



DEVELOPMENT OF INSURANCE CULTURE IN UZBEKISTAN

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Abstract. The present article is devoted to the study of key indicators of the insurance market of Uzbekistan, characterizing the state of insurance culture of the country's population and the analysis of factors influencing the formation and development of the level of insurance culture. The authors proposed recommendations to improve the insurance culture of the population, which in the future will contribute to the sustainable development of the country's insurance market.

Keywords. Uzbekistan, insurance culture, financial literacy, level of trust in insurance.

О'ЗБЕКИСТОНДА СУГ'УРТА МАДАНИЯТИНИНГ РИОЖЛАНISHI

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Annotatsiya. Ushbu maqola O'zbekiston sug'urta bozorining asosiy ko'rsatkichlarini o'rganish, mamlakat aholisining sug'urta madaniyati holatini tavsiflash hamda sug'urta madaniyati darajasining shakllanishi va rivojlanishiga ta'sir etuvchi omillarni tahlil qilishga bag'ishlangan. Mualliflar aholining sug'urta madaniyatini oshirish bo'yicha tavsiyalarini taklif etadi, bu esa uzoq muddatli istiqbolda mamlakatimiz sug'urta bozorining barqaror rivojlanishiga xizmat qiladi.

Kalit so'zlar. O'zbekiston, sug'urta madaniyati, moliyaviy savodxonlik, sug'urtaga bo'lgan ishonch darajasi.

РАЗВИТИЕ СТРАХОВОЙ КУЛЬТУРЫ В УЗБЕКИСТАНЕ

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Аннотация. Настоящая статья посвящена изучению ключевых показателей страхового рынка Узбекистана, характеризующих состояние страховой культуры населения страны и анализу факторов, оказывающих влияние на формирование и уровень ее развития. Авторами предложены рекомендации по повышению страховой культуры населения, что в перспективе будет способствовать устойчивому развитию страхового рынка страны.

Ключевые слова. Узбекистан, страховая культура, финансовая грамотность, уровень доверия к страхованию.

Introduction.

In the conditions of rapid economic transformations and increasing welfare of the population in the Republic of Uzbekistan the formation of insurance culture is considered as one of the key factors of ensuring financial stability of the society. Despite positive dynamics of the local insurance market in recent years, the level of insurance penetration in the everyday life of citizens still remains low.

Insurance services in Uzbekistan are not yet widely popular, especially compared to foreign countries. This is due to a number of factors, including limited understanding of the essence and principles of insurance, low level of trust in insurance companies' activities, lack of available funds to purchase insurance policies as well as religious beliefs of people about the incompatibility of insurance with the principles of Shariah. These factors together with low financial literacy and paternalistic attitudes of the majority of the population form institutional barriers to the development of a full-fledged insurance protection system.

The current situation requires a comprehensive analysis and development of effective approaches to create a sustainable demand for insurance services and increase the level of trust in insurance institutions. This, in turn, will be an important factor in the development of a competitive insurance market in Uzbekistan, strengthening financial stability and ensuring long-term economic growth of the society.

Literature review.

There are relatively limited scientific articles regarding the investigation of problems of financial literacy of the population in general and insurance culture in particular, especially in emerging markets. Available foreign literature emphasizes that a high level of financial awareness of the population is closely related to the stability of the financial system and the depth of penetration of insurance services in the economy. International studies conducted by OECD, IAIS Swiss Re and SCOR confirm the existence of a stable correlation between the level of financial literacy and the maturity of the insurance market.

According to Kuzina's (2019) research, financial literacy includes basic competencies in the sphere of personal finance management and informed consumption of financial products. Tsakaev (2024) in his works reveals the concept of insurance culture via risk management system and propensity to insurance and offers his own model of quantitative assessment based on the ratings of insurance companies. According to him, the level of insurance culture will be positively influenced by the growth of income and availability of insurance services, as well as by the experience of using a variety of insurance products together with the client-oriented approach of insurers aimed at long-term mutually beneficial relations with policyholders.

In turn, Lusardi (2009) emphasizes the importance of understanding complex interest rates, the differences between nominal and real values and the basics of risk diversification as these aspects are critical to perceive insurance not as a cost commitment, but as an investment in financial sustainability. Bongini, Cucinelli and Soana (2023) investigated such factors as age, education, employment and marital status of a person and their influence on the probability of buying different types of insurance on the purchase of insurance products. Their investigation has confirmed that all these demographic factors have a direct impact on the ownership of insurance products, especially in areas where the understanding of conditions and risks is critical. At the same time, insurance culture remains an important independent predictor and people with higher levels of insurance literacy are more likely to purchase life and health insurance products.

In the context of Uzbekistan, there is a lack of comprehensive empirical research on insurance culture. This study seeks to fill the gap in the scientific study of this issue concerning the Uzbek insurance market.

Research methodology.

The methods of logical and structural analysis, grouping, economic and statistical analysis and mutual and comparative analysis were effectively used in the realization of the set research objectives.

Analysis and discussions.

Over the past few years, Uzbekistan's insurance market has experienced rapid expansion, showing substantial growth in local currency terms. This development has been fueled by various factors, such as an inflow of foreign investments, a surge in construction activity, the relocation of Russian companies to Uzbekistan.

The government is undertaking substantial efforts to enhance the quality of development in the local insurance market. In particular, on March 01, 2024, there was approved the Presidential Resolution No. 108 on 01.03.2024 "Comprehensive Measures for the Further Development of the Insurance Market", developed by the insurance regulator – National Agency of Perspective Projects (hereinafter referred to as NAPP). This document is aimed at further increasing the level of digitalization in the insurance industry, market capitalization, introduction of several types of insurance based on best world practices, etc. A separate clause stipulates the development and distribution of propaganda materials in mass media to popularize insurance services, holding briefings, conferences and practical seminars in this area.

Despite the good growth dynamics of the insurance market in Uzbekistan, it cannot yet be said that insurance has penetrated into the everyday life of population and has become an integral part of their financial planning. In the world practice several basic indicators characterize the level of development of the insurance sector and accordingly, the level of protection of the population and business from various risks. These are such indicators as:

- insurance density
- penetration rate
- loss ratio
- structure of the market in terms of life and non-life insurance.

In accordance with the reports of the regular reports of well-known institutions, like OECD, Swiss Re, IAIS, the global benchmark shows that insurance markets in developed economies are characterized by high insurance density (premiums per capita), exceeding \$850 (\$3,300 in advanced markets) per capita, insurance penetration rates (premiums as a percentage of GDP) reaching 8–10% of GDP and high loss ratio (ratio of insurance losses paid out to premiums earned), exceeding 60%. Globally, the market structure tends to lean slightly towards life insurance, which accounts for approximately 54% of total premiums. These benchmarks highlight the strong correlation between economic development, financial literacy and the maturity of insurance markets and reflect a higher degree of financial planning and long-term savings behavior in advanced economies.

In contrast, the Uzbek insurance market, just like many other emerging markets, exhibits much lower figures compared to global benchmarks, indicating an underinsurance of significant portion of the economy and population.

As it can be seen in Table 1, as of the end 2024 non-life insurance sector represented over 97% of the total gross written premium in the insurance market. The life insurance segment experienced a sharp decline in 2023, primarily due to the elimination of the personal income tax exemption for long-term life insurance policies. Despite the growth of insurance density in local currency terms, it is lower than the global average level by 40 times. All the rest basic indicators (loss ratio, insurance penetration rate, share of life insurance market) demonstrate a downward trend for the last 2 years.

Table 1.

Main indicators of the insurance market of Uzbekistan for the period 2021-2024

	2021	2022	2023	2024
Insurance premiums (in bln. UZS)	3 732	6 232	8 060	9 770
<i>Insurance premiums growth (%)</i>	69	67	29	21
Share of non-life insurance (%)	81	76	96	97
Share of life insurance (%)	19	24	4	3
Insurance payments (in bln. UZS)	1 235	2 597	2 022	2 205
<i>Insurance payments growth (%)</i>	68	110	-22	9
Share of retail segment (%)	35	39	23	22
Share of commercial segment (%)	65	61	77	78
Number of signed insurance contracts	6 959 969	7 010 763	8 849 939	9 240 859
Loss ratio (%)	33	42	25	23
Insurance density (in UZS)	107 990	176 680	219 015	260 236
Insurance penetration rate (%)	0.51	0.70	0.68	0.67

Source: prepared by the authors based on annual reports, statistical information of the insurance regulator of Uzbekistan for the period 2021-2024.

The main reasons behind these trends include, first of all, the low level of insurance culture among population, where awareness and understanding of the role of insurance as a financial protection tool remain quite limited.

First of all, it is necessary to define the meaning of insurance culture. Insurance culture is a set of beliefs, values and knowledge in the field of insurance business and models of behavior within an insurance company, as well as a broad outlook that contributes to the understanding of the essence of insurance to use it in public life. Unfortunately, the role of insurance is not fully realized in Uzbekistan due to the fact that most part of population lacks the skills and knowledge to effectively manage their financial resources, make informed decisions in the field of personal finance, plan income and expenditures, avoid unnecessary risks or take the right measures to manage them. In addition, there are a distrust in the activities of insurance companies on the side of population, low growth of their real incomes, religious beliefs regarding insurance as a non-Sharia-compliant instrument and paternalistic attitude of a certain part of the population, especially older people, who count on insurance guarantees, provided by the state at the expense of budgetary resources.

According to the Central Bank of the Republic of Uzbekistan, only about 30% of the population has a basic understanding of basic financial concepts. Among young people this figure is even lower accounting for only 25%. In accordance with the 2020 Financial Capability Survey, only 14% of respondents reported being aware of the various insurance products and services and from those, 24% reported using some form of insurance to manage risks.

Obviously, most people do not yet have a clear understanding of the key fundamentals of insurance, the benefits of insurance for individuals and for society as a whole. This understanding can be developed through knowledge of insurance and can be derived from education, professional activities in the insurance industry or in other fields, related to risk management as well as from personal experience.

Education is undoubtedly the key and most significant source of insurance literacy formation. Currently, many higher educational institutions have introduced insurance disciplines (Tashkent State University of Economics, National University of Uzbekistan, Westminster International University in Tashkent, etc.), within which students receive basic

theoretical knowledge in the field of insurance and risk management, familiarize themselves with the main insurance products, etc.

But little attention is paid to covering the basics of insurance in school institutions. For example, in the curriculum for schools for the 2024-2025 academic year there are no subjects on finance, not to mention insurance. According to research of a number of scientists, it is a high school, where students' worldview is formed, the primary understanding of economic mechanisms and behavioral patterns related to the management of personal finances.

In this regard, it seems reasonable to familiarize high school students (8-9 grades) more deeply with the essence of insurance, some types of insurance that are designed to protect the interests of individuals (property insurance, comprehensive motor insurance, health insurance, life insurance, etc.), so that they develop a basic understanding of the role of insurance in ensuring their financial security, the importance of risk management. In higher education institutions they could already study in more depth international practices, peculiarities of some types of insurance, which have not been introduced or poorly implemented in the country (cyber risk insurance, D&O insurance, factoring operations insurance, business interruption insurance, etc.).

It is worth noting that most insurance companies are now experiencing a shortage of qualified personnel who can help them in interacting with the international market, underwriting various risks received via reinsurance. It is also no secret that the majority of employees working in insurance organizations have received higher education not in the field of insurance. In order to improve the professional qualification of insurance companies' employees, training courses on national and international programs need to be organized based on university platforms. It is encouraging to note that in June 2024, one of the leading insurance companies of Uzbekistan - KEIS of Uzbekinvest JSC - signed a memorandum of cooperation with the global educational institution "Chartered Insurance Institute" (CII), established in 1912, whose qualifications and certificates in insurance business are recognized all over the world.

In accordance with the agreement, the parties are planning to establish an Accredited Professional Development Center (APDC) of CII on the basis of a branch of the Management Development Institute of Singapore in Tashkent (MDIS Tashkent). It will make it possible to start the process of training all specialists of the insurance market of Uzbekistan based on CII syllabi. After all, an important factor in increasing the level of confidence of potential customers in the insurance institute is the professionalism of insurance companies' specialists, who can properly consult potential clients on the essence of insurance, characteristics of different types of insurance, accompany them in claim settlement process, etc. On a side note, duly fulfillment of obligations by insurance companies before policyholders is the best way to promote insurance, increase a trust of the population on insurance and enhance their insurance culture.

In addition, the reason for the poor development of insurance culture is the low level of accessibility of information about insurance products and understanding of the mechanisms of insurance contracts. In order to eliminate this problem, it is necessary to constantly work with the population and promote the benefits of using individual insurance products. In addition to outreach activities in "mahallas" and other public places, it is necessary to actively use modern communication channels, including social networks, television, radio and Internet platforms. For those who refuse the services of traditional financial institutions for religious reasons, it is necessary to tell about the advantages of takaful insurance (Islamic insurance), which works very well in many Muslim countries of the world. In fact, some insurance companies in Uzbekistan (Apex Insurance, TEMIRYO'L-SUG'URTA, GROSS INSURANCE, Mosaic Insurance Group, NEO Insurance Corp.) are already offering insurance products, designed in accordance with Shariah law.

Another factor of the low level of insurance culture of the population is considered to be the low level of income of population. Indeed, the need for insurance among the population

arises at a time when their income level is high enough and people begin to think about protection of their health, property, etc. According to the National Statistics Committee under the President of the Republic of Uzbekistan in 2024 the real aggregate income of the population of Uzbekistan grew by 5.9% (see Table 2). Undoubtedly, the indicator of the aggregate income of the population is still lagging behind the world average levels, but one cannot deny the fact that there is a clear tendency of increasing incomes and living standards of citizens, which in the long run entails other characteristic features of the insurance culture of citizens.

Table 2.
Real income of the population of Uzbekistan for the period 2021-2024

	2021	2022	2023	2024
Total income per capita (in mln. UZS)	14.8	17.8	20.0	24.1
Inflation rate (in %)	9.98	12.25	8.77	10.2
Real growth rate of total income per capita (in %)	9.9	7.3	2.4	5.9

Source: National Statistics Committee of the Republic of Uzbekistan.

Speaking about the development of insurance culture, it is important to mention the role of the state regulator in applying tools that will contribute to the overall development of the insurance market in general and insurance culture in particular. In order to increase the transparency of insurance companies' activities and increase confidence in them, NAPP in January 2025 launched a system of monthly rating of insurance companies based on 19 criteria, such as timely processing of claims, loss ratio, adequacy of insurance reserves, etc. Since September 2024 all insurance contracts are registered in the Unified Information System, through which insurance policies with QR codes are issued. All these measures are aimed at providing consumers with objective information about the quality of insurance services, increasing satisfaction of policyholders with insurance companies, improving their financial stability, etc.

Moreover, in order to enhance the level of development of the insurance market of Uzbekistan, in the near future it is planned to introduce the methodology of formation of insurance reserves and determination of insurers' solvency in accordance with Solvency II norms, to increase the requirements for the minimum level of the authorized capital, to improve many regulations governing the activities of insurance companies. The comprehensive application of all these measures in the future should not only contribute to the growth of the insurance market, but also play a key role in the formation of a sustainable insurance culture among the population and business society.

Conclusion & Suggestions.

Undoubtedly, the creation of insurance culture among the population of Uzbekistan is considered to be a long process that requires thorough work of both policyholders and insurers and state regulatory bodies. The formation of a full-fledged insurance culture requires a comprehensive approach, including the development of financial and insurance education from the early stages of education, improving the quality of insurance services, enhancing the transparency of insurers' activities, as well as the active involvement of the population in insurance processes through information and awareness campaigns. A significant role in this process is also played by the state regulator, which, using modern regulatory and supervisory tools, seeks to increase confidence in insurance institutions and further strengthen insurance culture.

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