



## PROBLEMS IN THE DEVELOPMENT OF PERSONAL INSURANCE TYPES IN UZBEKISTAN AND WAYS TO ELIMINATE THEM

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### Abstract

This scientific work analyzes the problems encountered in the development of personal insurance types in Uzbekistan and the ways to overcome them. Although the importance of personal insurance in the country's insurance market has been increasing in recent years, it has been identified that the legal framework remains insufficiently comprehensive, the level of financial literacy among the population is low, innovative products are not adequately introduced by insurance companies, and there are certain limitations in the quality of services provided. During the study, the structural changes in personal insurance, demographic and socio-economic factors influencing its demand, as well as the impact of market mechanisms were examined. The research substantiates the necessity of strengthening state support mechanisms, diversifying the activities of insurance companies, widely introducing digital technologies, improving insurance culture among the population, and adopting international best practices for the development of personal insurance. The results of the study demonstrate that eliminating these challenges will ensure the stable and effective development of personal insurance in Uzbekistan and enhance the socio-economic protection of the population.

**Keywords:** Personal insurance, insurance market, life insurance, accident insurance, insurance premium, insurance sum, insurance culture, insurance companies, tax incentives, digitalization.

### Introduction

In a market economy, the insurance system is an integral part of the financial market, playing a significant role in protecting not only the economic interests of business entities but also those of individuals. The importance of insurance activities is primarily determined by their ability to compensate for financial losses arising from various risks and unforeseen circumstances. In particular, personal insurance types—such as life insurance, health insurance, and accident insurance—are of great importance, as they are directly aimed at preserving human life, health, and working capacity. Therefore, the development of this sector has strategic significance in ensuring the socio-economic security of the population.

In recent years, large-scale reforms have been implemented in Uzbekistan to develop the insurance market. In particular, a number of state programs adopted for 2020–2024 have been aimed at modernizing the insurance services market, introducing new types of insurance, and increasing the financial literacy of the population. At the same time, the development of the personal insurance market



is closely related to demographic factors, the growth of real household incomes, urbanization processes, and the widespread application of digital technologies. Especially during the pandemic, the sharp rise in demand for health and life insurance services among the population clearly demonstrated the relevance and prospects of this market.

However, despite the existing potential and positive changes, a number of systemic problems remain in the development of personal insurance types in Uzbekistan. First, the level of public trust in insurance is insufficient, which hinders the potential growth of insurance premiums. Second, many insurance companies are slow in diversifying their product portfolios, resulting in services being formed with a narrow focus in the market. Third, the lack of sufficient transparency in contractual relations further reduces public confidence in insurance services. Fourth, the shortage of qualified actuarial specialists negatively affects the efficiency of risk assessment and management.

In addition, the slow progress of digitalization in insurance services, the incomplete implementation of information and communication technologies, and the lack of efficient communication mechanisms between insurance companies and clients are limiting the competitiveness of the market. This highlights the necessity of broadly applying advanced approaches used in international insurance practices to the national context.

From this perspective, the purpose of this research is to identify the existing problems in the development of personal insurance types in Uzbekistan, analyze their economic and institutional factors, and develop scientifically grounded recommendations for their elimination. The scientific novelty of the study lies in the fact that it provides an in-depth analysis of the structural changes in personal insurance, compares international experience with national practice, and develops effective directions tailored to the conditions of Uzbekistan.

The research results will contribute to the sustainable development of the personal insurance market by improving the activities of insurance companies, creating new innovative products, raising the financial culture of the population, and enhancing state regulatory mechanisms. This scientific work is of importance not only from a theoretical perspective but also from a practical standpoint, as it may serve as a key source in defining the future development strategy of Uzbekistan's insurance system.

## Literature Review on the Topic

There are numerous local and foreign studies on the development of the insurance system and its significance in the economy. In particular, issues such as the formation of personal insurance types, their role in the market economy, development trends, and existing challenges are widely covered in the scientific literature.

The scientific works of foreign authors such as M. Skipper, H. Mehr, and D. Cummins are devoted to the theory of insurance, life insurance, and risk management. These studies analyze the impact of insurance on macroeconomic growth, its role in ensuring financial stability, and the relationship between personal insurance and the standard of living of the population.

Reports prepared by international financial institutions such as the World Bank, the International Monetary Fund (IMF), and the International Association of Insurance Supervisors (IAIS) also include



numerous recommendations aimed at the institutional development of insurance services, the processes of digitalization, and the improvement of insurance culture among the population.

In studies conducted by local scholars, the institutional development of the insurance market, the efficiency of companies' activities, and the role of personal insurance services in ensuring the socio-economic protection of the population have been thoroughly analyzed. For example, in the works of A. Sodiqov, M. Khudoyqulov, and Sh. Khojayev, attention is given to the stages of formation of the insurance services market, the legal environment, and prospects for development.

In recent years, statistical reports and scholarly articles have highlighted not only the rapid growth of personal insurance in Uzbekistan but also several limitations, such as the low level of financial literacy among the population, the lack of innovative products in insurance companies, problems of transparency in contractual relations, and the shortage of qualified personnel.

Overall, the analysis of existing literature shows that although there are important theoretical and practical developments regarding the growth of personal insurance types in Uzbekistan, conducting a deeper comprehensive analysis, integrating international experience into national practice, and defining promising directions still remain urgent tasks.

## Research Methodology

In this scientific study, various methodological approaches were used to examine the development process of personal insurance types in Uzbekistan, the existing problems, and ways to address them. The methodology includes the following key scientific methods:

**Theoretical Analysis Method.** Classical and modern economic theories related to the insurance market, the experience of foreign countries, as well as the regulatory and legal documents governing personal insurance in the Republic of Uzbekistan were studied and analyzed.

**Comparative Method.** The development level of personal insurance services in Uzbekistan's insurance market was examined by comparing it with the experience of other countries in the region and developed nations. This approach allowed the strengths and weaknesses of the national insurance system to be identified.

**Statistical Analysis.** The dynamics of key indicators of personal insurance (number of policies, volume of insurance premiums, total payouts, population coverage, etc.) were studied based on data from the Agency for the Development of the Insurance Market under the Ministry of Finance of the Republic of Uzbekistan, the State Statistics Committee, insurance company reports, and international financial institutions.

**Empirical Methods.** Interviews, discussions, and sociological surveys were conducted with insurance company managers, clients, and industry-related specialists. These methods made it possible to identify the population's attitude toward personal insurance, the level of trust, and the main barriers to using insurance services.

**Systematic Approach.** The individual elements of the insurance market (insurance companies, clients, state regulators, international financial institutions) were examined in their interrelations, and both



internal and external factors affecting the development of personal insurance types were comprehensively assessed.

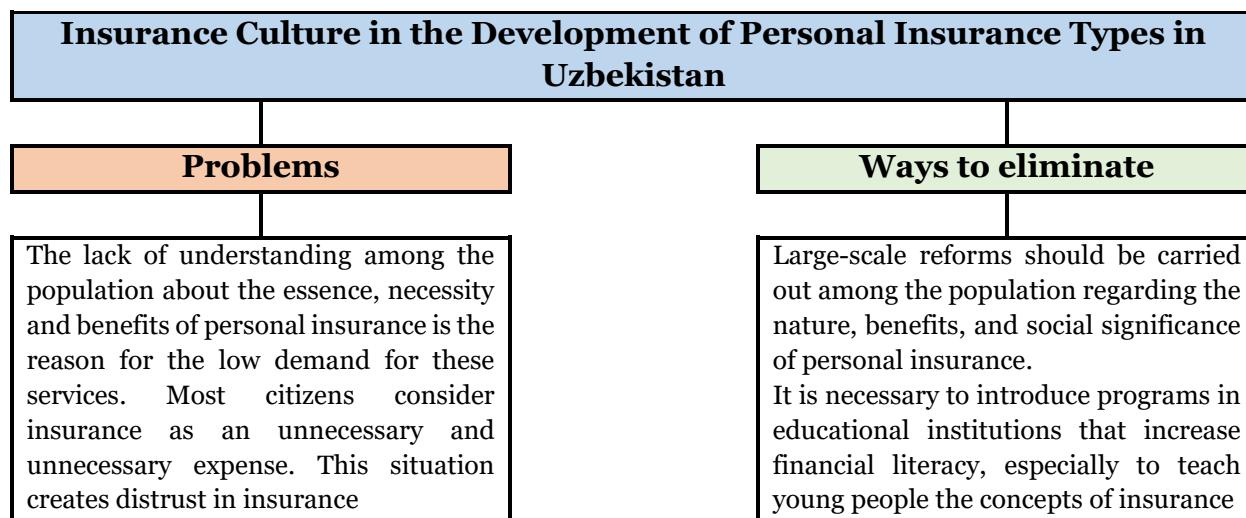
**Forecasting and Modeling.** Based on statistical data, the development trends of the personal insurance market in Uzbekistan were forecasted, and future growth rates and opportunities were evaluated through scientific modeling.

The integrated methodological approach ensures the scientific validity, practical value, and reliability of the research results. It allows not only for the analysis of existing problems but also for the development of effective recommendations to address them.

## Analysis and Results

The main reason for the limited popularity of personal insurance in Uzbekistan is considered to be the low level of insurance culture among the population. Most citizens perceive insurance not as a necessary service but as an additional and unnecessary expense. This not only leads to low consumption of insurance services but also contributes to the formation of a general environment of distrust toward insurance. Practical observations indicate that the majority of citizens lack sufficient understanding of the content, functions, opportunities, and benefits of personal insurance.

To address this situation, increasing the financial literacy of the population, widely promoting the insurance sector, and especially cultivating insurance culture among the younger generation are considered important strategic directions. In addition, introducing insurance-related programs in the education system, conducting awareness campaigns through mass media, and implementing promotional projects based on public-private partnerships can help shape a positive attitude toward these services among the population.



**Figure 1. Insurance Culture in the Development of Personal Insurance Types in Uzbekistan**



In Uzbekistan, insurance culture among the population is emerging as one of the key factors in the development of personal insurance types. Due to the insufficient knowledge and skills of a large segment of the population regarding the necessity and socio-economic significance of insurance, the demand for such services remains at a low level. The perception of personal insurance as an unnecessary expense is widespread, which poses a serious obstacle to the consistent and sustainable development of this sector.

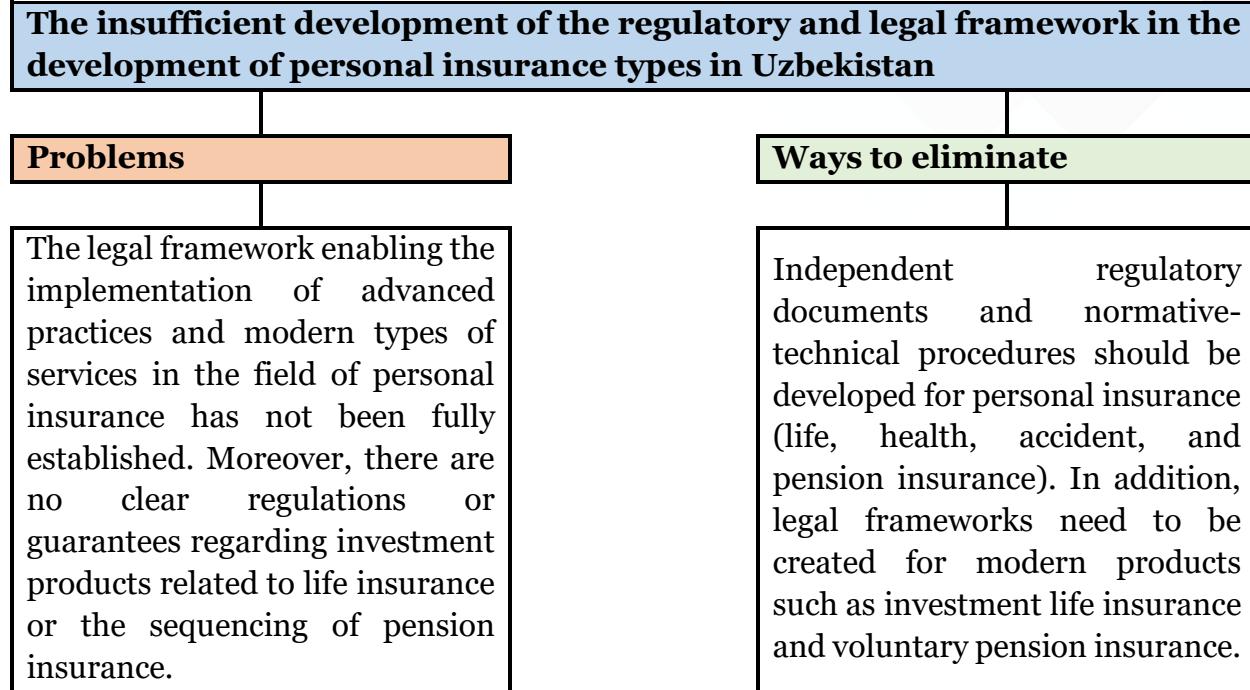
The root cause of the problem lies in the low level of financial literacy among the population and the insufficient promotion of insurance services. Therefore, it is necessary to implement systematic measures aimed at enhancing insurance culture. In this regard, firstly, educational institutions should introduce curricula that improve financial literacy; secondly, mass media, online platforms, and social networks should be used to conduct extensive information and outreach campaigns explaining the advantages of personal insurance.

In the process of promoting personal insurance services and increasing public trust in this sector, the development of insurance culture is considered one of the most important strategic tasks. By organizing this process systematically, the financial protection of citizens will be strengthened, while the insurance market will transform into a more dynamic and sustainable economic mechanism.

In Uzbekistan, the fundamental reform of the insurance system and the strengthening of its institutional and financial foundations are being defined as one of the priority directions of national economic policy. In particular, personal insurance types—life, health, accident, and pension insurance—are widely recognized as essential tools that ensure the financial stability of the population and protect them against various social risks. However, the sustainable and consistent development of this sector must primarily rely on a strong, clear, and modern regulatory and legal framework.

In practice, however, the regulatory documents and frameworks governing personal insurance services have not yet been fully established. In particular, the absence of clear procedures and guarantee mechanisms regarding investment life insurance, voluntary pension insurance, and both independent and corporate models of health insurance creates certain uncertainties and risks for insurance companies in the process of introducing these services.

Therefore, in order to ensure the full operation of personal insurance types and the provision of quality services to the population, it has become an urgent task to improve national legislation based on international standards, to create legal frameworks for modern insurance products, and to develop regulatory and technical mechanisms that guarantee their practical implementation.



**Figure 2. Insufficient development of the regulatory and legal framework in the development of personal insurance types in Uzbekistan**

The sustainable and consistent development of personal insurance types largely depends on the completeness and practical applicability of their legal foundations. Despite certain reforms carried out in this direction under the conditions of Uzbekistan, at present, a sufficient legal basis has not been created for organizing personal insurance services at a modern stage. In particular, there are no clearly defined regulations, guarantee mechanisms, or specific normative documents governing services such as investment products related to life insurance and voluntary pension insurance.

This, on the one hand, limits insurance companies in developing and offering new services, and on the other hand, reduces consumer confidence in these products. The insufficiency of the legal framework fails to ensure the legal security of market participants, which in turn significantly restricts the creation of a fully competitive environment in the sector and the opportunities for attracting investment.

In order to ensure the large-scale development of personal insurance types, firstly, separate regulatory and legal documents should be developed for each type of insurance; secondly, legal and technical regulations should be created for investment life insurance, pension insurance, and other modern products applied in international practice. Moreover, these legal foundations should not remain merely theoretical but must be reinforced through practical mechanisms that function effectively in reality.

Personal insurance types—life, health, accident, and pension insurance—play an important role in ensuring the financial stability of the population, strengthening the social protection system, and reducing the burden on the state budget. The development of these insurance types largely depends on the economic and fiscal incentive mechanisms applied by the state. In particular, tax benefits and



insurance schemes involving employers, as demonstrated by the experience of developed countries, contribute to the widespread adoption of personal insurance.

In the practice of developed countries, there are numerous incentive measures such as tax deductions on insurance premiums, exemption of insurance contributions paid by employers from income tax, and tax relief on annual investment income. Such approaches increase citizens' interest in insurance services and enhance the activity of market participants.

In Uzbekistan, however, such fiscal incentives for personal insurance services are either almost nonexistent or applied in a very limited form. In practice, this situation reduces the attractiveness of insurance and decreases the participation of both companies and citizens in these services. In particular, the lack of employer participation in the voluntary insurance system and the absence of tax benefits in this area pose serious obstacles to the institutional development of personal insurance.

Therefore, in the development of personal insurance services in Uzbekistan, it is a pressing scientific and practical issue to thoroughly study the role of fiscal policy and to introduce tax incentives and financial benefits based on international experience.

<b>Tax incentives and stimulating mechanisms in the development of personal insurance types in Uzbekistan</b>	
<b>Problems</b>	<b>Ways to eliminate</b>
In developed countries, personal insurance types are supported through tax reliefs, employer coverage of insurance premiums, and other incentives. In Uzbekistan, however, such supportive mechanisms are either almost nonexistent or practically ineffective.	Granting tax deductions or exemptions on personal insurance premiums, as well as exempting insurance premiums paid by employers on behalf of their employees from taxation, can serve as effective measures to popularize these services.

**Figure 3. Tax incentives and stimulating mechanisms in the development of personal insurance types in Uzbekistan**

The development of personal insurance types in Uzbekistan's insurance market is of particular importance in terms of strengthening the social protection system, ensuring the financial stability of the population, and reducing the burden on the state budget. However, the widespread adoption of these services largely depends on fiscal incentive measures—particularly tax benefits and financial support mechanisms. The experience of developed countries shows that the introduction of tax reliefs on insurance premiums has significantly stimulated this sector and increased public participation.



## Conclusion

The above analysis shows that although the development process of personal insurance types in Uzbekistan has demonstrated a number of positive outcomes, systemic problems still persist in this area. In recent years, the steady growth in the volume of insurance premiums, the increasing financial literacy of the population, and the improvement of the legal and institutional environment by the state can be regarded as positive developments. However, the lack of sufficient public trust in insurance, the limited scope of services offered by insurance companies, the insufficient transparency in contractual relations, and the shortage of qualified personnel hinder the full development of the market.

The development of personal insurance is closely linked not only to economic factors but also to social, psychological, and institutional ones. Increasing the level of trust in insurance, enhancing the financial literacy of the population, widely introducing digital technologies, and applying international standards in insurance services play an important role in addressing these issues. At the same time, the introduction of diversified and innovative products by insurance companies, along with the creation of convenient service mechanisms for clients, contributes to increasing the competitiveness of the market. International experience shows that in order to ensure the effective development of personal insurance types, it is necessary to strengthen cooperation between the state and the private sector, create a healthy competitive environment in the insurance market, and improve actuarial and risk management systems. By consistently implementing these directions in Uzbekistan's insurance market as well, the role of personal insurance in ensuring the socio-economic protection of the population will be enhanced, the stability of the financial system will be reinforced, and a positive impact will be made on the overall development of the economy.

Overall, by effectively addressing the existing problems in the development of personal insurance types, Uzbekistan's insurance system will be elevated to a new stage. This process will contribute not only to the formation of insurance culture in the country but also to improving the standard of living of the population and expanding opportunities for the financial protection of their lives, health, and working capacity.

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