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## DIGITIZING THE INSURANCE SECTOR IN THE REPUBLIC OF UZBEKISTAN

**Abstract:** This article explores the primary avenues for digitizing Uzbekistan's insurance sector, highlighting its benefits and challenges, along with the state's role in facilitating these processes. It also delves into how digitalization is transforming the insurance market, the key technologies driving these changes, and the measures being taken to successfully implement digital innovations within the sector.

**Keywords:** Digitalization, insurance sector, online services, mobile applications, insurance companies, cybersecurity.

### **Введение:**

Digitalization has become a key factor in the development of the modern economy, transforming all spheres of life and business. The Republic of Uzbekistan, striving to integrate into the global digital ecosystem, is actively implementing advanced technologies in various sectors, including insurance. The insurance sector, traditionally associated with paperwork and complex procedures, is currently undergoing radical changes thanks to digital innovations. These transformations aim to increase the efficiency of insurance companies, improve the quality of customer service, and ensure greater transparency and reliability of insurance services. The introduction of online services, the use of big data and artificial intelligence, and the development of mobile applications are all becoming integral parts of the modern insurance business in Uzbekistan.

### **Analysis of literature on the topic:**

In modern literature, there are many definitions of the term “digitalization”. In particular, “digitalization” is described as the process of transition of an enterprise or an entire economic sector to new models of business processes, management and production methods based on information technology [3].

T. A. Gerasimova and N. V. Moskvitina describe this term as “a process that includes the introduction and use of innovative technologies, as well as the principles of the digital economy in the context of the socio-economic life of society, accompanied by absolute automation, robotization and the introduction of artificial intelligence” and how “the creation and application of modern systems, technologies and tools in order to increase the efficiency of management decisions and services offered”[4].

Digitalization is also considered as the transfer into electronic space of various categories, objects and processes, such as supply and demand, document flow, various management models, goods, services, etc. [5].

Digitalization of insurance activities can be considered in two aspects. Firstly, these are economic relations determined by the insurance interests of organizations and citizens, satisfied with the help of digital technologies in the insurance market. Secondly, it is a way to meet the needs of policyholders for protection against random adverse events in the digital economy using technological equipment. Digitalization is aimed at optimizing and reducing costs, improving customer service and growing insurance activities through increasing products per client.

Based on the data presented above, we can conclude that the digitalization of insurance activities has certain benefits and carries potential risks that are different from the classical risks generally accepted in global insurance, banking, and financial practice [6].

**Research methodology:** During the research process, statistical, analytical, comparative, observational, inductive, deductive, logical, monitoring, express assessments and other methods of analysis were used. As a result of the literature studied, the topic was fully disclosed. The tables have been compiled and collated accordingly.

### **Анализ и результаты:**

In recent years, insurance organizations in the Republic of Uzbekistan have demonstrated accelerated growth in types of voluntary insurance, which indicates the real development of the insurance sector and growing confidence in insurance companies. As of January 1, 2024, the number of insurance organizations reached 43, of which 8 specialize in life insurance [7].

At the end of 2023, the total number of existing contracts in the country's insurance sector was about 9.74 million, and the total number of concluded contracts reached 9.13 million (for comparison, in 2022 these figures were 8.40 million and 7.95 million, respectively) [7]. This indicates a steady increase in demand for insurance services among the population and business, as well as an expansion of the range of insurance products. Digitalization of the insurance industry plays an important role in this process, which contributes to more efficient and convenient interaction between policyholders and insurance companies.

**Table-1**

*Information about insurance areas and premiums paid for them in Uzbekistan [8]*

<b>GENERAL INSURANCE PREMIUMS:</b>					
	12/31/2022		12/31/2023		Million sums
Indicators	Million sums	in % of total quantity	Million sums	in % of total quantity	Changes in %
<b>Total</b>	<b>6,231,726</b>	<b>100%</b>	<b>8,059,726</b>	<b>100%</b>	<b>+29.3%</b>
Insurance organizations in the field of general insurance, including:	4,707,047	76%	7,737,236	96%	+64.4%
- compulsory insurance	491,276	8%	632,427	8%	+28.7%
-voluntary insurance	4,215,771	68%	7,104,809	88%	+68.5%
Insurance organizations in the field of life insurance, including:	1,524,679	24%	322,491	4%	-78.8%
- compulsory insurance	26,766	0%	35,645	0%	+33.2%
-voluntary insurance	1,497,912	24%	286,846	4%	-80.9%

The data in Table 1 indicate that the total volume of insurance premiums in general insurance companies increased from 6,231,726 million sum to 8,059,726 million sum, representing a growth of 29.3%. The volume of premiums for mandatory insurance increased from 4,707,047 million sum to 7,737,236 million sum, which constitutes a growth of 64.4%. Its share in the total premium volume rose from 76% to 96%. The volume of premiums increased from 491,276 million sum to 632,427 million sum, indicating an increase of 28.7%. Its share remained stable at 8%. As for voluntary insurance, the volume of premiums significantly increased from 4,215,771 million sum to 7,104,809 million sum, marking an increase of 68.5%. Its share in the total premium volume increased from 68% to 88%. The volume of premiums in life insurance companies decreased from 1,524,679 million sum to 322,491 million sum, reflecting a decrease of 78.8%. Its share in the total premium volume decreased from 24% to 4%.

The growth in insurance premiums, especially in voluntary insurance, enables insurance companies to allocate more resources towards the development and implementation of digital technologies. This includes the development and enhancement of online platforms, mobile applications, and other digital services, thereby increasing accessibility and convenience for customers. With increased revenues, insurance companies can invest in automating various business processes such as insurance application processing, risk assessment, claims settlement, and other operations. This not only accelerates customer service but also reduces operational costs.

**Table-2**

*Investment activities of insurers in Uzbekistan [8]*

The name of indicators	12/31/2022	12/31/2023	Changes
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	Million sums	in % of total quantity	Million sums	in % of total quantity	in %
<b>Total investment, including:</b>	<b>4,751,745</b>	<b>100%</b>	<b>6,149,938</b>	<b>100%</b>	<b>+29.4%</b>
Deposits	2,896,636	61.0%	4,037,369	65.6%	+39.4%
Securities	1,287,917	27.1%	1,357,492	22.1%	+5.4%
Loans	60,776	1.3%	46,864	0.8%	-22.9%
Real estate	358,944	7.6%	539,498	8.8%	+50.3%
Participation in the authorized capital of organizations	118,221	2.5%	134,728	2.2%	+14.0%
Other investments	29,252	0.6%	33,988	0.6%	+16.2%

Based on the data presented in Table 2, it can be noted that the total volume of investments by insurers in Uzbekistan for the year 2023 increased by 29.4%, reaching 6.15 trillion som. The structure of the investment portfolio underwent changes: Deposits in banking institutions increased by 39.4% to 4.04 trillion sum, becoming dominant at 65.6% of the total. Investments in securities grew by 5.4% to 1.36 trillion sum, but their share in the portfolio decreased to 22.1%. Investments in real estate showed the highest growth at 50.3%, reaching 539.5 billion sum, constituting 8.8% of the total investment volume. The share of loans decreased by 22.9% to 46.9 billion sum, making up 0.8%. Investments in the charter capitals of other organizations grew by 14.0% to 134.7 billion sum, but their share remained small at 2.2%. The volume of other investments increased by 16.2% to 34 billion sum, accounting for 0.6% of the total volume.

The growth in investments and changes in their structure can positively impact the digitalization of insurance in Uzbekistan in several ways. For example, the overall increase in investment volume provides a financial basis for the introduction and development of digital technologies. Stable and liquid assets enable insurers to invest in the development and implementation of new digital insurance products and services. The implementation of digital solutions can improve operational efficiency, reduce costs, and accelerate processes, which are crucial for competitiveness. Additionally, investments in the charter capitals of other organizations may lead to partnerships with technology companies and startups, accelerating the adoption of advanced technologies in the insurance sector.

Today, insurance companies in Uzbekistan are at the stage of transition to working digitally. According to the Presidential Decree of October 23, 2021 “On additional measures for the digitalization of the insurance market and the development of the life insurance sector,” from July 1, 2022, the provision of all types of insurance in electronic form is allowed. All insurance policies are registered in the Unified Automated Information System, managed by the Agency for the Development of the Insurance Market under the Ministry of Economy and Finance together with the Insurance Payment Guarantee Fund [1].

From January 1, 2023, the issuance of compulsory insurance policies on paper has been cancelled. In this regard, an online system for compulsory insurance registration has been introduced on the website of Uzagrosugurta JSC (agros.uz). Customers can now purchase policies online without the need to visit offices. At the beginning of the year, 18 types of insurance services were offered through the online policy system, and by October their number increased to 26. It is planned to transfer all types of insurance for individuals and legal entities into electronic format [9].

Also, from September 1, 2024, a procedure is being introduced in Uzbekistan according to which:

- Registration of insurance (reinsurance) contracts and registration of insurance policies for all types of insurance in the Unified Automated Information System become mandatory.

- The practice of issuing insurance policies exclusively in paper form is ending.  
- Policies not issued through the Unified Automated Information System are considered invalid and their failure to issue is considered a one-time gross violation of the licensing requirements and conditions of the insurer. The National Agency for Prospective Projects will conduct a rating of insurers based on the quality of insurance services provided and publish it in the media [2].

In general, the digitization of Uzbekistan's insurance market contributes to creating a more efficient, transparent, and customer-friendly insurance system. This strengthens trust in insurance companies, attracts new clients, and stimulates further development of the insurance sector in the country.

### **Conclusion:**

In conclusion, digitization of insurance in Uzbekistan represents an important step towards modernizing and improving the accessibility of insurance services for citizens. The introduction of electronic policies, elimination of paper documents, development of a unified automated information system, and active implementation of online services demonstrate a commitment to enhancing efficiency and transparency in the insurance industry. These measures not only streamline the process of obtaining insurance policies for clients but also contribute to stricter control and accounting of insurance activities.

As a result, digitization leads to reduced administrative costs, faster processes, and improved service quality. Active marketing campaigns and educational initiatives help attract new clients and increase their awareness of the benefits of digital services. Continuous development and modernization of internal systems within insurance companies, as well as rating their services by the National Agency for Advanced Projects, promote higher service standards and competitiveness in the market.

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