

Trends in the Development of the Insurance Market and Strengthening the Financial Stability of Insurance Organizations

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Annotation: This article examines the current state and development trends of the insurance market with a special focus on strengthening the financial stability of insurance organizations. It analyzes international and national regulatory mechanisms, highlights the impact of economic conditions on insurers, and presents best practices from countries such as the EU, USA, China, and Uzbekistan. The study emphasizes the importance of solvency, risk management, and digitalization as strategic tools for achieving sustainable growth in the insurance sector.

Key words: insurance market, financial stability, solvency, risk management, Solvency II, Uzbekistan, regulation, digitalization



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The modern insurance market is undergoing active transformation under the influence of global economic, technological and social changes. Growing uncertainty, increasing frequency of natural, financial and cyber risks, increased competition, as well as the introduction of digital technologies require insurance companies not only to adapt, but also to be resilient in an unstable external environment. In these conditions, the financial stability of insurance organizations becomes a key factor in their reliability and ability to fulfill obligations to clients.

The development of the insurance market is accompanied by both positive and restraining trends. On the one hand, there is an increase in insurance culture, the development of new products and sales channels, and the digitalization of processes. On the other hand, challenges remain associated with the low level of insurance penetration in a number of countries, insufficient capitalization of some companies and sensitivity to macroeconomic fluctuations. Of particular importance is the financial stability of insurance organizations, on which consumer confidence, investment attractiveness and the stability of the financial system as a whole directly depend.

The purpose of this article is to analyze the key trends in the development of the modern insurance market and explore the role of financial stability of insurance companies as a strategic priority in ensuring long-term stability of the sector. The study pays special attention to both international experience and the specifics of national markets, including Uzbekistan, in order to identify

effective mechanisms for increasing the sustainability and adaptability of insurance organizations to modern challenges.

At the present stage, the insurance market is undergoing significant changes under the influence of global macroeconomic trends, climate and cyber risks, as well as technological innovations. The global insurance sector is showing both steady growth and signs of increased volatility caused by inflationary pressures, frequent catastrophic events and changes in consumer behavior.

According to the report of the International Association of Insurance Supervisors, in 2023, the total volume of insurance premiums in the global market reached \$ 7.1 trillion. Forecasts of the Business Research Company indicate an increase in this figure to \$ 8.3 trillion by 2025 at a compound annual growth rate (CAGR) of about 7.2%. However, despite steady growth, the industry faces a number of challenges. For example, according to Reuters, in 2024, for the first time since 2017, global insurance rates fell by 0.9%, which indicates increased competition and the need for insurance companies to adapt their business models.

Particular attention is paid to the solvency and sustainability of insurance organizations. In the European Union, the Solvency II Directive is applied, which sets strict requirements for capital adequacy, risk management and disclosure. The largest insurance companies, such as Allianz and AXA, maintain solvency ratios at 95-100%, ensuring sustainability even in the face of market turmoil.

Regional differences in the insurance market are pronounced. Thus, the United States accounts for about 45% of the world's insurance premiums (more than \$3.2 trillion), followed by China (10%) and the United Kingdom (5%). Countries with a developed insurance system demonstrate a high level of penetration of insurance products, especially in the life insurance segment, while in developing economies, compulsory and property insurance prevail.

Uzbekistan also demonstrates positive dynamics in the development of the insurance sector. According to the Agency on Statistics under the President of the Republic of Uzbekistan, in 2023, the volume of gross insurance premiums amounted to 8.06 trillion soums (approximately €590 million), which is 29.3% more than in the previous year. The bulk of premiums falls on the general insurance sector (more than 96%), while life insurance occupies a relatively small share, but shows growth. According to Fitch's forecast, in 2024, the volume of premiums will reach almost 9.8 trillion soums, reflecting the trend of increasing demand for insurance services.

The regulatory environment in Uzbekistan is actively improving: new laws on insurance activities have been adopted, capital requirements have been increased, electronic policies are being introduced, and consumer protection is being strengthened. Since 2021, the number of insurance organizations has decreased from 42 to 38, which is due to tightening licensing conditions and the need to comply with financial stability standards. At the same time, the implementation of ESG principles and digital technologies (InsurTech, blockchain) helps to strengthen transparency, reduce costs and increase customer confidence. A comparative analysis of the global and national markets allows us to identify common trends: the desire for digitalization, increasing sustainability requirements, the introduction of international risk management standards and customer focus. Uzbekistan, following these directions, demonstrates the potential for further growth of the insurance sector and strengthening the financial stability of insurance organizations, which is especially important in the context of global instability and integration into the international financial system.

The modern insurance market is developing in the context of rapid digitalization, increasing complexity of risks and transformation of consumer behavior models. Global trends indicate a transition from traditional insurance to flexible, personalized and technologically advanced forms of insurance services. These trends not only change the structure of the industry, but also have a direct impact on the financial stability of insurance organizations.

One of the key trends is the introduction of InsurTech - technologies that automate and optimize insurance activities. According to Swiss Re Institute, by 2024, more than 65% of insurance companies in the world have integrated elements of artificial intelligence, machine learning and big data into the processes of risk assessment, underwriting and claims settlement. Such solutions can significantly reduce costs, improve forecasting accuracy and adapt insurance products to the individual needs of clients. For example, the Lemonade platform in the USA uses AI to conclude contracts and instantly pay compensation, demonstrating a high level of trust and efficiency.

The second important trend is the development of sustainable insurance based on ESG principles. International companies such as Munich Re and Zurich Insurance incorporate environmental, social and corporate governance factors into their risk assessment strategy. This is becoming especially relevant in the context of growing climate and cyber threats. For example, after the floods in Europe in 2021, the number of inquiries about natural catastrophe insurance increased by 37%, and companies began to actively invest in climate-resilient products.

Cyber insurance is also becoming an important segment, especially due to the increase in digital attacks. In 2023, the global cyber insurance market was valued at \$14.8 billion and, according to McKinsey, will grow to \$33 billion by 2027. This requires insurance organizations to review their risk assessment and reinsurance models, as well as improve the skills of their personnel.

In developing countries, including Uzbekistan, specific trends are observed: the growth of microinsurance, the activation of compulsory types of insurance (especially medical and motor third party), as well as the integration of insurance into digital platforms. Since 2022, electronic insurance policies have been introduced in Uzbekistan, simplifying access to insurance services and increasing population coverage. In addition, in 2024, a rural insurance support program was launched within the Global Environment Facility (GEF), aimed at protecting farmers from climate risks.

Modern trends are transforming not only the structure of the insurance market, but also the mechanisms for ensuring financial sustainability. Technological modernization reduces operating costs and increases efficiency, and ESG-oriented policies contribute to the formation of sustainable investment portfolios. For Uzbekistan, which is at the stage of active financial liberalization, these trends open up new opportunities for attracting foreign investment, developing insurance products and strengthening trust in insurance institutions.

Thus, modern trends in the development of the insurance market - from digitalization to sustainable insurance - serve not only as growth drivers, but also as tools for strengthening the financial stability of insurance organizations. They set new benchmarks for strategic management, development of the regulatory environment and the formation of a sustainable insurance infrastructure, both at the global and national levels.

In the context of growing economic and climate risks, the financial stability of insurance organizations is of particular importance. In order to strengthen it, both international and national regulatory mechanisms are used to increase the transparency, sustainability and manageability of the insurance business.

One of the most well-known international approaches is the Solvency II directive, which is in force in the countries of the European Union. It is based on three main pillars: quantitative capital requirements, corporate governance and risk management, and mandatory disclosure of information. Companies operating in accordance with this standard are required to regularly conduct stress testing and maintain sufficient reserves to cover their liabilities with a probability of at least 99.5%. Large European insurers such as Allianz and AXA demonstrate the effectiveness of this approach, maintaining solvency ratios at a high level.

The United States uses the Risk-Based Capital (RBC) system, which adapts capital requirements depending on the risk level of each specific company. The International Association of Insurance Supervisors (IAIS) is also developing a global standard, ICS (Insurance Capital Standard), aimed at unifying the assessment of the financial stability of insurance groups.

China is implementing its own regulatory model called C-ROSS (China Risk-Oriented Solvency System), which has been further strengthened since 2022. This approach takes into account the specifics of the national market and allows capital requirements to be adapted depending on the level of insurance, market and credit risks.

Uzbekistan, focusing on international standards, is also taking active steps to strengthen the financial stability of the insurance sector. Key reforms include increasing the minimum authorized capital, tightening licensing requirements, introducing electronic policies, strengthening actuarial control, and gradually introducing elements of ESG strategies. Thus, since 2024, there has been a requirement for mandatory digitalization of policies through a single automated register, which increases transparency and reduces the risk of fraud.

For a more visual comparison of sustainability strengthening mechanisms, we present the following table (made by author):

Country / System	Основные характеристики	Эффект
EC / Solvency II	Three Pillars: SCR, Risk Management, Disclosure	Stability with 99.5% coverage of liabilities, high level of transparency
USA / RBC	Capital depending on the company's risk profile	Flexibility in risk management and monitoring of systemic threats
China / C-ROSS	Risk-based approach with national specificity	Balance between risks and capital taking into account market characteristics
Uzbekistan / national measures	Capital Raising, Digitalization, Licensing, ESG	Growing trust, strengthening control, adapting to international requirements

This table demonstrates that despite differences in approaches, all countries strive to ensure financial sustainability through systemic reforms and standards. At the same time, Uzbekistan focuses on digitalization and institutional development, which creates the potential for long-term sustainability and integration into the global market. Thus, strengthening the financial sustainability of insurance organizations requires not only regulatory changes, but also a strategic approach to risk management, capital and technology. Integration of international standards taking into account national specifics allows for the creation of a sustainable and competitive insurance system.

The modern insurance market faces a range of challenges related to macroeconomic instability, increased regulatory requirements, climate risks and digital transformation. In these conditions, the issue of ensuring and strengthening the financial stability of insurance organizations comes to the fore, determining not only their ability to fulfill current obligations, but also the prospects for sustainable development.

Analysis of trends at the global and national levels shows that countries are making significant efforts to modernize their insurance systems. International standards such as Solvency II, RBC and C-ROSS demonstrate effectiveness in ensuring transparency, manageability and adaptability of insurance companies to a changing external environment. Uzbekistan, in turn, is actively adapting best international practices by introducing digital tools, strengthening supervision and developing the legislative framework.

Improving the financial stability of insurance organizations should remain a priority of state policy and the strategy of the companies themselves. This includes not only compliance with

regulatory requirements, but also the introduction of modern risk management systems, the development of digital solutions, strengthening human resources and increasing customer confidence. A financially sustainable insurance sector is an important pillar of the national economy, contributing to the redistribution of risks, the protection of the property interests of citizens and business structures, and the stimulation of investment. Therefore, further strengthening the sustainability of insurance organizations is the key to the stable and inclusive development of the country's financial system.

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