

Uzbekistan:

insurance market overview



INSURANCE

The graphic features a blue-tinted background with a central focus on a white, tab-like shape containing the word 'INSURANCE' in a bold, serif font. The background is slightly blurred, showing other similar shapes and faint text, suggesting a filing cabinet or a database of insurance-related information.

Introduction

Insurance functions as a tool to optimize financing process of recovery of the resources lost as a result of random events and by this insurance considerably decreases financial load to the budget of the state. Insurance aids to avoid also such serious macroeconomic problems as the growth of the public expenditures and the budget deficit which is an inflationary factor. The subject of the current state and development of the insurance market in Uzbekistan remains relevant today.

1. Legal Framework

The insurance market and circulation of life insurance products in Uzbekistan are mainly regulated by two documents, namely, “Civil Code” of the Republic of Uzbekistan and Law of the Republic of Uzbekistan “About Insurance activity” No.358-II dated 05.04.2002. The former includes a general overview of the insurance market in Uzbekistan, licensing provision, liquidation and operation part of insurance businesses. The latter regulates the relations arising in the field of insurance; classifies industries and insurances in the insurance market; defines subjects of insurance activity, lists rights and obligations of insurer and insured.

Three main documents in the sphere of establishing insurance enterprises are Law of the Republic of Uzbekistan “On The Joint-Stock Companies and Protection of The Shareholders` Rights” No.223-I dated 26.04.1996, Law of the Republic of Uzbekistan “On Securities Market” No.385 dated 03.06.2015 and Decree of the Cabinet of the Ministers of the Republic of Uzbekistan “About government regulation measures of insurance activity” No.286 dated 08.07.1998. These laws set out requirements for insurer while forming legal business entities, and establish the competency of insurance-regulating authorities.

2. Regulator

Insurance Supervision process is carried out by a special state authority which is determined by the Decree of Cabinet of the Ministers.

In 1998, the office of State Insurance Supervisor was entrusted to the Ministry of Finance of the Republic of Uzbekistan by the Decree of the Cabinet of the Ministers of the Republic of Uzbekistan “About government regulation measures of insurance activity” No.286 dated 08.07.1998.

The State Insurance Supervisor under the Ministry of Finance of the Republic of Uzbekistan is responsible for regulation of insurance market in the country, licensing insurance activities, suspending issued licenses, establishing requirements standards for the solvency and insolvency of insurance enterprises, exercise other powers in accordance with the scope of the authority provided in the law.

3. Main Market Players

Currently, 27 insurer companies are providing natural and legal persons with more than 110 types of insurance services in Uzbekistan. There are three state-owned insurers that are dominating the insurance market in the country, namely, “Uzbekinvest”, “Uzagrosugurta” and “Kafolat”.

“Uzbekinvest” is considered as the largest insurer in the country with the 45.0% of total investments in

the country, “Uzbekinvest” is followed by “Uzagrosugurta” with 7.0% of total investments. 45.1% of income generated by insurance companies is held as bank deposits, 41.2% was invested in corporate bonds and securities, 5.6% was channeled to equity capital and 6.5% was invested in real estate.

4. Types of Insurance

Law of the Republic of Uzbekistan “About Insurance activity” No.358-II dated 05.04.2002 divides insurance into two general insurances:

- Life insurance that includes insurances of the interests connected with health, life, working capacity and etc.
- General insurance that comprises of property insurance, liability insurance, the personal insurance and insurances other than covered by life insurance.

Article 914 “Civil Code” classifies insurances as voluntary and obligatory ones. Obligatory insurances in the Republic of Uzbekistan are as follows:

- Insurance of Civil liability of vehicle owners
- Insurance of Civil liability of an employer
- Ecological insurance.

Moreover, the legislation of the country prescribes 17 specific types of obligatory insurances.

5. Foreign Participation

The insurance market of Uzbekistan admits the participation of foreign insurance companies to some extent. Foreign insurance companies can be only partners in a joint venture of insurance companies incorporated or being incorporated in the Republic of Uzbekistan, they are subject to the Law of the Republic of Uzbekistan “About Insurance activity” No.358-II dated 05.04.2002 and regulations of the insurance market by being a founder of an insurance company. Foreign participation is limited in insurance sector from case-to-case according to the type of insurance companies provided in Table A.

Insurances granted by foreign insurance companies cannot be relied on and enforced in the territory of the Republic of Uzbekistan. Foreign insurance companies are limited to reinsuring the risks of insurances granted by an Uzbek insurer. Moreover, if not prescribed otherwise local and foreign insurance companies are not allowed to jointly conduct brokering activities and to issue insurances without having sufficient registration and insurance activity licenses granted by Ministry of Justice.

6. Licensing

Pursuant to the Law of the Republic of Uzbekistan “About Insurance activity” No.358-II dated 05.04.2002, businesses conducting insurance activities are subject to being licensed. Insurers and insurance brokers must be legal entities according to the Uzbek legislation. Ministry of Justice conducts state registration procedures of insurers and insurance brokers according to the regulations prescribed by the Cabinet of Ministers. According to the Decree of the Cabinet of the Ministers of the Republic of Uzbekistan “About measures for further development of insurance services` market“ No.413 dated 27.11.2002 requirements for the insurers are as follows:

- To have sufficient charter capital according to the type of insurance sector

Table A.

General Insurance sector	7.5 Billion UZS
Life Insurance sector	10 Billion UZS
Compulsory Insurance sector	15 Billion UZS
Reinsurance only	30 Billion UZS

- To have branches, with the same legal powers with the general office, in every single region of the Republic of Uzbekistan and in the Republic of Karakalpakstan
- To have an agreement with insurance brokers on cooperation in the provision of obligatory insurance

7. Requirements to Financial Solvency of Insurers (Charter Capital, Insurance Reserves)

Financial solvency norms, insurance reserves, and methodology of their calculation for insurance companies are set out by State Insurance Supervisor. The fundamental requirement for insurance companies is to have sufficient charter capital in accordance with Table A. Regulation on “Financial solvency of insurers and reinsurers” №41 dated 22.04.2008 enacted by Ministry of Finance regulates and prescribes the norms for ensuring the solvency of insurance companies. In accordance with the regulation, insurance companies are subject to four indicators:

- Solvency margin
- Placement of insurers/reinsurers` assets
- Placement of insurance reserves
- Maximum permissible size of obligations for separate risks and cumulative risks of insurers

The State Insurance Supervisor obliges insurance companies to submit the results of calculations for obligatory indicators quarterly. According to the results of calculations, insurers are provided with performance rating. Failing to comply with the regulations prescribed in the law can lead to revocation of license from insurance companies.

8. Internal Control

Regulations and Laws have been enacted by the state authorities to establish a standard within the workplace of professionals involved in the market, moreover, to counteract legalization of income, through insurance activities, that was derived from the financing of terroristic coalitions and other unlawful/criminal activities. According to the Regulations, insurance brokers are required to have higher education and 1-year of work experience in the insurance market.

Regulation “On Insurance brokers” No.19 dated 28.01.2003 sets out rights and obligations of insurance brokers, provides insurance brokers with a legal scope of their actions while conducting insurance-related activities, for instance, limitations imposed on insurance brokers while conducting marketing-related services. In the course of violations of the regulations and standards of internal control set out

by the laws of the Republic of Uzbekistan, insurers, and insurance brokers are subject to the sanctions prescribed in the regulation enacted by Ministry of Finance.

Moreover, for the purpose of counteracting legalization of income generated through terrorism and criminal activities, Department under General Prosecutor`s office of the Republic of Uzbekistan can request insurers and insurance brokers to enclose confidential information, mainly transaction-related information.