

Insurance in Uzbekistan: Experience and Practice

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Abstract: This article provides information on the types of compulsory insurance in our country, the existing problems in this area, issues that need to be addressed, and specific solutions to address them..

Keywords. Compulsory insurance, insurance market, liability, insurance payment, problems and solutions.

1. INTRODUCTION

In the conditions of the market economy, the insurance sector is considered the main link of the economy and occupies an important place in its development strategy. The role of insurance in the process of social protection of the population, reduction of possible burdens on the state and local budget, creation of investment resources, employment of the population and integration into the international market is incomparable.

In the world economy, insurance emerged as a vital necessity and was formed on the basis of market mechanisms. Compulsory insurance of a social nature as a means of compensation for the incurred losses entered the insurance sector at the level of state policy.

The stages of introduction of mandatory insurance types regulated by the law in force in Uzbekistan today:

First of all, since 2000, the increase in traffic on the streets of Uzbekistan has led to an increase in traffic accidents on the roads, and as a result, the practice of compensating the amount of damage to the victims has been widely used. In many cases, the injured persons had difficulties in receiving the amount of damages from the culprit despite the court's decision. As a result of the death of the culprit or fleeing from the scene of the incident, cases where the amount of damage was not covered were also observed.

In 2008, based on world practice and the experience of our country, the type of "Compulsory civil liability insurance of vehicle owners" was put into practice.

Secondly, one of the main factors of the market economy is the activity of business entities that provide services and produce in the conditions of supply and demand. As a result of injury, occupational disease or death of employees working in enterprises and organizations, difficulties began to arise in compensating the damage caused to their dependents, in many cases, the state budget had to pay for the damage.

Based on the world practice and the experience formed in our country, in 2009, the type of "Mandatory civil liability insurance of the employer" was put into practice.

Thirdly, most of the country's population uses passenger transport. In recent years, there have been many cases of damage to passengers or their property as a result of incidents related to carriers providing services for passenger transport, railway, air, car, river transport and other transport.

In order to guarantee the compensation of damage caused to life, health and property of passengers in the process of transportation by all types of transport, the type of "Compulsory civil liability insurance of the carrier" was put into practice.

In addition to the types of compulsory insurance introduced by the above law, there are also types of compulsory insurance introduced into practice by government decisions. Also, in order to ensure the interests of the state, compulsory state insurance has been put into practice at the expense of funds allocated from the state budget.

As a result of the implementation of mandatory types of insurance, the concepts of "insurance", "insurance protection", "insured" became popular in the country, in a word, insurance entered social life.

7.7 million people in the republic in 2022. more than 51.9 percent of the signed insurance contracts, or about 4.0 million, were contributed by compulsory insurance types. This indicator shows the place of compulsory insurance in insurance services.

382.9 trillion in 2022 for types of compulsory insurance. 18.2 percent of the total liability received in the insurance market. The share of compulsory insurance in collected insurance premiums was 8.3 percent, while its share in total insurance payments was 9.3 percent or 242.1 billion. amounted to soum.

2. ANALYSIS AND RESULTS

Let's look at the types of compulsory insurance in force today, regulated by relevant laws:

1. Type of compulsory civil liability insurance of vehicle owners.

This type of insurance has been put into practice for 14 years. The advantages and disadvantages of this type of insurance are as follows:

Advantage	Disadvantage
<ul style="list-style-type: none"> - The level of insurance coverage is almost guaranteed; - Sales offices are available almost everywhere, as well as the possibility of online purchase; - There is competition, 25 insurance organizations provide services; - There is an insurance payment guarantee fund; - The insurance price (premium) is relatively cheap; - All insurance organizations have a separate department for this type of insurance. 	<ul style="list-style-type: none"> - Regional factors are not fully taken into account when developing insurance tariffs; - The fact that the insurance amount is not at the level of today's market requirements; - The amount of insurance premiums cannot be formed based on market mechanisms (inflation); - Non-interruption of all relevant databases when a sale is made in the online sales system.

15 times, amendments were made to the Decision No. 141 on measures to implement this law.

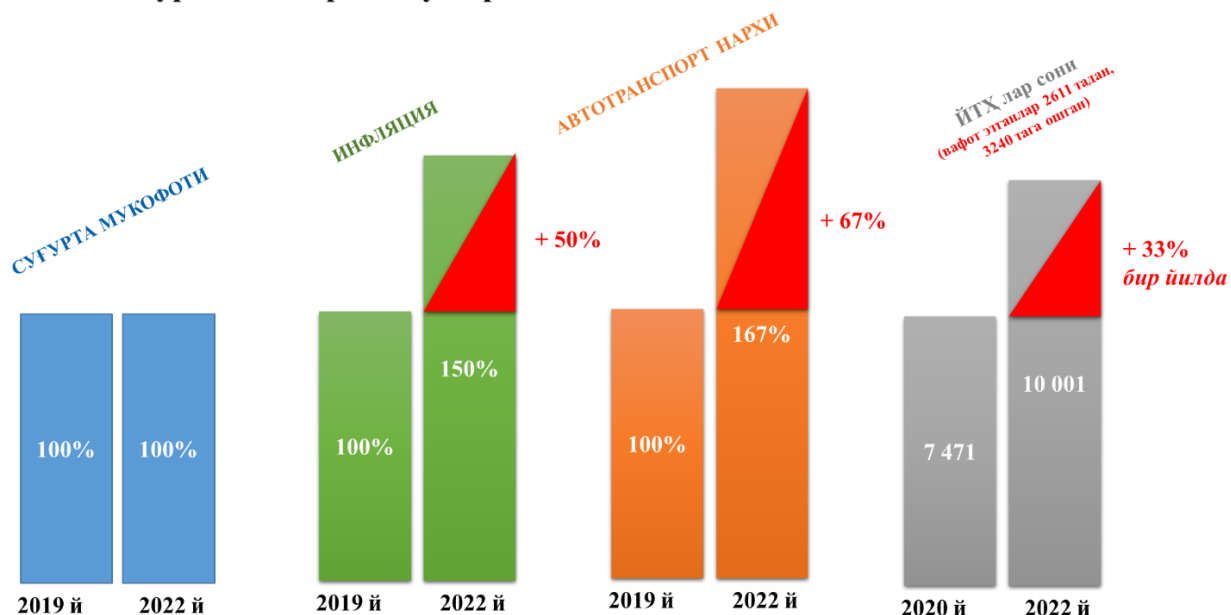
On March 16, 2019, the adoption of the decision of the Cabinet of Ministers of the Republic of Uzbekistan No. 222 "On measures to further improve the compulsory civil liability insurance of vehicle owners" led to an increase in the transparency of the provision of services for this type of compulsory insurance. However, based on the decision, the current insurance liability is 40.0 mln. to soums (actually it was 12.0 million soums), and insurance premiums remained almost unchanged. As a result, a sharp increase in the amount of insurance payments has been observed since June 2019.

The insurance premium is set at a fixed amount and has remained unchanged for the last 3 years. But the following factors affecting the insurance payment are increasing year by year:

- The inflation rate in 2019 was 15.2 percent, in 2020 it was 11.11 percent, and in 2021 it was 9.98 percent. This represents an average loss of 40% of insurance premiums over the past short period;
- Since 2019, the prices of motor vehicles produced in Uzbekistan have increased by 30% to 60% (based on <https://uzautomotors.com/>);
- The number of traffic accidents in 2020 was 7,471, and in 2021, 10,001 accidents occurred. The number of people killed in it increased from 2,611 to 3,240 in 2021. Since 2022, the "Europrotocol" system has been introduced, and when this factor is taken into account, the indicators will be even higher.

The insurance amount is 40.0 million. soums, so 35 percent or 14.0 mln. sum is determined for property damage. In the past 3 years, the damage caused to motor vehicles as a result of insurance incidents has increased dramatically and today's market does not meet the demands.

Асосий кўрсаткичларнинг ўзгариши



According to the decision No. 780 of the Cabinet of Ministers of the Republic of Uzbekistan "On additional measures to improve the procedure for providing electronic insurance services", this compulsory insurance electronic (online) sale was launched. To date, there are the following shortcomings in this direction:

- lack of complete continuity in obtaining relevant information from the database of state bodies;
- Failure to automatically provide information about vehicles in the Ministry of Defense, State Security Service and National Guard system.
- lack of automatic provision of information about tractors, self-propelled road construction machines and other machines and other factors.

2. *Type of mandatory civil liability insurance of the employer.*

It has been 13 years since this type of insurance was put into practice. The advantages and disadvantages of this type of insurance are as follows:

Advantage	Disadvantage
<ul style="list-style-type: none"> - It results in cost savings for employers; - Reduces burdens on the state budget; - It will be a reason for employees to be calm; - Sales offices are available in almost all regions; - There is sufficient experience in handling insurance incidents. 	<ul style="list-style-type: none"> - Non-availability of information on insurers employers; - Low control mechanism of this type of compulsory insurance; - the high level of harm by type of insurance, the non-compliance of insurance tariffs with market mechanisms; - lack of possibility to re-insure the acquired liability to foreign reinsurers ; - when determining the insurance amount, the client provides an insurance amount less than the actual insurance amount (in budget organizations).

The amount of liability for this type of compulsory insurance is high, and the liability for some contracts is higher than the capacity of the reinsurance market of Uzbekistan. This liability cannot be sold to foreign reinsurance companies. Foreign reinsurance organizations do not accept reinsurance because of the risk of "occupational disease" in this type of insurance.

Another point is that in budget organizations, their expenses are determined in advance. There are disparities

between the insurance amount at the time of signing insurance contracts with budget organizations (the last 12 months' salary fund) and the predetermined amount.

At the same time, there are cases of different interpretations by insurance organizations in determining the types of activities included in 20 classes, which are the basis for calculating insurance premiums for this type of compulsory insurance.

3. *Type of compulsory civil liability insurance of the carrier.*

It has been 7 years since this type of insurance was put into practice. The advantages and disadvantages of this type of insurance are as follows:

Advantage	Disadvantage
<ul style="list-style-type: none"> - Insurance partnership signed between insurance organizations, solid solvency; - Insurance tariffs are in line with market mechanisms; - Sales offices are available in almost all regions. 	<ul style="list-style-type: none"> - The control mechanism is not up to the mark; - Lack of information about potential customers.

In contrast to other types of compulsory insurance approved by law, the Insurance partnership for compulsory insurance of civil liability of the Carrier was established. It helps as a means of protection for insurance companies in case of large amount of damages .

Control of compulsory civil liability insurance of the carrier:

- - in the field of air transport - by the Civil Aviation Agency under the Ministry of Transport of the Republic of Uzbekistan;
- - in the field of railway transport - by the inspection of safety control of cargo and passenger transportation on railways under the Ministry of Transport of the Republic of Uzbekistan;
- - in the field of urban passenger, road transport - implemented by the Ministry of Transport of the Republic of Uzbekistan.

It is proposed to strengthen the control over the civil liability insurance of the city passengers, carriers in the field of road transport. Many carriers are limited to the type of compulsory liability insurance of vehicle owners. For this type of insurance, it is proposed to form the insurance amount in a variable manner according to the market mechanisms.

3. CONCLUSIONS AND SUGGESTIONS

Based on the experience gained in the national insurance market of Uzbekistan, the current practice of the insurance market, the experience formed in the insurance market of developed countries and the market requirements, the following conclusions can be reached regarding the improvement of compulsory insurance services in Uzbekistan:

First of all it is necessary to revise the insurance amount and insurance premium according to the type of compulsory civil liability insurance of vehicle owners.

Today, not all insurance companies offer limited insurance policies of this type of compulsory insurance in the regions of Tashkent city and Tashkent region. While 25 insurance companies are engaged in compulsory insurance, half of them in the capital have the opportunity to purchase limited-edition neither paper nor online insurance policies.

If the situation continues like this, by the end of the year, the possibility of purchasing limited-edition insurance policies in the city of Tashkent will be severely limited.

Insurance organizations are also business entities, they form insurance reserves for each liability they receive, there are costs of selling insurance policies, period costs, insurance payments, taxes and other costs, membership fees to the Insurance Payment Guarantee Fund and other costs. A permanent loss of financial results affects the next strategic plans of an entrepreneur whether we like it or not.

Therefore, it is proposed to revise the insurance amount and insurance premium with a complete analysis of the type of compulsory civil liability insurance of vehicle owners, to determine the insurance premium based on the principles of variable formation within the market balance.

Secondly, the online sale of the type of compulsory civil liability insurance of vehicle owners is carried out by the Insurance Payment Guarantee Fund is responsible for ensuring the exchange of information necessary for the registration of E-policy between relevant ministries and agencies and insurance organizations. In practice, there are shortcomings and interruptions in the unified information system for issuing E-police . This is causing objections from customers and insurance organizations.

Taking into account the shortcomings mentioned above, it is suggested to take measures to make the exchange of information between ministries and agencies and insurance organizations continuous.

Thirdly, it is necessary to revise the control mechanism on the type of compulsory civil liability insurance of the Employer, in 2021, insurance contracts were signed with about 39,000 employers. This indicator is only 20% of potential employers. Compulsory civil liability insurance coverage of vehicle owners is almost fully ensured, as a strict control mechanism has been established.

The control of compulsory civil liability insurance of the employer is entrusted to the Ministry of Employment and Labor Relations of the Republic of Uzbekistan, in practice the control is not fully ensured. Insurance organizations do not have information about potential employers.

It is known that every employer submits a report according to the established procedure to the tax authorities at the end of the year. In this report, it is proposed to introduce the practice of submitting a copy of the insurance policy on the organization's civil liability insurance against its employees.

Fourthly, major natural disasters have been occurring in our country recently, including 3,449 fires in Uzbekistan in the first 5 months of this year. As a result of the fires, 82 people were injured and 48 people died.

Due to heavy rainfall, floods are occurring in different regions of the republic. Official organizations assessed the probability of flooding in 3 districts and cities of Fergana region, 5 of Navoi region, 6 of Jizzakh and Namangan regions, 7 of Kashkadarya region, 8 of Tashkent region, 9 of Andijan, Surkhandarya and Samarkand regions.

Geographically, our republic is a seismically active area. Ashgabat (Turkmenistan) earthquake of 1948 (magnitude 7.3 on the Richter scale), Khait (Tajikistan) earthquake of 1949 (magnitude 7.5 on the Richter scale), Tashkent (Uzbekistan) earthquake of 1966 (magnitude 5.2 on the Richter scale), the Gazli (Uzbekistan) earthquake (magnitude 7.0 on the Richter scale) and the Qairaqquq (Tajikistan) earthquake (magnitude 8.0 on the Richter scale) alone indicate the presence of seismic activity.

In the Tashkent earthquake (1966) alone, 78 thousand families became homeless, 2 million square meters of living space were damaged, 236 administrative buildings, 700 sales and household service houses, 26 utility service enterprises, 181 educational institutions, 36 cultural, 185 medical and more than 245 production facilities were damaged.

The strong wind in Bukhara in April 2020, and later in the Sardoba reservoir in Syrdarya, seriously damaged the property of residents and organizations, as well as crops on land.

unexpected situations will not occur again, the recurrence of such situations cannot be denied as a result of the development of technology, climate changes, and the development of a production-based economy.

In the USA, European countries (Spain, Norway, Turkey), Asia (Japan, Indonesia, Taiwan) and other regions, mandatory types of insurance have been introduced in order to protect the interests of the state and the population from such damages.

Taking into account the above, we propose to develop and put into practice a type of insurance aimed at compulsory insurance of real estates of individuals and legal entities, with a deep study of the geographical and seismic conditions of the regions in Uzbekistan, the income of the population, natural and climatic conditions and other factors.

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