

**Improving the market of insurance services through digital technologies**

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*Annotation: The article examines the international experience of insurance regulation in the United States, the European Union and its member states, such as the United Kingdom, Germany and the developed countries of Asia, Japan and China. The article also analyzes the changes and trends related to the regulation of insurance activities worldwide in the context of globalization. Based on the results of the study, proposals and recommendations for the application of advanced and modern forms of insurance regulation in the practice of insurance activities in Uzbekistan have been developed.*

*Keywords: Insurance, insurance activity, insurance company, insurance sector, regulation of insurance activity, insurance product, solvency of the insurance company.*

**Introduction**

Insurance activity is radically different from other types of economic activity. This can be explained by the fact that the insurance company initially receives a service fee in the form of an insurance premium for selling the insurance product. In this case, the insurer fulfills its obligation, ie "promise", only in the event of an insured event during the term of the insurance contract.

According to Bland (David Bland), the insurer sells the promise to the insurer [1]. This feature of insurance companies makes it necessary for the state to regulate insurance activities in order to ensure their solvency and in any case to protect the interests of consumers of insurance products.

The experience of foreign countries shows that in all economically developed countries, the insurance market is regulated by the competent authorities of the state [2]. It is noteworthy that the regulation and control of insurance activities differ depending on the structure, economic policy and other factors of the state. For example, the regulation of insurance activity in the U.S. has not been at the federal level since time immemorial at the state level. In the European Union, the regulation and supervision of insurance activities is entrusted to the competent authorities of the Member States, on the one hand, and within the Union.

The European Insurance and Pension Service has been established within the European Union and is an independent advisory body of the European Commission. Its main task is to prepare draft laws and resolutions regulating insurance activities within the European Union, and to submit this document to the Parliament and the Council of the European Union in agreement with the Member States.

Currently, the world is undergoing significant changes in the regulation of insurance activities. For example, the rapid pace of globalization in the world, which, in turn, raises the issue of harmonization of insurance legislation with international requirements and standards, strengthening cooperation in the joint solution of existing problems in the field of insurance.

Commenting on the impact of globalization on insurance activities, E. Jegalova noted that the process of globalization provides a great opportunity for individual countries to increase their

financial stability through the introduction of new technologies, as well as open access to global financial resources [4].

In recent years, significant work has been done in Uzbekistan to regulate insurance activities. In particular, in accordance with the Resolution of the President of the Republic of Uzbekistan dated August 2, 2019 No PP-4412 "On measures to reform the insurance market and ensure its rapid development" [5], improve the regulatory framework in the field of insurance, including and consistent implementation of the recommendations and best international practices in this area has been identified as one of the key areas of reform and accelerated development of the country's insurance market.

The resolution also aims to create and maintain a positive image of the national insurance market and increase its investment attractiveness, including through the integration of the national insurance market with international and foreign insurance markets. An in-depth study shows the need to apply its latest achievements in the development and regulation of insurance activities in Uzbekistan. The purpose of this study is also significant.

### **Analysis of the relevant literature**

Scientific and analytical research has been conducted by many scientists, experts and international organizations and companies on the status, problems and prospects of insurance regulation.

In his view, the reform of insurance regulation is a continuous process, and it is seriously affected by many factors, in particular, the global financial and economic crisis [6].

Andy Winkler's study found that after the global financial crisis of 2008-2009 had a negative impact on the financial condition of insurance companies of global system importance, individual states and international regulators set capital requirements for insurers' solvency and financial stability. has been active in revising other standards [7]. The author of the study concludes that these global insurance companies and their many subsidiaries need to restructure the activities of regulators covering a number of jurisdictions to provide insurance services to customers around the world.

Experts from the Organization for Economic Co-operation and Development (OECD) believe that the types of insurance companies affect the state bodies that regulate and supervise insurance activities [8]. In their view, the size and complexity of insurance companies affect the activities of the regulatory body, moreover, the number and budget of employees working in the relevant government agency.

While analyzing the views and approaches of scientists and experts on the regulation of insurance activities, the scientific research of Baird Webel and Carolyn Cobb in this area attracted our attention [9]. According to this author, the classic purpose of the regulation of insurance activities is to protect the interests of consumers of insurance products by monitoring the solvency of insurance companies and their business activities.

Continuing Baird Webel's view, the idea is that consumers of insurance products generally do not stand in the same position as the insurance company, so the terms of the insurance contract must be controlled by the state.

Henry Ellis argued that the activities of life insurance companies should be strictly regulated and controlled by the state in relation to insurance companies operating in the general insurance network [10]. He stressed that it is appropriate to monitor the activities of companies that specialize in life insurance, which save and mobilize large amounts of money belonging to insurance policy owners, beneficiaries and shareholders.

The main reason for this is that insurance companies of this category can become economically insolvent and lose their financial stability, which can ultimately lead to negative

economic and political consequences. Accordingly, Henry Ellis concluded that it is necessary to tighten control over the activities of life insurance companies compared to insurance companies operating in the general insurance network.

Expressing his scientific views on the regulation and supervision of insurance activities, I. Pugach notes that the regulatory activity of the state in the insurance sector has significantly increased today compared to the 90s of the twentieth century [11].

He explains that there are two reasons for this: first, the distribution of risks between economic entities aimed at reducing the likelihood of catastrophic losses is a condition for sustainable economic growth. Second, insurance companies are emerging as an important financial institution that provides investment resources to the economy, including long-term investment resources.

Insurance regulators control not only insurers in the country, but also foreign insurance companies operating in the country. At the same time, each state determines the requirements for foreign insurance companies operating in the country in accordance with the relevant legislation.

In this regard, I. Kotlovsky and A. Sagan write: "In the process of accession to the World Trade Organization, China has strongly advocated the adoption of adequate" protectionist "measures for national insurance companies" [12]. The fact is that Chinese legislation has set strict requirements on the level of capitalization and rating of foreign insurance companies that want to conduct insurance business in this country.

In his study, I. Abdurahmanov concluded that the use of state regulation of insurance should be in line with the goals of strategic development of the economy in general, and the financial sector in particular [13]. He also believes that the basis of a science-based approach to the formation of a system of financial regulation of insurance activities should be based on a prudential regulatory mechanism that covers the macro and micro levels.

Sufficient research has been conducted and articles have been published by foreign scholars and experts on international practice of insurance regulation. However, in our country there is not enough research on this topic.

Therefore, on the basis of studying the international experience of regulation and supervision of insurance activities, it is important to develop proposals for the development and improvement of methods of regulation of insurance activities in Uzbekistan.

### **Research methodology**

Research works, economic literature and scientific articles of foreign and local scientists and experts, Organization for Economic Co-operation and Development, International Association of Insurance Supervisors IAIS, European Insurance and documents and analytical data from international organizations such as the European Insurance and Occupational Pensions Authority served as the theoretical and methodological basis of this article.

At the time of writing, the National Association of Insurance Commissioners of the United States, the Bank of England's Prudential Regulation Authority (PRA), the Financial Conduct Authority (FCA), the German Federal Service for Financial Markets. data from organizations such as the Federal Financial Supervisory Authority, the Financial Services Agency of Japan, and the China Banking and Insurance Regulatory Commission were used.

In conducting research on the topic, such methods as systematization, comparison, collection of theoretical and practical materials on the regulation of insurance activities, as well as systematic analysis, expert assessment and forecasting, logical thinking were used.

### **Analysis and results**

Regulation and control of insurance activities is aimed at strengthening the solvency of insurance (reinsurance) companies, protecting the interests of consumers of insurance products through

financial stability. In some countries, the regulation and supervision of insurance activities is carried out by a single state body (Belarus, Uzbekistan, Tajikistan, etc.

There are international organizations around the world that prepare recommended documents and guidelines for the regulation and supervision of the global insurance sector. Among them is the International Association of Insurance Supervisors. The Association was founded in 1994, and as of October 1, 2020, the regulatory and supervisory bodies of insurance activities of more than 200 jurisdictions around the world are voluntary members. These countries account for 97% of insurance premiums collected worldwide.

This international organization develops the standards and procedures necessary to regulate the insurance sector. The Association holds a biennial meeting of all members to discuss issues related to the regulation and supervision of the international insurance sector and to make recommendations. Today, the Association is represented by the World Bank, the International Monetary Fund, the Asian Development Bank, the European Commission, and the Organization for Economic Co-operation and Development. ), The membership of reputable organizations such as the Financial Stability Institute, testifies to the high prestige and prestige of the International Association of Insurance Supervisors. It should be noted that in accordance with the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated September 8, 2008 No 202 "On accession of the Ministry of Finance of the Republic of Uzbekistan to the International Association of Insurance Supervisors", the Ministry of Finance entered [15]. However, the cooperation of the Insurance Market Development Agency under the Ministry of Finance of the Republic of Uzbekistan with the International Association of Insurance Supervisors

It is necessary to improve the legislation and strengthen human resources. When it comes to studying the international experience of insurance market regulation, first of all, it is useful to study the experience of the United States in this area. The fact is that the U.S. insurance market, with its leading position in the world on most indicators, is of scientific and practical interest to us.

According to the Swiss Re Institute, an international research center, in 2018, US insurance companies received a total of \$ 1,469.0 billion in insurance premiums. If the amount of insurance premiums collected in the global insurance market this year amounted to 5 193.0 billion US dollars, it is not difficult to determine that the share of the United States was 28.3%.

The insurance regulatory system in the United States is very different from the insurance regulatory system in other countries. In this state, the regulation and supervision of insurance activities is done at the state level, not at the federal level. In 1945, the U.S. Congress passed the McCarran-Ferguson Act, which provided that the regulation of the insurance business by state governments was in the public interest. Insurance commissariats have been established in each state and are headed by insurance commissars.

While insurance activity in the U.S. is officially regulated by states, there are also a variety of organizations and associations established at the federal level. One was in 1871, when the U.S. insurance regulators formed the National Association of Insurance Commissioners (NAIC) to coordinate the activities of insurance companies that provide insurance services outside the state.

Significantly, the Association has developed a single financial report for U.S. insurance companies. Since then, the legislative concepts created by the new association, the new experience of data collection and transmission, and the pursuit of greater technological potential have further enhanced NAIC's role as a multi-faceted coordinating and advisory body.

Currently, the National Association of Insurance Commissioners of the United States provides technical expertise to state insurance commissions in the areas of insurers' solvency, financial reporting, risk-based capital adequacy, accounting, reinsurance, investment, and international

insurance.

In 2010, the U.S. Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act to reform Wall Street and Consumer Protection. Under this law, the US Department of the Treasury established the Federal Insurance Office, which is responsible for monitoring all aspects of the insurance sector, representing the United States in international organizations, including the International Association of Insurance Supervisors. [20].

It is no exaggeration to say that the modern model of regulation and supervision of insurance activities has been formed in the UK and Germany. The UK insurance market is one of the most developed markets in the world and most insurance companies have their branches and representative offices abroad.

As of April 1, 2019, insurance regulation and supervision in the UK is carried out by the following two organizations:

- Bank of England Prudential Regulation Authority (PRA);
- Financial Conduct Authority

The Prudential Supervision Service oversees the activities of not only financial and credit institutions, but also investment and insurance companies. Its main task is to ensure the safe and reliable operation of these companies. The service assesses the financial condition of insurance companies, provides adequate protection for policyholders. The powers of the prudential supervision service are reflected in the Financial Services Act of 2012 (21).

The Financial Markets Compliance Service has been operating since April 1, 2013, and its main task is to ensure the proper functioning of the financial market, protect the interests of consumers of financial services, and create an effective competitive environment [22]. The service is an independent public authority and is accountable to the British Treasury and the Parliament, which is responsible for the performance of the UK financial system.

The Financial Markets Compliance Service is fully funded by companies under its control. The activities of insurance agents and brokers are also regulated by this organization.

### Conclusions and suggestions

The results of our research on the study and analysis of international experience in the regulation of insurance activities allowed us to draw the following conclusions and formulate recommendations.

The International Association of Insurance Supervisors, which coordinates the activities of insurance regulators around the world, contributes to the sustainable operation of the global insurance sector by developing various standards, recommendations and guidelines for regulating insurance activities.

The results of the study showed that the model of regulation and supervision of insurance activities of countries around the world is divided into three types. In the first type, the regulation of insurance activities does not cover the entire financial sector, only insurance activities are regulated by public authorities.

Examples include Belarus, Uzbekistan and Tajikistan. The second type includes countries where insurance and banking regulation are carried out jointly, ie by a single state body. In China, for example, insurance and banking are regulated by a single government agency.

The third type includes countries where there are government agencies authorized to regulate the entire financial sector, banking, insurance, investment companies, securities and other financial institutions. For example, in Germany, Japan, the United Kingdom, and some states in the United

States, particularly Florida, there is a single government body that oversees the activities of financial institutions.

The European Insurance and Pension Service, established as part of the European Commission, has set various standards for the proper and effective organization of insurance supervision by national bodies of member states to regulate and supervise the activities of insurance companies in the Eurozone, such as the international standard Solvency II implementation, coordination and harmonization of national legislation within the Union.

In our opinion, the study of the experience of highly developed countries such as the United States, Great Britain, Germany, Japan and China in the regulation and supervision of the insurance industry led to the conclusion that some aspects of regulation can be used in regulating the insurance sector in Uzbekistan.

First of all, we believe that the cooperation of the Insurance Market Development Agency under the Ministry of Finance of the Republic of Uzbekistan with the International Association of Insurance Supervisors should be further strengthened. Areas of cooperation should include the effective use of standards, guidelines and other documents developed by international organizations in the regulation of insurance activities in our country, as well as capacity building.

A working and effective relationship has been established between the Federal Association of Insurance Commissioners of the United States and the Insurance Commissariats of the States on the regulation of the insurance sector. It only serves the development of the insurance sector. In our opinion, the Insurance Market Development Agency under the Ministry of Finance of the Republic of Uzbekistan and professional participants of the Insurance Market. It is advisable to further develop cooperation between the Association on the regulation and supervision of the insurance market.

We are very interested in the results of the research, the development of a national standard by the Chinese Banking and Insurance Regulatory Commission, which includes detailed information on the basic terms of insurance, all insurance products, insurance contract, insurance coverage, marketing and sales.

In our opinion, the development of such a standard in Uzbekistan will be useful. This is because through this standard, a large number of consumers of insurance products will be able to change their knowledge and views on insurance activities.

Summarizing the above, it should be noted that the conclusions and recommendations formed on the basis of the study of international experience in the regulation and supervision of insurance activities contribute to the development of the system of regulation of insurance activities in the country.

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