

## DEVELOPMENT DIRECTIONS OF THE LIFE INSURANCE SECTOR

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### **Abstract:**

This article outlines the economic essence and significance of life insurance, analyzes the current state and trends in the life insurance sector within the insurance market of Uzbekistan, and explores the directions for the development of this sector.

**Keywords:** Insurance market, life insurance, insurance premiums, insurance payouts, financial analysis of insurance companies, insurance products, insurance business, innovations.

### **Introduction**

Globally, significant work is being carried out to develop and digitize the life insurance sector. As life insurance serves as a strong financial stability tool, insurance companies are increasingly using digital technologies and ecosystems to attract clients and protect them from various risks, which in turn accelerates the implementation of innovations in the insurance business. Based on modern practices, scientific research focuses on creating attractive new insurance products by segmenting the population and using digital models to allocate funds of life insurance companies to investment projects.

Many studies have shown that in countries with high inflation rates, it is important to consider inflation when calculating insurance sums. Moreover, introducing financial technologies used in financial markets into life insurance helps reduce operational costs and prevent fraud.

### **Literature Review**

There are various theoretical and methodological perspectives on the concept of the life insurance sector in economic literature. Russian scholar A. Sulimenko, in

his scientific works, proposed that the life insurance sector should be understood as a "system of internal relations within personal types of insurance." Researcher E. Semenova emphasized the need to adhere to the principles of payment, refundability, term, and profitability in savings-based life insurance types. According to her, savings-based life insurance refers to a system of relations aimed at protecting the property interests of individuals, based on those four principles.

### **Methods**

In conducting this research, methods such as expert assessment, generalization, comparison, historical and logical approaches, critical analysis, and statistical data grouping were applied.

### **Analysis**

The life insurance sector acts as a catalyst for economic development and is an integral part of certain economic processes, particularly in encouraging savings and redistributing capital to consumers. The necessity of forming reserve funds and involving them in long-term investments allows life insurance companies to actively participate in the capital market.

In Uzbekistan, reforms aimed at developing the life insurance sector began with the adoption of the "On Insurance Activities" Law in April 2002, which stipulated that general insurance companies could not operate directly in life insurance. This marked the first time life insurance was identified as a separate area of national insurance market development and highlighted its role in ensuring macroeconomic stability.

Although the sector is still in its formation and development stages, there are currently five life insurers in the market. Due to certain objective conditions, the insurance products they offer do not fully meet international standards, and a healthy competitive environment has not yet formed. Nevertheless, the sector has tremendous untapped potential in terms of market capacity and volume.

There are several factors currently hindering the development of the life insurance sector, the most significant being the shortage of highly qualified specialists. This deficiency affects nearly every level of the production process, including product development, actuarial calculations, sales, marketing research, and comprehensive sector analysis.

The Law “On Currency Regulation” No. 573, adopted on October 22, 2019, gave insurance market participants the right to make and receive payments in freely convertible currency. The lack of such a payment mechanism for many years created additional barriers in relationships between insurance companies and clients, overcoming which posed several difficulties in a short time frame.

Despite the role of life insurance in accumulating idle funds and protecting against health-related risks, citizens still prefer bank deposits. To foster interest in long-term savings-based life insurance, it's necessary to provide clients with guaranteed payouts, establish funds and mechanisms ensuring returns on long-term funds, and offer high-yield calculations. Relying solely on limited investment tools and term deposits from banks contributes to ongoing challenges in the sector.

Providing tax benefits for amounts allocated to life insurance when forming targeted savings can stimulate sector development and increase demand for long-term life insurance over bank deposits. In Uzbekistan's insurance practice, promoting and improving long-term savings-based life insurance can serve as a rational investment alternative for citizens and encourage the purchase of investment-oriented products.

The current state of the life insurance market in Uzbekistan is reflected by the performance of the operating life insurance companies. Therefore, in our opinion, analyzing the development of Uzbekistan's life insurance market is best approached through the following directions:

- Dynamics of insurance premiums collected by life insurance companies;
- Market share of life insurance companies in total collected insurance premiums;
- Dynamics of insurance payouts made by life insurance companies;
- Share of life insurance companies in total insurance payouts;
- Claims ratio per company (loss ratio of premiums);
- Market concentration indicators (based on Herfindahl-Hirschman Index);
- Regional breakdown of life insurance indicators;
- Claims ratio by region;
- Analysis of company activity by insurance classes within the life insurance sector.

We believe that one of the most critical indicators reflecting the state of Uzbekistan's life insurance market is the total insurance premiums collected. The analysis of this indicator by company is provided in Table 1 below.

**Table 1 Dynamics of Life Insurance Premiums Collected by Life Insurance Companies (in billion UZS) [7]**

№	Insurance Companies	2020	2021	2022	2023	2024
1	"Uzbekinvest Life Insurance Company" JSC J	101,2	95,1	74,9	55,9	9,4
2	"Alfa Life Insurance" JSC	24,4	67,4	21,5	38,5	25,9
3	"Agros Life Insurance Company" JSC	129,6	96,2	62,9	59,6	10,1
4	"Kafolat Life Insurance" JSC	0,2	22,4	22,8	20,3	17,1
5	"Apex Life Insurance" JSC	-	11,2	17,6	63,2	181,3
<b>Total Life Insurance Premiums</b>		<b>417,3</b>	<b>586,4</b>	<b>334,4</b>	<b>237,5</b>	<b>243,8</b>

### Analysis of Table 1:

The data show several important trends:

- The first conclusion is that the total premiums in the national life insurance market have increased on average by almost twice each year, except for 2020. The 57% decline in 2022 is attributed to the significant impact of the COVID-19 pandemic on the market.
- Each company showed different premium dynamics:
  - "Uzbekinvest Life" showed a **decrease–increase–decrease** pattern.
  - "Alfa Life Insurance" followed an **increase–decrease–increase** trend.
  - "Agros Life Insurance" experienced a **constant decrease**.
  - "Kafolat Life" followed **increase–decrease–decrease**.
  - "Apex Life Insurance" showed **increase–increase** after its launch.
- The contribution of each company to total premium growth varies. "Apex Life Insurance" significantly increased its market share in 2024, while "Uzbekinvest Life" and "Agros Life" saw notable declines.

Trust in insurance companies is directly linked to the amount of insurance payouts they make. The next table provides analysis in this area.

**Table 2 Dynamics of Insurance Payouts Made by Life Insurance Companies (in billion UZS) [7]**

№	Insurance Companies	2020	2021	2022	2023	2024
1	"Uzbekinvest Life Insurance Company" JSC	68,1	110,4	86,8	96,6	20,0
2	"Alfa Life Insurance" JSC	17,6	39,1	38,0	39,3	20,4
3	"Agros Life Insurance Company" JSC	79,1	109,8	48,2	87,3	13,2
4	"Kafolat Life Insurance" JSC	0,02	14,4	18,4	31,6	5,4
5	"Apex Life Insurance" JSC	-	0,9	6,8	74,7	72,2
<b>Total Life Insurance Payouts</b>		<b>263,9</b>	<b>529,3</b>	<b>318,0</b>	<b>329,5</b>	<b>131,2</b>

### Analysis of Table 2:

- The trend in insurance payouts shows different dynamics by company:
  - "Uzbekinvest Life" and "Agros Life" show a **decrease–increase–decrease** trend.
  - "Alfa Life" and "Apex Life" both show a **steady increase**.
  - "Kafolat Life" shows **increase–increase–decrease**.
- Considering the decline in 2020 due to the pandemic, average annual payouts have nearly doubled in the subsequent years.
- The aftermath of the pandemic significantly boosted the market potential in 2023–2024. All companies reported increased payouts.
- The distribution of payouts across companies shows low market monopolization, suggesting a relatively competitive national insurance market where companies operate under equal conditions.

### Conclusion

The lack of long-term life insurance products and the low volume of premiums from such products in Uzbekistan are due to several key factors:

- High inflation rates in the country;

- Lack of financial instruments tailored for long-term investments in the insurance market;
- Absence of guaranteed mechanisms for timely and full return of long-term savings to policyholders.

To improve the situation, it is vital to:

- Digitize life insurance company operations;
- Introduce advanced financial technologies;
- Study and adopt best practices from foreign countries.

These steps will play a significant role in the development of the life insurance sector in Uzbekistan.

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