistan for 2022-2026, adopted by the Decree of the President of the Republic of Uzbekistan on January 28, 2022, the tasks of rapid development of the national economy and ensuring high growth rates were defined⁴. These include ensuring the development of the insurance system in the country at a steady pace, creating services that meet the needs of the population, in particular, creating a social insurance system, introducing a system of medical insurance for the population, expanding the scope of state support for agriculture, and implementing new insurance mechanisms.

Today, it has become necessary to expand the scope of insurance services, especially to increase the level of its use by the population. The decision of the President of the Republic of Uzbekistan dated August 2, 2019 No. PD-4412 "On measures to reform the insurance market of the Republic of Uzbekistan and ensure its rapid development" also addressed this, increasing the share of insurance services in the gross domestic product from 0.4 percent in 2022. 0.8% increase, strengthening the protection of the rights of consumers of insurance services and other subjects of insurance activity, increasing insurance literacy and confidence of the population, ensuring the openness and transparency of the insurance market, introducing new innovative insurance products and developing traditional products that are in high demand. the tasks of expanding the volume and types of services and improving their quality were defined⁵. Based on these tasks, some directions and prospects for the development of the general insurance industry in Uzbekistan were defined:

1. The classification of insurance activities approved in 2002 consists of 17 classes, and there was a need to introduce a class of medical insurance aimed at providing social protection of the population by providing medical services, taking into account that, in order to provide all layers of the population with guaranteed quality and necessary medical care, the classification of insurance activities was generally it was proposed to expand the insurance sector by adding the class "Medical insurance" and was used in the development of the Resolution 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 sector" No. PD-5265. As a result of taking into account this proposal, according to the decision of the Cabinet of Ministers of the Republic of Uzbekistan dated February 21, 2022 No. 80 "On the approval of the unified regulation on the procedure for licensing certain types of activities through a special electronic system" in Appendix 6 of the Regulation, licensing of insurance activities of insurers (reinsurers) and insurance brokers The passport was approved and the "Medical Insurance" class was designated as the 18th class of general insurance.

There are many specific positive aspects of the implementation of health insurance in Uzbekistan, while it is worth saying that it is very important to convey the same positive aspects to the population by demonstrating the current state of its application in practice. However, in the insurance market of our country, statistics on the implementation of medical insurance are not published in the press or on the websites of insurance companies, and this situation weakens the interest in medical insurance. On the contrary, it is necessary to strengthen the presentation to the public on the Internet, through various portals and the press, so that the process of introduction of compulsory medical insurance will be

⁴ Decree of the President of the Republic of Uzbekistan dated January 28, 2022 No. PF-60 "On the Development Strategy of New Uzbekistan for 2022-2026".

⁵ Decision of the President of the Republic of Uzbekistan dated August 2, 2019 No. PQ-4412 "On measures to reform the insurance market of the Republic of Uzbekistan and ensure its rapid development".

accelerated.

2. In order to increase the culture of insurance in the society and the trust of the population in the insurance market, as well as to expand its potential in the regions of the republic, it was suggested to organize advertising and educational work and to organize a wide coverage of information about insurance services in social networks. This proposal was used in the development of the decision of the President of the Republic of Uzbekistan dated October 23, 2021 "On additional measures for the digitization of the insurance market and the development of the life insurance sector" was reflected in paragraphs 3 and 6 of the "Road Map" developed under As a result of the implementation of this proposal, during 2022, the Insurance Market Development Agency under the Ministry of Finance of the Republic of Uzbekistan organized on-site meetings, briefings, TV programs and radio broadcasts aimed at increasing the interest of the population in insurance in the mass media. it listened to citizens' appeals and problems related to insurance issues, provided solutions and solved problems. Also, through the official telegram channel of the agency, all the information related to the field was given in accordance with the principle of openness and transparency, and quizzes aimed at determining and increasing the knowledge of the population about the field were organized through the instant communication telegram bot.

3. As it is known, in order to innovatively improve the market of insurance services in Uzbekistan, to expand the scope of the population's use of services, to simplify the system of maintaining insurance policies, on December 14, 2020, the Decision of the Cabinet of Ministers "On additional measures to improve the procedure for providing electronic insurance services" was adopted⁶. "E-policy" is a form of insurance policy purchased on the Internet and issued in electronic form. According to the decision, "E-police" was initially applied as part of the compulsory insurance of civil liability of vehicle owners to a third party, and it became possible to purchase it from March 1, 2021. Currently, all types of compulsory insurance valid in the country are issued through an electronic policy, but a large part of the population does not know how to purchase and use this type of policy. For this purpose, in order to ensure the rapid development of the national insurance market, to provide electronic insurance services for insurers, and to determine the procedure for registering all insurance policies, proposals on the procedure for the provision of electronic insurance services, including the rules for the electronic sale and registration of types of insurance, as well as the mechanisms for checking their validity was developed. As a result of taking this proposal into consideration, the Insurance Market Development Agency developed the Regulation and approved it on the basis of the Decision No. 694 of the Cabinet of Ministers of the Republic of Uzbekistan of December 5, 2022 "On the Approval of the Regulation on the Procedure for the Provision of Electronic Insurance Services".

4. There may be a lot of demand and needs for insurance services in uzbekistan, but insurance literacy and culture have not been fully formed, the nature and purpose of insurance services are abstract and the offer to conclude an insurance contract is rejected. This can be seen from the low share of insurance premiums in GDP a significant part of the total portfolio of the country's insurance market is the number of mandatory and mandatory contracts. Today, practical measures are being taken both by the control body and by insurance companies to increase the level of awareness of the population, create attractive insurance services, and ensure the positive resolution of insurance claims. In particular, in order to strengthen the confidence of policyholders in the industry, a proposal for measures to protect the rights of consumers of insurance services was developed and used in the development of the law of the Republic of Uzbekistan no. LRU-730 "On insurance activities", which was adopted on November 23, 2021. as a result of the consideration of the offer:

the procedure for disclosing information about insurance services provided by insurance organizations was established;

⁶ Khamroev M.S. Improvement of innovative activities of the market of insurance services. Dissertation written for the PhD degree. Tashkent, 2021. Page 127.

application of measures and sanctions against insurance organizations that violate the rights of consumers of their services;

taking measures to increase the level of financial literacy of the population and business entities;

the competent state body for the development of the insurance market regularly announced all changes, news, and results of the activities of insurance organizations.

5. The level of insurance penetration in our country is 10 percent as of today, this indicator represents the share of insured people as a result of their own will and needs, and is a good result for countries where the insurance system is at the level of development and growth. However, in case of mass disasters, the remaining uninsured facilities will need financial assistance from the state. This provision of damaged properties reduces the interest of potential policyholders interested in insuring their property, which has a negative impact on the level of development. In addition, because there are few financially viable reinsurers in the market, companies are limited in their ability to fully cover insurance payments in the event of a large-scale natural disaster.

It is appropriate for the government to consider the following measures to further expand property insurance against natural disasters:

establishment of centralized national insurance POOL from natural disasters in the form of public-private partnership;

improvement of the regulatory framework for insurance against natural disasters;

to introduce appropriate reports on the accumulation of the risk of losses existing in the country in order to strengthen the supervision of natural disaster insurance.

In Uzbekistan, special regulatory documents regulating natural disaster insurance have not been adopted, which leads to the retention of a large amount of liability by local insurance companies. In turn, this threatens the solvency and financial stability of the national insurance market.

6. As in all Islamic countries, in Uzbekistan, the Muslim part of the population considers the provision of insurance services as a non-halal activity, spending little money and getting a lot of money, that is, gambling. Satisfying the needs of this category of population for insurance protection in accordance with the rules of Sharia required the introduction of Islamic insurance activities in the country. The main function of takaful is to protect people from various risks and their dire consequences by following the rules of Shariah. According to some researchers⁷, people who are ignorant of Islamic rules think that these two insurances are exactly the same because their functions are the same.

According to Islamic jurists, the main distinguishing factor is compliance with Sharia. The three aspects condemned in the Qur'an, i.e. ribo (interest), maysir (gambling) and gharar (uncertainty in the agreement) are prohibitions of takaful insurance. Riba (Arabic for "increasing") refers to interest or interest added to the principal, increasing the debt burden of the borrower and is considered "light money" for the lender. An example of gharar (Arabic for "uncertainty in agreement") is an ambiguity in a contract where one party has less knowledge than the other about the terms of the contract. Maysir ("gambling" in Arabic) is repeatedly condemned in the Qur'an, as are all games of chance, i.e. games of chance and without any effort. Speculative financial operations, including futures contracts, can also be included in the concept of Maysir⁸.

The takaful insurance market is expanding in Central Asia, especially in the countries where regulatory documents regulating the activities of Islamic insurance organizations are being introduced. In 2021, the Apex Takaful organization specializing in the provision of takaful insurance services was established

⁷ Beckin R.I. Islamskoe straxovanie (takafful): Uchebnoe posobie. Kazan: Kazan.un-t, 2012. 140 p.

⁸ Sh.M. Murodov, L.Kh. Akhmedova. Teoriya organizatsii islamskogo strashovaniya i ego sovremennoe sostoyanie na primere Blijnevostochnyx stran. // Scientific magazine "Finance". - Tashkent, 2021. No. 5. p. 147-156.

under the Apex Insurance insurance organization in Uzbekistan and is currently the only Islamic insurance organization in our country. Popularization of takaful insurance by providing incentives and benefits to this type of insurance organizations in the country is one direction of development of the general insurance sector.

7. Any country introduces compulsory types of insurance to reduce the costs of risk prevention from its budget. Also, through the introduction of compulsory types of insurance, insurance "habits" are formed among citizens. In this regard, the role of compulsory insurance is incomparable. At the current stage, the main directions of the state policy on the development of compulsory insurance types should include the following:

development of compulsory insurance methodology;

creation of effective mechanisms of state regulation and control of insurance activities;

ensuring the integration of the national insurance system into the international insurance market by studying the experience of foreign countries.

The area of insurance, its scope and coverage increases through the types of compulsory insurance, that is, the amount of insurance premium and tariff rate decreases due to the involvement of many insurance objects in the field of compulsory insurance.

It is advisable to implement the following measures for the development of compulsory insurance:

development and introduction of insurance products that meet the interests of the population as much as possible;

conduct a policy of maximum transparency, which leads to an increase in the public's trust in insurance companies;

ensuring comprehensive control over compulsory state insurance, in which control should be both internal and external;

improvement of the legal base (giving tax benefits, simplification), development taking into account the priority types of insurance;

improvement of information exchange channels of compulsory insurance, creation of a unified database of insured persons and victims, which speeds up the exchange of information between insurance companies and allows to monitor cases of fraud;

to improve advertising of existing and newly created insurance products, to widely promote them based on the characteristics of insurance programs.

In our opinion, there are two directions for improving compulsory insurance types:

1. Improving them by eliminating the problems and shortcomings of the types of compulsory insurance in force in the insurance market.

2. Introducing new types of compulsory insurance to the national insurance market by studying world practice.

In order to put these directions into practice, it is appropriate to describe the problems in this field, and then make reasonable proposals to ensure their solution.

The problem. In relation to insurance, the insurance tariff is determined based on the existing insurance risks, one of its important rules. However, in practice, insurance tariffs for compulsory insurance types are being determined without taking into account existing risks. In particular, in the case of compulsory civil liability insurance of vehicle owners, the driver's driving experience, age, his driving discipline (that is, whether he has followed the traffic rules in the past or repeatedly violated them), the technical condition of the motor vehicle, insurance at the same price for all vehicle owners policy for sale. As a

result, the insurance policy is sold at the same price to both low and high risk in the society.

This type of insurance was adopted in 2008, and until 2019, it was used in the above case, that is, differentiated insurance tariffs. The decision of the Cabinet of Ministers of the Republic of Uzbekistan No. 222 dated March 16, 2019 established the same insurance premiums for all transport owners, that is, 56 thousand soums in the city and region of Tashkent, 40 thousand soums in all other regions, and from that moment on, insurance companies have a very small amount of insurance was determined to take a large amount of liability in return for the premium, which began to negatively affect their solvency. As a result, some organizations dealing with compulsory insurance secretly refuse to implement this type of insurance.

In addition, the insurance rate is not set according to the existing risk in the third party civil liability insurance of employers. That is, according to the Law adopted on this type of insurance and the decision of the Cabinet of Ministers, when calculating the insurance premium, the object is 12 months' salary of the workers. However, the probability of occurrence of an insurance event here depends on the number of employees, not the number of employees. For example, the types of activities are the same:

- "A" company has 100 employees and their 12-month wage fund is 1,000,000,000 (one billion) soums.
- "B" company has 200 employees and their 12-month wage fund is 1,000,000,000 (one billion) soums.

In this case, according to the current regulations, the insurance premium is calculated the same for both companies. The problem is that since B has more workers than A, the insurance risk is higher in B, according to probability theory.

Proposal: In order to determine the insurance rate depending on the insurance risk in the compulsory civil liability insurance of vehicle owners, coefficient scales should be approved, similar to the order in the direction of third-party civil liability insurance of employers, in which increasing or decreasing coefficients are applied to the insurance rate. In particular, insurance rates should be determined depending on the driver's age (young, middle-aged, elderly), driving experience, and driving discipline. So how is this done? The database of drivers who violated traffic rules of the General Administration of Road Traffic Safety should be open. Insurance policies should be sold at preferential prices to drivers who obey traffic rules, and at high prices to drivers with low discipline and high risk. Also, the establishment of annual rate incentives for disciplined drivers, as well as the use of increasing coefficients for illegal drivers, can also be a reasonable measure.

When insuring civil liability of employers to a third party, the number of employees in the employer should also be taken into account when calculating the insurance premium and determining the insurance rate depending on the risk.

Insurance services are one of the tools that protect the economy from various financial risks. However, the role of these services in the financial market of our country is not big yet⁹. In the Address¹⁰ of the President of the Republic of Uzbekistan to the Oliy Majlis dated December 28, 2018, in order to develop the economy and actively attract investments, to ensure macroeconomic stability, to create the necessary conditions for healthy competition, to fundamentally improve the business and investment environment, to seriously reduce state participation in the economy, to ensure high economic growth rates, Specific tasks have been set to fight against the "hidden" economy and drastically reduce its share, and its implementation places a serious responsibility on the economic sectors. These include insurance companies that work to ensure the continuity of production and services in the economy, and

⁹ www.president.uz/uz/2703. The speech of the President of the Republic of Uzbekistan Shavkat Mirziyoyev on the issues of development of the market of insurance services. July 10, 2019

¹⁰ Decree of the President of the Republic of Uzbekistan No. PF-5635 "On the State Program for the implementation of the action strategy on the five priority directions of the development of the Republic of Uzbekistan in 2017-2021 in the "Year of Active Investments and Social Development". January 17, 2019

to stimulate growth by investing in industries and sectors. At the same time, the insurance companies themselves feel the need for financial support in the insurance protection of objects of great value. Insurance companies are paying special attention to improving the quality of service, simplifying the process of issuing documents for payment of insurance coverage, and shortening the time between the occurrence of an insurance event and the payment of insurance coverage.

Today, Uzbekistan has created an effective legal system for the regulation of insurance activities, which includes general legislation, special insurance legislation and a set of subordinate and departmental regulatory documents. The existence of this insurance law system served as a basis for improvement and development of the insurance market of our country. It is self-evident that the current legal system must be constantly improved in order to ensure full regulation of the developing insurance market of our country. Accordingly, there is a need to consistently work on creating a comprehensive system of laws regulating various issues of insurance activity. Insurance issues are directly related to the state's social security issues. Taking into account the priorities of the state, ensuring the guaranteed insurance protection of business activities, representatives of state bodies and property interests of the population remains the main goals and tasks of the development of the general insurance sector.

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