

FORMING A SUSTAINABLE REINSURANCE MODEL IN THE REPUBLIC OF UZBEKISTAN: INSTITUTIONAL AND STRATEGIC APPROACH

Nomozova Qumri Isoyevna

Banking and Finance Academy of the Republic of Uzbekistan

Tashkent State University of Economics

ORCID: 0009-0009-6116-765X

kumrinomozova@gmail.com

Abstract. *This article examines the current state and development prospects of the reinsurance sector in the Republic of Uzbekistan in the context of global trends. Based on the specific characteristics of the national insurance market, the study presents a comprehensive analysis of the reinsurance structure, dependency on foreign reinsurers, and existing institutional and regulatory barriers. The paper offers practical recommendations for the establishment of a national reinsurance company, digital transformation of reinsurance operations, and enhancement of domestic reinsurance capacity. The results are aligned with Uzbekistan's financial sector reform strategy and sustainable development goals.*

Keywords: *reinsurance, insurance market, risks, financial stability, Uzbekistan, property insurance, national reinsurer.*

O'ZBEKISTON RESPUBLIKASIDA QAYTA SUG'URTALASHNING BARQAROR MODELINI SHAKLLANTIRISH: INSTITUTSIONAL VA STRATEGIK YONDASHUV

Nomozova Qumri Isoyevna

O'zbekiston Respublikasi bank-moliya akademiyasi, v. b. prof

Toshkent davlat iqtisodiyot universiteti, mustaqil izlanuvchi

Annotatsiya. *Mazkur maqolada O'zbekiston Respublikasida qayta sug'urtalash faoliyatining holati va istiqbollari tahlil qilinadi. Milliy sug'urta bozorining xususiyatlarini hisobga olgan holda qayta sug'urtalash tuzilmasi, tashqi qayta sug'urtalovchilarga bog'liqlik darajasi hamda institutsional va me'yoriy cheklovlar chuqur o'rganiladi. Tadqiqotda Milliy qayta sug'urtalash kompaniyasini tashkil etish, raqamlashtirish jarayonlarini joriy etish va ichki*

salohiyatni kengaytirish bo'yicha amaliy takliflar ishlab chiqilgan. Natijalar moliyaviy islohotlar strategiyasi va barqaror rivojlanish maqsadlariga moslashtirilgan.

Kalit so'zlar: *qayta sug'urtalash, sug'urta bozori, moliyaviy barqarorlik, xatarlar, O'zbekiston, mol-mulk sug'urtasi, milliy qayta sug'urtalovchi*

ФОРМИРОВАНИЕ УСТОЙЧИВОЙ МОДЕЛИ ПЕРЕСТРАХОВАНИЯ В РЕСПУБЛИКЕ УЗБЕКИСТАН: ИНСТИТУЦИОНАЛЬНЫЙ И СТРАТЕГИЧЕСКИЙ ПОДХОД

Номозова Кумри Исоевна

Банковско-финансовая академия РУз, проф.

*Ташкентский государственный экономический университет,
независимый соискатель*

Аннотация. *В статье исследуется текущее состояние и перспективы развития перестраховочной деятельности в Республике Узбекистан в контексте глобальных тенденций. С учётом особенностей национального страхового рынка проведён комплексный анализ структуры перестрахования, степени зависимости от внешних перестраховщиков, а также институциональных и нормативных ограничений. В работе предложены практические рекомендации по созданию Национальной перестраховочной компании, цифровизации процессов и расширению внутреннего потенциала перестрахования. Полученные результаты адаптированы под цели устойчивого развития и стратегию реформирования финансового сектора Узбекистана.*

Ключевые слова: *перестрахование, страховой рынок, риски, финансовая устойчивость, Узбекистан, страхование имущества, национальный перестраховщик*

Introduction

Reinsurance plays a pivotal role in ensuring the stability of insurance markets, functioning as a mechanism for risk transfer and optimization of insurers' balance sheet indicators. The present study constitutes a systematic review of contemporary reinsurance practices, underscoring their importance

for risk management, financial resilience, and the overall efficiency of insurance operations. The authors highlight the critical role of reinsurance in mitigating loss volatility and supporting the capitalization of insurance institutions.

In the context of Uzbekistan's rapidly evolving economy—where the insurance sector has demonstrated consistent double-digit growth—the examination of reinsurance mechanisms is of particular relevance. According to the National Agency for Prospective Projects (NAPP), the total volume of insurance premiums in 2024 reached UZS 9.77 trillion (approximately €727 million), reflecting a 21.2% increase compared to 2023. Notably, the non-life segment continues to dominate the market, accounting for nearly 98% of all premiums, while life insurance represents less than 2.5%.

Government policy has increasingly prioritized the enhancement of the country's reinsurance capacity. In early 2025, a presidential decree was issued for the establishment of a national reinsurance company aimed at reducing reliance on foreign reinsurers. Furthermore, Fitch Ratings reported a significant expansion in reinsurance activity: in 2024, inward reinsurance premiums increased by 30%, reaching UZS 2.735 trillion—approximately 28% of total gross written premiums (GWP).

Thus, the convergence of a systematic risk management approach, as outlined in the international literature, with the robust growth of the domestic market and the intensification of state involvement, positions Uzbekistan as a compelling case for the study of reinsurance development. The objective of this paper is to adapt the findings of international reinsurance research to the national context, assess the effectiveness of the existing reinsurance structure, and offer policy-oriented recommendations for its further development in the Republic of Uzbekistan.

Research Methodology

This study employs a mixed-methods approach, combining both qualitative and quantitative techniques to adapt international reinsurance practices to the developmental conditions of Uzbekistan's insurance sector. The methodological framework is grounded in the conceptual foundations presented by Lokhande et al. (2024), and is further refined through the integration of empirical data and regulatory analysis specific to the Republic of Uzbekistan.

The analysis is primarily based on secondary statistical data obtained from the following official sources:

- The National Agency for Prospective Projects (NAPP);
- The Central Bank of the Republic of Uzbekistan (CBU);

- International publications including Swiss Re Sigma Reports, Fitch Ratings, Moody's Insurance Outlook, and World Bank Insurance Indicators.

The study of macro- and micro-level indicators encompasses key parameters such as: the volume of gross written premiums (GWP) and reinsurance premiums, the share of reinsurance in insurance portfolios, the number of active reinsurance market participants, the level of catastrophic risk coverage, retrocession practices, and the overall dependency on foreign reinsurers.

A comparative institutional analysis is employed to examine reinsurance models in countries with comparable insurance market characteristics—namely Kazakhstan, Azerbaijan, Turkey, and Poland. The objective is to identify best practices and assess the applicability of these models within the Uzbek context. Special attention is given to state-backed reinsurance entities and their role in risk diversification and market stabilization.

In addition, a detailed legal and regulatory review is conducted, covering:

- The Law of the Republic of Uzbekistan “On Insurance Activities” (as amended in 2022);
- Presidential Decrees and Resolutions of the Cabinet of Ministers concerning financial sector development;
- Relevant international frameworks and standards, including those issued by the International Association of Insurance Supervisors (IAIS), Solvency II directives, and IFRS 17.

This integrated approach ensures a comprehensive assessment of the reinsurance landscape in Uzbekistan, capturing both quantitative dimensions and institutional structures, and aligns the national reinsurance discourse with prevailing global trends.

Research Analysis

Based on the systematic review by Sadaf Salim (2024), which emphasizes that contemporary reinsurance practices in emerging insurance systems must adhere to principles of sustainability, adaptability, and institutional maturity, this section presents an in-depth analysis of the structure and challenges of reinsurance operations in the Republic of Uzbekistan.

According to official data provided by the National Agency for Prospective Projects (NAPP, 2025), the total volume of reinsurance premiums in Uzbekistan reached UZS 2.735 trillion in 2024, reflecting a 30% increase compared to the previous year. This amount represents approximately 28% of total gross written

premiums (GWP), indicating a relatively high level of dependence of the domestic insurance market on reinsurance support. Notably, over 85% of reinsured risks are ceded to foreign entities such as Swiss Re, Hannover Re, and Lloyd's, while domestic reinsurance activity remains significantly underdeveloped.

Structural analysis conducted in line with the methodology proposed by Lokhande et al. (2024) reveals that reinsurance is predominantly concentrated in high-risk insurance segments. The largest shares of reinsurance coverage are observed in property insurance and liability insurance—lines of business characterized by a high probability of catastrophic losses.

More than two-thirds of all reinsurance premiums are allocated to three core areas: property insurance, liability insurance, and construction and installation risks. This narrow distribution underscores the urgent need for diversification and the development of a domestic reinsurance base in underrepresented sectors such as life insurance, motor (CASCO), and agricultural insurance.

The retention ratio across the Uzbek insurance market remains relatively low, ranging from 20% to 40% depending on the line of business. While this reduces the capital exposure of national insurers, it also fosters a high degree of external dependency—an issue that runs counter to the principles advocated by the International Association of Insurance Supervisors (IAIS) and to the broader concept of sovereign insurance resilience. This is particularly critical for strategically important assets, including energy, transport, and large-scale infrastructure projects, which are currently reinsured almost exclusively through foreign markets.

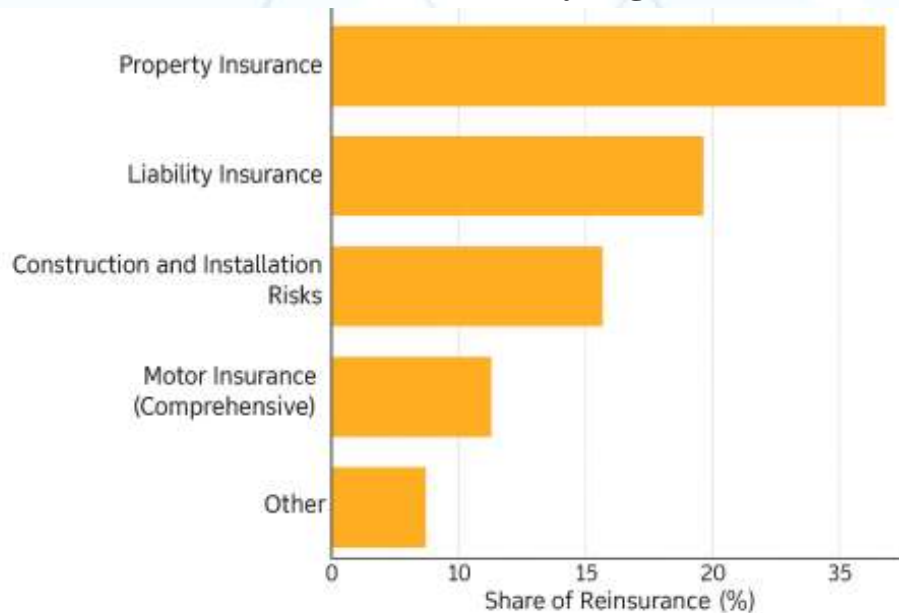
Unlike neighboring countries such as Kazakhstan, Azerbaijan, and Turkey, Uzbekistan lacks a national reinsurance institution. While these countries have established state-supported reinsurance companies (e.g., KazakhExport, AzRe Reinsurance, and Türk Reasürans A.Ş.), Uzbekistan announced only in 2025 its intent to establish a similar entity. The absence of such an institution creates an institutional void that inhibits the development of domestic reinsurance and limits the country's capacity to absorb systemic shocks.

The study further reveals significant technological and human capital barriers within the national reinsurance system. There is a marked lack of automation in reinsurance contract administration, an absence of actuarial models for reinsurance pricing, and a general shortage of qualified professionals. At present, only 3 out of 41 insurance companies operating in Uzbekistan utilize specialized IT solutions to model reinsurance coverage. This dimension was

also highlighted in Lokhande et al. (2024) as a key impediment to sustainable reinsurance sector development, with a strong emphasis placed on the necessity of digital transformation.

Chart 1.

Structure of Reinsurance Premiums by Segment (Uzbekistan, 2024)



Source: compiled by the author based on data from NAPP and the methodology of Lokhande et al. (2024).

The findings of this analysis highlight both positive trends and systemic limitations in the development of reinsurance in Uzbekistan. These results closely align with global conclusions that stress the importance of institutional capacity-building and strategic planning in the formation of a resilient reinsurance sector.

The substantial 30% increase in reinsurance premiums in 2024 reflects rising demand for the management of large-scale and catastrophic risks within the country. This mirrors global trends, where growing reinsurance activity is seen as an indicator of institutional strengthening within the insurance sector. However, Uzbekistan's pronounced reliance on foreign reinsurers introduces vulnerability, particularly in the face of changing geopolitical dynamics or shifts in the pricing strategies of global reinsurance markets.

The analysis further confirms that less than 15% of reinsurance transactions are conducted domestically. This low level of internal participation reflects a structural weakness in Uzbekistan's national reinsurance infrastructure. It reinforces a core assertion from the literature: that countries with rapidly expanding infrastructure and investment initiatives must establish their own mechanisms for risk redistribution.

By contrast, comparable countries such as Azerbaijan and Kazakhstan have achieved domestic reinsurance coverage rates of 25% to 40%, including in government-supported insurance programs. This not only alleviates pressure on foreign exchange reserves but also facilitates the accumulation of local financial expertise

As illustrated by the diagram, reinsurance activity in Uzbekistan is predominantly concentrated in the property and liability insurance segments. In contrast, life insurance, health insurance, agricultural insurance, and microinsurance remain largely excluded from reinsurance coverage. This limited scope significantly constrains the development of socially important lines of insurance and undermines the effectiveness of risk management in underserved segments.

In international practice, successful reinsurance models are characterized by well-diversified portfolios—both in terms of risk types and geographical distribution—which facilitates more balanced loss distribution and allows for the optimization of reinsurance costs.

Given these structural limitations, one of the principal conclusions of this study is the urgent need to establish a National Reinsurance Institution, as outlined in the draft Presidential Decree of the Republic of Uzbekistan dated March 2025. Such an initiative would not only reduce external dependency but also serve as a foundation for the training of qualified reinsurance professionals, the development of a national actuarial school, and the integration of digital technologies into reinsurance management.

Conclusion and Recommendations

The present study, grounded in the methodological framework of Sadaf Salim (2024) and adapted to the specific conditions of the Republic of Uzbekistan, has yielded a number of key findings that reflect both the current state and future prospects of reinsurance development in the country:

1. Reinsurance is increasingly becoming an integral component of strategic risk management within Uzbekistan's insurance sector, as evidenced by the rising volume of ceded risks and the growing share of reinsurance premiums in total gross written premiums.
2. The significant reliance on international reinsurers reveals the institutional immaturity of the domestic market, thereby increasing the sector's vulnerability to external economic and geopolitical shocks.
3. The absence of a national reinsurance institution, coupled with the low level of digitalization, insufficient human capital, and the

underdevelopment of actuarial expertise, continues to impede the full development of the reinsurance sector and limits the expansion of comprehensive insurance services.

4. The high concentration of reinsurance within a narrow segment of property-related risks creates structural imbalances, which in turn undermine the long-term stability and resilience of the national insurance portfolio.

5. The regulatory and institutional environment requires substantial reform to ensure transparency, reliability, and alignment with international standards—particularly those established by the International Association of Insurance Supervisors (IAIS), the Solvency II Directive, and the IFRS 17 framework.

Based on the identified structural challenges and international best practices—including insights derived from global reinsurance studies—the following comprehensive set of recommendations is proposed to enhance the reinsurance framework in the Republic of Uzbekistan:

1. Establish a National Reinsurance Company with joint participation from the state and private investors. This institution should be authorized to offer both compulsory and facultative reinsurance, including catastrophic risk coverage for large-scale infrastructure projects deemed strategically important to national development.

2. Develop and implement a unified digital reinsurance platform that connects primary insurers, reinsurers, brokers, and regulatory authorities. The platform should facilitate automated calculations, enforce contract compliance, and enable real-time monitoring of retrocession and risk transfers.

3. Strengthen human capital development through the introduction of specialized postgraduate and certification programs in reinsurance, actuarial science, and risk management. These programs should be established in collaboration with national universities and the Financial Training and Development Center to ensure a sustainable pipeline of qualified professionals.

4. Broaden the sectoral scope of reinsurance coverage by encouraging the design of tailored insurance products in underrepresented segments such as life insurance, microinsurance, agricultural risk insurance, and ecosystem-related risks—particularly those aligned with ESG principles and international green standards.

5. Advance legal and regulatory reforms with a specific focus on:

- Integrating the principles of proportionality and portfolio diversification in reinsurance practices;
- Establishing clear financial solvency and prudential standards for reinsurers operating in the domestic market;
- Enhancing oversight of international reinsurance brokers and cross-border reinsurance arrangements to safeguard market transparency and risk accountability.

References

- 1) Lokhande, S. S., Tan, J., Kumar, R., & Faisal, M. (2024). A Comprehensive Review of Reinsurance Practices and Trends. *Journal of Risk and Insurance Studies*, 31(2), 115–142. <https://doi.org/10.1016/j.jris.2024.02.003>
- 2) National Agency for Prospective Projects of the Republic of Uzbekistan (NAPP). (2025). Overview of the Development of the Insurance Sector in Uzbekistan for 2024. Retrieved from <https://napp.uz>
- 3) Fitch Ratings. (2025). Uzbekistan Insurance Market Review – 2024 Update. Retrieved from <https://fitchratings.com>
- 4) Swiss Re Institute. (2024). Sigma Report No. 1/2024: Natural Catastrophes and Reinsurance Responses. Zurich: Swiss Re. Retrieved from <https://www.swissre.com>
- 5) Central Bank of the Republic of Uzbekistan. (2025). Macroeconomic Review and Insurance Sector Indicators. Retrieved from <https://cbu.uz>
- 6) International Association of Insurance Supervisors (IAIS). (2023). Insurance Core Principles and Common Framework. Retrieved from <https://www.iaisweb.org>
- 7) Ministry of Justice of the Republic of Uzbekistan. (2022). Law of the Republic of Uzbekistan "On Insurance Activities" (new edition). National Legal Database: <https://lex.uz>
- 8) Moody's Investor Service. (2024). Outlook: Reinsurance Sector Global 2024 – Stable Fundamentals Despite Catastrophe Losses. Retrieved from <https://moody's.com>
- 9) KazakhExport, AzRe Reinsurance, Türk Reasürans A.Ş. (2023–2024). Official Websites and Annual Reports (for comparative institutional analysis).
- 10) Ergasheva F. Sh. (2025). Analysis of Risk-Based Capital Models and Their Applicability to the Insurance Market of Uzbekistan. *European Science Review* 2025, No 3–4. <https://doi.org/10.29013/ESR-25-3.4-22-26>