



## Article

# Manifestation of World Insurance Market Trends in the Insurance Market of Uzbekistan

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**Abstract:** This article analyzes the impact of the 2008 global crisis and the 2020 COVID-19 pandemic on the world economy, particularly on the development of insurance markets. Although macroeconomic problems such as unemployment, public debt, and budget deficits intensified in many countries during crises, it is noted that Uzbekistan managed to maintain relatively stable economic growth during those periods. The study provides an in-depth examination of risks inherent in the financial sector, using the example of the Russian insurance market in 2022—where sanctions and rising interest rates led to a sharp decline in the life insurance segment, restrictions on reinsurance opportunities, and increased cyber risks. It also analyzes the growing demand for cyber insurance in Russia and globally, as well as the challenges hampering the development of this segment. The dynamics of accumulated insurance premiums and paid insurance claims in Uzbekistan’s insurance market from 2013 to 2024 are thoroughly examined. It is emphasized that the low share of claim payments increases distrust of insurance companies among the population and businesses. Factors hindering market development—such as limited competition, asymmetry in insurance contracts, and low insurance literacy among the population—are also highlighted. As advanced international experience, the U.S. insurance regulatory model is analyzed. Mechanisms such as state supervision, rate management, the distribution of authority between federal and state levels, bank-insurance integration, international expansion, and electronic databases are identified as significant for practical application. The study proposes several practical recommendations for developing Uzbekistan’s insurance market: strengthening control over insurance contracts, providing state support for socially significant risks, enhancing bank-insurance cooperation, developing brokerage activities, and establishing a legal framework for mutual insurance societies.

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## 1. Introduction

Despite the many years of experience in macroeconomic, monetary, fiscal, and investment policies in foreign countries, the global crisis that emerged in 2008 affected the economies of all countries. Under the influence of the crisis, serious macroeconomic problems arose in the world economy, such as rising unemployment, increasing public debt, and growth of budget and balance of payments deficits. While the world economy grew by 2.7 percent in 2008, in 2009 it declined to -0.4 percent, to -3.4 percent in developed countries, and to -4.4 percent in the Eurozone.

It should be noted that during that period of the international economic crisis, the Republic of Uzbekistan had a strong banking and financial system, was developing at a

rapid pace, had very low external debt, and despite the impact of the global crisis, ensured stable economic growth of more than an average of 8 percent [1]. The reason is that at that time Uzbekistan had not yet entered the global arena, and its economic relations with the countries of the world had not been established to the required extent.

By 2020, the COVID-19 pandemic, which began that year at the international level, had a serious impact on our country. A large part of the population was affected by this disease, and many of them became victims of the pandemic. The economy suffered severe damage, including a decline in the volume of insurance services provided [2]. This is because, by that time, our country had entered the global world, and economic and other types of relations with foreign countries had significantly expanded.

### **Literature Review.**

This article analyzes the reaction (respond) of the insurance market to macroeconomic instability and the global crises with international scientific sources par. Results are clustered and result in how well those capture mainstream academic thinking.

First, the discussion about global crises, in particular the financial crisis of 2008, is consistent with the international literature. Many scholars, among them Reinhart and Rogoff, Krugman and Minsky have pointed out that previous crises were related to the real economy, while contemporary crises are of financial origin [3]. This logic is followed by the article when linking the 2008 crisis to weaknesses in the financial sector.

Second, the study of the Uzbekistan insurance market in the 2008 crisis period and in the COVID period is in line with the pattern in the world. Notably, economists including Rodrik and Stiglitz point out that this limited integration into the world economy cushioned the blows of the 2008 crisis. On the other hand, the pandemic has placed severe strain on global insurance markets, consistent with the World Bank, IMF and OECD (2023) findings.

In its third section, the report looks at the Russian insurance market, noting the expansion in interest rates, the sanctions, the limitation of portfolios of reinsuring markets and the increasing risks of cyber. This mirrors the issues highlighted in studies by IBM, S&P Global and the top U.S. insurance regulators [4]. It also might benefit from some more comparisons with some of the global reinsurance leaders.

The article also scrutinizes Uzbekistan's statistics, citing low payout ratio, poor competition and insufficient degree of trust of the public. These problems could be mapped onto the stages of market development identified in Swiss Re Sigma Reports and modern financial theory.

The final paragraphs review state supervision literature and the US insurance model. Both Klein and Qoldoshev's works obviously reflect the need for strict regulation for progressive market evolution. The review of the US system illustrates the long term growth generated by the balance of regulation and freedom of the market and presents an undisguised lesson to Uzbekistan [5].

## **2. Materials and Methods**

The research's analytical framework is mixed and is nominally geared towards global insurance trends and their potential impact on the insurance market and sector in Uzbekistan. This paper begins with a systematic evidence narrative from international and national reports, that investigates the types of macroeconomic shocks, The 2008 global financial crisis and the 2020 COVID pandemic. Identifying the channels through which these shocks became translated into changes in market behaviour, by studying the changing insurance premiums, payout ratios, market structure and risk in sectors and over time, it adopts a logical and comparative analysis approach. This paper uses statistics of Uzbekistan's insurance market to abstract away from aspects of the statistical data to the scientific explanations for some structural factors (particularly low shares of payouts and

presence of foreign insurers). It also includes a case study of Russia's insurance sector in 2022, which provides real-world examples and reflections on the weak spots in the financial sector, the increase in cyber risk and lack of solutions for reinsurance and consequences. Expert-evaluation methods of international regulatory models are explored, focusing on the United States as a representative market liberty and adequately strong oversight that has exercised relatively constant insurance regulation. By comparing such regulatory experiences to those that already exist in Uzbekistan, the research evaluates which elements of foreign practice should be adopted by the republic. The overall perspective of the methodology will therefore result in most of all results being analyzed to create a linkage between global insurance market developments and state-specific institutional realities of Uzbekistan to facilitate the provision of evidence-based policy recommendations in order to boost national insurance development.

### 3. Results and Discussion

If until the 1970s all major crises originated from the real sector of the economy, at the end of the 20th century and the beginning of the 21st century the most significant crises began to arise from the financial sector.

A vivid example of the impact of crisis events occurring in other segments of the financial market on the life insurance market are the events of 2022, when, as a result of the sanctions imposed against Russia and the increase of the key interest rate to 20%, lending was almost completely halted. As a result, during the first 9 months of 2022, the volume of insurance premiums collected in life insurance decreased by 5.3% more compared to the total insurance market [6]. On the one hand, due to the rise in deposit rates, clients began to prefer them as a high-yield alternative financial instrument instead of investment life insurance policies. On the other hand, with the introduction of sanctions, Russia's investments in securities in foreign stock markets were blocked, and therefore many holders of investment life insurance policies could not receive investment income.

The problem of insufficient reinsurance opportunities is relevant not only in the housing insurance segment against emergencies, but also in property insurance of legal entities and marine insurance. The application of sanctions against Russia led to the accumulation on the balance sheet of the only Russian reinsurer, JSC RNPk, of all risks previously reinsured in the United States and European countries, which threatens the financial stability of this company and the entire Russian insurance market. Therefore, under current conditions, the problem of finding additional reinsurance opportunities is becoming extremely urgent for the Russian market.

Besides the risk of natural disasters, the growing gap in insurance protection in Russia is also observed in cyber risks. With the acceleration of digitalization and the increased demand for online services triggered by the COVID-19 pandemic, the risk of cybercrime has risen multiple times. "After the beginning of the special operation in Ukraine, even more incidents began to be observed in this area: in the first half of 2022, 305 data breaches occurred in Russia, which is 45.9% more than in the same period of 2021, and the number of stolen records reached 187.6 million, meaning more than a 16-fold increase in stolen data entries" [7]. The largest share of data leaks in Russia (84.2%) consists of personal data leaks (Table 1).

**Table 1.** Distribution of data leaks by type in Russia and the world (%).

	Personal data	Payment data	State secret	Trade secret
Russian	84,2	1,4	0,7	13,7
World	82,9	1,5	2,2	13,4

However, “currently, only a few insurance companies in Russia provide cyber-insurance services (primarily Alfa Insurance, SOGAZ, and Sber Insurance), and only a small share of large companies express demand for such services. Nevertheless, in recent years, a trend of increasing demand for cyber-risk insurance has been observed in the Russian insurance market: in 2021–2022 it exceeded 20%”.

According to optimistic forecasts, “by 2027 the volume of insurance premiums in this segment may grow to 8–10 billion rubles, and many large companies will switch to cyber-risk insurance”. At the same time, there are several factors hindering the growth of this segment. First, the unpredictability of new types of cyber risks makes it difficult to assess the frequency of insurance claims and to calculate economically reasonable insurance rates, which leads to high insurance costs and a limited supply of such services by insurers. Second, it is difficult to determine the criteria for classifying incidents as cyber-risk insurance events, because they mostly overlap with other operational risks (for example, data leaks caused by the actions of company employees). Third, “in cases of cybercrime, it is difficult to confirm the fact of the incident and to prove that the event qualifies as an insured event. Therefore, the likelihood of disputes arising between insurance companies and their clients is high”.

According to the conclusion of the S&P Global Ratings agency, “throughout the years, the volume of insurance premiums worldwide has consistently increased, with declines in growth rates or overall decreases observed only during periods of global economic crises. The pandemic was the number one reason for last global decline on volume of insurance services [8]. It should be noted that our country experienced 66 percent growth in insurance premium revenues in the year of 2009 during which the compulsory insurance types TVEFJMS and IBFJMS were introduced and also 176.3 percent growth in 2018 when the sharp socio-economic reforms took place by the President of the Republic, Sh. Mirziyoyev. The new types of insurance emerged as a result of increased demand for insurance, which is linked to the above-mentioned liberalization of foreign exchange policy, several times increase of the volume of lending, construction of housing, investments aimed at infrastructure within this period. A 168.8 percent increase over 2020 shows some good growth in 2021 as well. Share of insurance premiums (which is more practical indicator relative to GDP) also drastically increased this year, compared to 2020, by 0.12 percent. This indicator reached 0.80 percent in 2023 and dropped to 0.76 percent in 2024. But this number still lags behind and remains low even compared to developed and many developing countries, and even some neighboring countries.

As a characteristic feature of developing countries, it can be seen from the data of Table 2 that the volume of insurance claims paid relative to the collected insurance premiums remains low. When calculated together with the life insurance sector, this figure amounted to 41.70 percent in 2022, but by 2024 it dropped to 22.56 percent. The sole reason for this decline is the sharp decrease in the share of life insurance in the structure of insurance premiums collected by 2024 (Table 2). This indicator varies across insurance companies: in some, it reaches 50–60 percent, while in others it does not even reach 2 percent.

**Table 2.** “The ratio of insurance coverages paid to insurance premiums in the Uzbekistan insurance market” [9].

Years	Insurance Premiums, billion UZS	Paid Insurance Claims, billion UZS	Share of Insurance Claims to Insurance Premiums, %	Increase or Decrease Compared to Previous Year, %
2013	338,5	66.9	19.76	+3.00
2014	439,1	74.6	16.99	-2.77
2015	515,7	99,8	19.35	+2.36
2016	692,6	130,5	18,84	-0,51

2017	927,5	270,0	29,11	+10,27
2018	1635,2	461,4	28,22	-0,89
2019	2314,1	813,5	35,15	+6,93
2020	2213,7	732,3	33,11	-2,04
2021	3733,0	1235,0	33,08	-0,03
2022	6231,7	2596,9	41,70	+7,9
2023	8 059,7	2022,1	25,09	-16,6
2024	9 770,1	2204,5	22,56	-2,53

The indicator of the volume of insurance payouts relative to collected insurance premiums is calculated separately for the overall insurance sector. This is because life insurance products mainly consist of savings-type insurance, where the collected funds are returned to the insured at the end of the contract period, with bonuses, regardless of whether an insured event occurs. Taking this into account, we have prepared Table 3, which reflects insurance payouts for the overall insurance sector in recent years.

**Table 3.** Insurance payouts and their ratio to collected insurance premiums in the overall insurance sector of Uzbekistan in recent years [10].

Years	Insurance Premiums, billion UZS	Paid insurance coverage, billion UZS	Share of insurance payouts relative to insurance premiums, %	Growth or decline compared to the previous year, %
2015	515,7	89,2	17,2	
2016	692,6	95,9	15,1	-2,1
2017	927,5	191,7	24,3	+9,2
2018	1635,2	196,9	16,2	+8,1
2019	2314,1	284,2	16,5	+0,3
2020	2213,7	419,6	22,3	+5,8
2021	3733,0	616,0	20,5	+1,8
2022	6231,7	1098,8	23,3	+2,8
2023	8 059,7	1568,4	20,3	+3,0
2024	9 770,1	2073,1	21,9	+1,6

Analyzing the data in Table 3, it can be observed that in recent years there has been a slight increase in the volume of insurance payouts relative to collected insurance premiums [11]. This indicates that, on one hand, insurers have begun to implement insurance contracts in a way that considers the interests of both parties to build trust with policyholders, while on the other hand, policyholders are becoming increasingly legally knowledgeable. However, even so, compared to developed countries, this indicator remains significantly low. With such a level, the insurance market's image cannot be enhanced, nor can it fully ensure the public and enterprises' trust in insurance companies.

Insurance companies primarily work with corporate clients, while efforts to involve the general population in insurance are insufficient. Consequently, a large part of the population does not use insurance services, and their understanding of insurance remains limited.

All of these lead to slow development of insurance services in Uzbekistan and consistently low public confidence in the insurance services. One characteristic that makes the insurance sector stand out is that a commercial insurer sells promises to a multitude of policyholders and collects premiums upfront. This liability may cover one year or multiple years (in the case of life insurance). This is because during this time, many factors

may affect the financial stability and solvency of the insurance company and the company may not be able to honour its commitment to policyholders.

In view of the above, the state, in its mission as the guarantor of the existence of its citizens and economic entities, tries to safeguard them before the collapse of an insurance entity, establishing as wide a supervision system as possible [12]. Different regulatory tools are employed to that effect. The effectiveness of these methods and the emerging new mechanisms of regulation is recognized on the basis of many years of practice, implementation of advanced practices from foreign countries, and scientific research.

In his study, Robert W. Klein pointed out that as risk management in insurance slowly matured, the regulatory authorities improved their supervision tool set for the insurance sector. He said, "Insurance regulation reforms are a continuous process, shaped by various factors especially the global financial and economic crises. As Q. Qoldoshev puts it, "Insurance is a complex service where professionals providing the service interact with potential policyholders who may not fully understand it. In such scenario, the insurer may take advantage of it for itself or the company [13]. The state agency is established for preservation of public order, protection of the citizenry through a system of laws, rules and institutions authorized to act on behalf of the state.

A review of DE countries with tight insurance regulation on the state and national level illustrates that insurance exchanges are controlled by state or, in some cases, national government agencies that have complete administrative process. Every state in the USA has an insurance department that is under the leadership of an insurance commissioner. Insurance operations are also subject to federal antitrust law. There is no federal insurance statute in the United States. Some lines of insurance, such as nuclear risk insurance, flood insurance programs, crime risk insurance, and crop insurance, are under the federal umbrella, however.

In the U. S., a few insurance tariffs are regulated by the local states and in Alabama, for example, this applies to all types of insurance except life and health insurance. In Illinois, medical, workers compensation, and business liability tariffs are regulated. This is not competition with Kansas regulated accident and sickness insurance tariffs [14]. Through Gramm-Leach-Bliley Act of 1999, insurance companies were given the green light to offer their investment products at banks. As banks found it easier to sell insurance products, the two merged, creating huge conglomerates getting ready to take over international markets.

Foreign Branches and Acquisitions From 2005 to 2014, U.S. insurance companies drew heavily from funds invested abroad, via two avenues: branches established in developed and developing countries, and acquisitions of foreign insurance companies. In this time frame, the investment overseas surpassed the threshold of \$65 billion.

In America, there are two classes of insurance companies: stock companies and mutual insurance companies. There are no state-wide insurance organizations. The level of sophistication of underwriters and insurance brokers [15]. Every company has their own electronic data banks, and data can therefore be collated on aggregation, amount of premium, etc etc.

Therefore, through the appropriate modeling of state supervision and a mix of different incentives and possibilities, American insurance has not only transformed into one of the most matured national markets, but it is also among the biggest international markets. It shows that the insurance industry cannot grow by itself, but that the state is important for insurance supply to develop.

#### **4. Conclusion**

Because the United States provides the example of an insurance sector that has achieved greater efficiency under strong oversight at the state level even while operating

in the absence of national regulation. There are multiple steps that might reinforce the insurance market of Uzbekistan with this in mind.

First, there needs to be protection for policyholders with a constant level of supervision by the regulatory authority of insurance contracts. Also, tariff rates for socially important types of insurance should be strictly controlled.

By having programs in place to insure socially important risks and vulnerable groups, joining the state insurance companies and acting together, the government can do much to support the sector. It pointed out that further development of co-operation between banks and insurance companies will also contribute to the entering of international markets by the insurance sector, both through reinsurance and through Internal insurance activities. Moreover, government assistance to insurance brokerage agencies will facilitate entering world markets. Lastly, the peculiar format of the development of mutual insurance societies would demand for an enhanced legal basis, a separate law governing primary activities.

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