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THE ROLE OF THE CENTRAL BANK OF UZBEKISTAN IN REGULATING THE INSURANCE SECTOR: NEW REQUIREMENTS, STANDARDS, AND CHALLENGES FOR INSURANCE COMPANIES

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Abstract
The article examines the role of the Central Bank of the Republic of Uzbekistan as the megaregulator of the insurance market, as well as the key directions for improving the regulatory and legal framework in the insurance sector. The study reviews modern requirements for capital, reserves, risk management, and information disclosure introduced as part of financial sector reforms. Special attention is given to the transition to international regulatory standards, digitalization of supervisory procedures, and strengthening control over the solvency of insurers. The article provides an analysis of the impact of new regulatory mechanisms on the financial stability of insurance companies, the level of market competition, and the quality of insurance services. It also highlights the major challenges that remain relevant during the transformation of Uzbekistan's insurance market, including the need to develop a compliance culture, improve transparency, and implement risk-based supervision.

Keywords: Insurance market, insurance supervision, Central Bank of Uzbekistan, regulatory requirements, risk-based supervision, financial stability, insurance reserves, regulation.

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Introduction

The development of the insurance market and the strengthening of the insurance supervision system are essential prerequisites for economic stability, financial system resilience, and increased public trust in financial institutions. In the modern context, where global financial markets are exposed to external shocks, technological transformations, and tightening regulatory requirements, the role of central banks and megaregulators has significantly increased. For the Republic of Uzbekistan, which is actively modernizing its financial sector, improving insurance regulation is of particular importance, as insurance serves as a key instrument of risk redistribution, protection of property interests, and financial sustainability of businesses.

In recent years, financial reforms in Uzbekistan have aimed at increasing transparency, competitiveness, and stability in the insurance market. One of the central directions of these reforms is strengthening the role of the Central Bank of the Republic of Uzbekistan as the insurance supervisory authority. After insurance regulation was transferred to the Central Bank in 2019, a large-scale transformation of the sector began, including the renewal of regulatory acts, implementation of risk-based approaches, transition to international standards for evaluating capital, assets, and reserves, and development of corporate governance mechanisms in insurance companies. These processes contribute to the formation of a modern financial sector capable of responding effectively to economic and social challenges.

According to strategic documents, including the “New Uzbekistan Development Strategy” and financial sector reform concepts, the insurance market is considered one of the key elements of the national economy that requires deep structural modernization. From 2020 to 2024, the official reform agenda included strengthening minimum capital requirements for insurers, improving the licensing system, implementing modern risk assessment methods, and enhancing solvency control. Special focus is placed on digitalizing supervisory processes, creating a unified insurance information system, developing remote insurance services, and implementing compliance systems aimed at reducing operational and financial risks.

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International practice also emphasizes the need for modern regulatory standards. As noted by V.S. Petrov, "effective insurance supervision in the context of global financial transformations requires the implementation of risk-based evaluation methods, transparency, and improved corporate governance" [5]. He stresses that modernization of insurance regulation is not merely a contemporary necessity but a prerequisite for sustainable financial sector development.

According to A.M. Ivanov and E.V. Smirnova, implementation of international standards (including IAIS principles, Solvency II, and pre-shock resilience requirements) contributes to "strengthening the financial stability of insurers, improving risk management quality, and protecting policyholder interests." They highlight that transitioning to such standards requires substantial institutional effort from the megaregulator, including enhancement of supervisory procedures, capacity building, and modernization of IT infrastructure [6].

A key role in this process is played by detailed economic analysis of insurance company performance. I.L. Charnov argues that "without comprehensive analysis of solvency, reserve adequacy, asset structure, and risks, long-term financial stability of insurers cannot be ensured" [7]. As part of the new regulatory framework, the Central Bank uses stress testing, liquidity analysis, capital evaluation, and internal risk models, consistent with global supervisory practices.

According to Sh.I. Rakhmanov, strengthening cooperation with international financial institutions and participation in technical assistance programs is an important direction for developing Uzbekistan's insurance market, as it "facilitates the adoption of advanced insurance supervision practices" [8]. International organizations such as the World Bank and the Asian Development Bank support regulatory enhancement, financial literacy initiatives, and insurance sector development projects.

The scientific literature also highlights the importance of marketing strategies and transparency in insurers' activities. As G.T. Petrakova notes, "strengthening disclosure requirements, building consumer trust, and developing customer-oriented insurance products are essential components of the modern insurance

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market" [9]. These factors are closely tied to the Central Bank's regulatory policy aimed at improving service quality and fostering competition.

Principles established by international bodies such as the International Association of Insurance Supervisors (IAIS) emphasize the need to build an insurance market based on transparency, sustainability, and consumer protection. IAIS documents note that "effective supervision contributes to financial system stability, reduces systemic risks, and ensures fair functioning of the insurance sector" [10]. These approaches underpin the Central Bank of Uzbekistan's regulatory policy, which aligns global standards with national needs.

Uzbekistan's insurance market is undergoing large-scale transformation centered on enhancing the regulatory role of the Central Bank. In the context of economic growth, expansion of insurance services, and increasing financial activity of the population, the need for modern regulatory approaches aimed at ensuring stability, transparency, and efficiency of the insurance sector becomes particularly urgent. Therefore, a comprehensive academic analysis of new regulatory requirements, challenges, and prospects of insurance supervision in Uzbekistan is timely and relevant.

Analysis

The insurance sector of the Republic of Uzbekistan has recently undergone dynamic transformation driven by extensive financial reforms and the strengthening of the Central Bank's role as a megaregulator. Against the backdrop of global financial risks, climate change, technological threats, and increasingly complex market conditions, ensuring the sustainability of insurance companies becomes a key factor in protecting citizens and businesses, as well as an essential component of national financial stability.

Following the transfer of insurance market supervision to the Central Bank in 2019, the sector entered a new developmental stage focused on adopting risk-based insurance supervision, updating legislation, and aligning national regulatory standards with IAIS and Solvency II norms. As a result, insurance companies must modernize business processes, improve transparency in

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financial reporting, strengthen internal control, and enhance risk management systems.

One of the central directions of regulatory reform is increasing capital requirements for insurance companies. In 2023, the Central Bank updated minimum charter capital norms and rules for calculating own funds and technical reserves. The new standards introduce a risk-based capital assessment approach, providing a more realistic view of insurers' resilience to financial shocks. The Central Bank also introduced stress testing mechanisms that regularly assess the impact of external and internal factors on the solvency of insurance companies, considering inflation, currency risks, investment portfolio fluctuations, and growing obligations to policyholders.

The licensing system has also been modernized. Between 2022 and 2024, a comprehensive procedure was implemented to assess the business reputation of owners and managers, along with verification of funding sources. These measures aim to prevent unstable market participants and eliminate unfair practices.

Special attention is given to digital transformation. The Central Bank initiated the creation of a unified insurance information platform that automates data exchange among insurers, supervisors, banks, and other financial entities. In 2023, the e-polis system—an entirely digital insurance policy—was launched, eliminating paper documentation. This has increased transparency and significantly reduced fraud risks.

Simultaneously, the Central Bank strengthened requirements for internal control and risk management systems. Insurance companies are required to establish independent risk management, compliance, and internal audit units that provide annual reports to the supervisor. These measures align with global regulatory practices and aim to mitigate operational, insurance, investment, and legal risks. Additional requirements include stress scenario planning, concentration risk analysis, and asset management aligned with liability profiles.

Beyond enhanced supervision, the Central Bank is fostering insurance market development. Recent policy measures aim to expand insurance products, encourage voluntary insurance, and develop agricultural and microinsurance. These areas are critical for protecting the population from climate-related risks

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and natural disasters. Agriculture insurance is a key reform area, as climate risks grow and farmers' losses increase. Working with international organizations, including the World Bank and Asian Development Bank, the Central Bank is introducing new index-based insurance models using weather and satellite data. Legislative modernization is another important component. Recent years have seen updated laws such as "On Insurance Activity," "On the Central Bank of the Republic of Uzbekistan," and "On Accounting," as well as new regulations on reinsurance, actuarial activities, and disclosure. In 2023, the Central Bank began developing standards for adopting IFRS 17, mandatory for insurers from 2026. These standard transforms liability measurement methodologies and requires IT modernization, improved risk assessment practices, and more transparent reporting.

Uzbekistan's financial sector has also increasingly adopted sustainable finance tools. In 2023, green sovereign eurobonds totaling 4.25 trillion UZS and USD 660 million were issued on the London Stock Exchange. These funds support environmental projects directly tied to insurers' obligations to manage climate risks and develop environmental liability, industrial safety, and ecological project insurance. As climate risks intensify, the insurance sector becomes an essential mechanism in ensuring the country's green economic transition.

Uzbekistan is also expanding international cooperation. The Central Bank participates in technical assistance programs with IAIS, the World Bank, IMF, and EBRD, which support the adoption of advanced supervisory practices and improvement of insurance risk assessment methodologies. These initiatives include training specialists, developing new regulatory tools, and promoting financial literacy.

The insurance market of Uzbekistan is undergoing comprehensive institutional modernization. As the megaregulator, the Central Bank is implementing international regulatory standards, strengthening supervisory mechanisms, promoting digitalization, and developing new insurance segments. In this environment, insurance companies face new requirements, including increased capital, improved internal management systems, and adaptation to global challenges. All measures aim to build a stable, transparent, and competitive

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insurance sector capable of ensuring long-term financial stability and protecting consumer and business interests.

Conclusion

The Republic of Uzbekistan is steadily strengthening the institutional foundations of the insurance market, establishing a modern regulatory and supervisory framework centered on the Central Bank as the megaregulator of the financial sector. The introduction of new regulatory requirements for capital, reserving, risk management, and information disclosure is aimed at enhancing the resilience of insurance companies and protecting policyholders' interests. Gradual harmonization of national standards with international principles of insurance supervision contributes to market transparency and reinforces participant confidence.

Digitalization of supervisory activities and implementation of risk-based approaches play an essential role, enabling timely identification of potential threats to financial stability and improving regulatory efficiency. Strengthened solvency oversight, development of corporate governance mechanisms, and implementation of compliance requirements are fostering a new culture of responsibility within the insurance sector.

In addition, active attraction of foreign investment, large-scale legal modernization, and deployment of digital supervisory platforms create favorable conditions for expanding the range of insurance services and improving service quality. The Central Bank plays a key role in ensuring sustainable insurance market development, contributing to greater competitiveness, reduced systemic risks, and long-term sectoral growth.

The reforms implemented by the Central Bank of Uzbekistan exert a comprehensive impact on the transformation of the insurance sector, strengthening its financial stability and facilitating the integration of the national insurance market into global economic processes. This, in turn, creates essential prerequisites for the further development and increasing significance of insurance services in the country's economy.

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