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Methodology for enhancing the competitiveness of insurance services in Uzbekistan

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Abstract

This article examines the methodological foundations for enhancing the competitiveness of insurance services in Uzbekistan. It analyzes market structure dynamics, identifies key challenges and growth trends, and proposes strategic directions such as digital transformation, product innovation, regulatory reforms, and human capital development. The study highlights the need for a comprehensive approach to improve market efficiency and resilience.

Keywords: Insurance market; Competitiveness; Digitalization; Regulatory reform; Insurance premiums; Innovation

1. Introduction

In the context of globalization and increased economic liberalization, financial sectors around the world have witnessed rapid transformations, driven by technological advancements, shifting consumer expectations, and regulatory innovations. Among these, the insurance sector stands out as a critical component of the financial ecosystem, contributing substantially to economic stability, risk management, and resource mobilization. In Uzbekistan, significant reforms aimed at integrating into the global economy have highlighted the importance of enhancing competitiveness across all sectors, particularly within the insurance industry, which remains relatively underdeveloped compared to regional and international counterparts.

Despite considerable progress in recent years, Uzbekistan's insurance market continues to face systemic and structural challenges. These include low market penetration, limited consumer awareness of insurance products and their benefits, inadequate diversification of insurance offerings, and persistent regulatory inefficiencies. Insurance penetration in Uzbekistan measured as the ratio of total premiums to GDP remains considerably lower compared to other emerging economies, reflecting untapped potential and inherent market weaknesses. Moreover, the insurance sector's relatively weak competitiveness restricts its ability to effectively respond to the evolving needs of a rapidly modernizing economy and hinders its contribution to economic resilience.

Given these challenges, establishing a robust methodological framework for enhancing the competitiveness of insurance services in Uzbekistan is imperative. Such a framework necessitates not only addressing current market shortcomings but also proactively anticipating future industry shifts driven by digitalization, consumer behavior changes, and emerging global risks. Developing this comprehensive methodology requires integrating insights from competitive strategy theories, empirical evidence from international practices, and tailored solutions reflecting Uzbekistan's unique market characteristics.

2. Literature Review

The competitiveness of the insurance sector has been widely studied from various theoretical and empirical perspectives due to its critical role in economic development and financial stability. Competitiveness, in general, refers

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to the capability of an organization or sector to sustainably maintain market position, profitability, and innovation compared to industry rivals. In the insurance context, competitiveness involves effectively delivering high-quality products, services, and maintaining consumer trust amidst evolving market conditions [1].

A seminal contribution to the literature on competitiveness comes from Porter's (1985) Competitive Advantage theory, emphasizing the importance of differentiation and cost leadership as primary strategies for maintaining competitiveness. According to Porter, competitiveness is achieved by offering unique, value-added products that justify premium pricing or by maintaining cost leadership to offer attractive pricing strategies, both of which are highly applicable to insurance markets [2].

Another foundational perspective is provided by the Resource-Based View (RBV) articulated by Barney (1991). RBV postulates that firms achieve sustained competitive advantage by exploiting valuable, rare, inimitable, and non-substitutable internal resources. In insurance, these resources typically include technological capabilities, human capital, proprietary information systems, and brand equity. This perspective suggests that competitive advantage in insurance markets is contingent upon internal capabilities and strategic resource management [3].

Further developments in the understanding of competitiveness in insurance have been influenced by the concept of dynamic capabilities proposed by Teece et al. (1997). They argue that firms achieve sustained competitiveness through adaptive capabilities such as innovation, strategic agility, and responsiveness to external market changes. Applied to insurance, dynamic capabilities include the ability to rapidly develop new insurance products, integrate new technologies, and adapt swiftly to regulatory and market demands, thus ensuring sustained competitiveness [4].

More recently, empirical research has focused on the influence of regulatory frameworks and technological advancements (InsurTech) on insurance sector competitiveness. According to Swiss Re Institute (2020), the regulatory environment significantly influences competitiveness by either promoting innovation through supportive regulation or hindering it through excessive bureaucratic controls. Regulatory frameworks can stimulate market entry, product diversification, and consumer protection, thus enhancing the competitive landscape of the insurance sector [5].

Additionally, the impact of technological integration, notably InsurTech, on competitiveness has garnered considerable attention. Deloitte's global analysis (2021) highlights that InsurTech has transformed traditional insurance markets, introducing greater efficiency, customer-centric solutions, cost savings, and innovative product offerings. Insurance companies leveraging InsurTech have significantly outperformed competitors who lag behind technologically, thus underscoring technology's critical role in maintaining market competitiveness [6].

3. Analysis and Results

Table 1 Structure of the Insurance Market of the Republic of Uzbekistan

Insurance Market Structure	30.09.2023	30.09.2024	Change (+/-)
Number of insurance organizations	42	35	-16.7%
including life insurance companies	8	5	-37.5%
Total authorized capital of insurance companies (mln. UZS)	2,311,521	2,559,944	+10.7%
Number of insurance brokers	8	11	+37.5%
Number of actuaries	5	5	0%
Number of insurance agents	4,773	4,538	-4.9%
including legal entities	1,543	1,494	-3.2%
Number of insurance companies that are members of the Guarantee Fund	27	25	-7.4%

Source: Developed by the author based on National Agency for Prospective Projects of the Republic of Uzbekistan database

The current analysis of the structure of Uzbekistan's insurance market reflects significant shifts influencing its competitiveness and overall performance. Between September 2023 and September 2024, the number of insurance organizations decreased notably by 16.7%, particularly pronounced among life insurance providers, which saw a

decline of 37.5%. This reduction highlights market consolidation, possibly due to intensified regulatory requirements or competitive pressures pushing less efficient insurers out of the market.

Despite this contraction in the number of organizations, the total authorized capital within the insurance sector grew by approximately 10.7%, signaling that remaining companies are financially strengthening and increasing their operational scale. Enhanced capitalization indicates improved financial stability, potentially positioning these companies to introduce innovative products, adopt advanced technologies, and better compete both domestically and internationally.

The increase in insurance brokers by 37.5% is a positive indicator of developing market intermediation. Brokers play an essential role in raising consumer awareness, improving market transparency, and facilitating competition through better product comparisons and consumer guidance. Consequently, their growing presence likely contributes to a more dynamic and consumer-oriented insurance environment.

The stagnation in the number of actuaries underscores a crucial area for potential improvement. Actuarial expertise is fundamental for developing sophisticated, risk-based pricing models and innovative products, which directly enhances the competitive strength of the insurance sector. A targeted policy approach to increasing actuarial capacity, either through professional training or attracting international expertise, is necessary.

The observed decrease of insurance agents by nearly 5% may indicate an ongoing transition towards digital distribution channels, reflecting global trends in InsurTech adoption. However, the modest reduction in legal-entity agents by 3.2% suggests a need for ongoing assessments to ensure sufficient market outreach and consumer engagement, particularly in rural or less digitally connected areas.

Finally, the 7.4% decrease in the number of insurance companies participating in the Guarantee Fund could be indicative of rising compliance costs or regulatory standards, potentially limiting broader participation. Encouraging greater inclusion in such consumer protection mechanisms remains critical to enhancing trust and consumer confidence, thereby improving market competitiveness.

Table 2 Total insurance premiums by Companies (as of 30.09.2023 and 30.09.2024)

Nº	Insurance Company Name	30.09.2023	30.09.2024	Change (%)
	Total	5,643,234	6,846,823	+21.3%
1	"APEX INSURANCE" JSC	1,401,116	2,309,518	+64.8%
2	"UZBEKINVEST" EISK JSC	938,481	810,801	-13.6%
3	"GROSS INSURANCE COMPANY" JSC	322,972	394,902	+22.3%
4	"MY-INSURANCE" JSC	248,740	313,867	+26.2%
5	"KAFOLAT INSURANCE COMPANY" JSC	539,394	526,535	-2.4%
6	"KAPITAL INSURANCE" JSC	230,237	264,898	+15.1%
7	"ALFA INVEST INSURANCE COMPANY" JSC	191,590	192,626	+0.5%
8	"KAFIL INSURANCE" JSC	121,477	213,409	+75.7%
9	"INSON" JSC	121,726	205,432	+68.8%
10	"ALSKOM" JSC	123,614	128,087	+3.6%
11	"O'ZAGROSUG'URTA" JSC	297,101	210,294	-29.2%
12	"SQB INSURANCE COMPANY" JSC	107,579	186,877	+73.7%
13	"IMPEX-INSURANCE" JSC	100,038	110,792	+10.7%
14	"TRUST-INSURANCE" JSC	37,105	107,452	+189.6%
15	"TEMIRYO'L INSURANCE" JSC	141,849	224,535	+58.3%
16	"EUROASIA INSURANCE" JSC	49,772	69,909	+40.5%

17	"XALQ INSURANCE" JSC	25,147	64,255	+155.5%
18	"INFINITY INSURANCE" JSC	18,533	69,126	+273.0%
19	"NEO INSURANCE CORP" JSC	2,187	53,552	>+1000%
20	"ISHONCH INSURANCE COMPANY" JSC	30,101	45,243	+50.3%
21	"ASIA INSURANCE COMPANY" JSC	54,150	45,197	-16.5%
22	"INGO-UZBEKISTON" JSC	81,554	66,698	-18.2%
23	"GLOBAL INSURANCE GROUP" JSC	48,466	35,681	-26.4%
24	"SEMURG INSURANCE" JSC	29,223	35,434	+21.3%
25	"MOSAIC INSURANCE COMPANY" JSC	16,087	76,798	+377.4%
26	"IMKON INSURANCE" JSC	61,934	25,199	-59.3%
27	"HAMKOR INSURANCE" JSC	21,325	21,363	+0.2%
28	"ARIA INSURANCE ORGANIZATION" JSC	11,857	22,101	+86.4%
29	"OMAD INSURANCE" JSC	21,988	16,242	-26.1%

Source: Developed by the author based on National Agency for Prospective Projects of the Republic of Uzbekistan database

The analysis of Uzbekistan's insurance market reveals a dynamic but uneven pattern of development in terms of competitiveness and market share. The overall increase of 21.3% in total insurance premiums between 2023 and 2024 indicates steady sectoral growth. However, the performance of individual companies varied significantly, reflecting differences in strategic orientation, operational efficiency, and adaptability to market demands.

A number of insurance companies, such as "APEX INSURANCE," "TRUST-INSURANCE," and "MOSAIC INSURANCE COMPANY," demonstrated remarkable growth in premiums, suggesting effective marketing, digital transformation, and product innovation strategies. Their success underlines the importance of agility, technology integration, and customer-focused service in enhancing competitiveness in the modern insurance landscape.

In contrast, several traditional market players, including "O'ZBEKINVEST," "O'ZAGROSUG'URTA," and "GLOBAL INSURANCE GROUP," recorded notable declines in premiums. This decline may point to structural inefficiencies, lack of innovation, or failure to adapt to changing consumer expectations and regulatory reforms. Some companies may also be losing market share due to the entry and expansion of newer, more dynamic firms.

The presence of small but fast-growing companies such as "NEO INSURANCE CORP" and "INFINITY INSURANCE" demonstrates the increasing role of competitive newcomers in reshaping the market structure. These firms may be benefiting from niche targeting, digital distribution models, or cost-effective operations.

4. Recommendations and Conclusion

To enhance the competitiveness of insurance services in Uzbekistan, several strategic actions are recommended. First, insurance companies should prioritize digital transformation by adopting InsurTech solutions that improve operational efficiency, enable real-time customer engagement, and lower distribution costs. Investment in mobile platforms, online policy issuance, and AI-driven claims processing can significantly boost market accessibility and responsiveness. Second, product innovation must be accelerated to address emerging risks and diverse client segments. This includes developing microinsurance for low-income populations, climate risk products for the agricultural sector, and tailored corporate insurance solutions.

Third, regulators should simplify licensing and approval procedures while strengthening risk-based supervision to create an enabling environment for competition. Encouraging the entry of new players and supporting smaller firms through incubation mechanisms will ensure a dynamic and inclusive market. Fourth, raising public awareness through national insurance literacy campaigns is essential for improving market penetration and building trust. Insurance education programs in schools and universities, combined with mass media efforts, can promote a risk-aware culture.

Finally, strengthening human capital by investing in actuarial education and continuous professional development of agents and underwriters will improve the sector's technical competence. Collaborations with international institutions can accelerate skills transfer and capacity building.

In conclusion, Uzbekistan's insurance market demonstrates both growth potential and structural challenges. The disparity in company performance reveals that competitiveness hinges on innovation, agility, and customer-centric strategies. A coordinated approach involving regulatory reform, technological advancement, human resource development, and public engagement is vital for transforming the insurance sector into a sustainable and competitive pillar of the national financial system

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