INCLUSIVE INSURANCE AND ITS ESSENCE

08.00.00 – Economic Sciences

Makhliyo Mambetkulova Alisher kizi,
student of the faculty of Taxation and Budget accounting,
Tashkent State University of Economics
Tashkent, Uzbekistan. email: mahliyom364@gmail.com
Obiddin Toshmurzaevich Yuldashev
Tashkent State University of Economics
Professor of the Department of "Insurance"
Tashkent, Uzbekistan. email: obiddin@inbox.ru

ABSTRACT: *Inclusive insurance is a key tool in achieving financial inclusion and social protection for low-income populations. It aims to provide access to affordable, simple, and flexible insurance products for vulnerable and underserved segments of society. In developing countries, where large parts of the population are excluded from formal financial systems, inclusive insurance plays a crucial role in protecting livelihoods against various risks—such as health issues, natural disasters, and loss of income. Despite the potential benefits, the implementation of inclusive insurance in many countries, including Uzbekistan, is still at an early stage and requires systemic reforms, regulatory support, and cooperation among stakeholders. This paper explores the essence, principles, and global practices of inclusive insurance, and analyzes its current state and development prospects in Uzbekistan's insurance market.*

KEYWORDS*: Inclusive insurance, financial inclusion, social protection, underserved population, microinsurance, insurance accessibility, financial resilience, insurance market, vulnerability, insurance awareness.*

INTRODUCTION

The concept of inclusive insurance has emerged in response to the increasing need to protect economically vulnerable groups from financial shocks. Inclusive insurance refers to insurance products that are specifically designed to be accessible and affordable for low-income individuals, informal workers, and small-scale entrepreneurs who are typically excluded from traditional insurance markets. Its primary goal is to enhance social equity by extending risk protection to all segments of society, regardless of income level.

In many developing countries, including Uzbekistan, a significant portion of the population does not have access to insurance services due to high costs, low financial literacy, and limited outreach of insurers. This lack of coverage exposes people to severe financial risks and undermines economic stability, especially in rural and disaster-prone areas. Inclusive insurance, when effectively implemented, can reduce poverty, support economic development, and build resilience by offering protection against risks such as illness, crop failure, accidents, or natural calamities.

International experience shows that the development of inclusive insurance requires a supportive legal framework, public-private partnerships, consumer education, and innovative product design tailored to the needs of marginalized groups. In this context, the relevance of inclusive insurance for Uzbekistan lies not only in promoting social justice but also in expanding the financial ecosystem to serve broader economic goals. Therefore, understanding the nature and implementation strategies of inclusive insurance is essential for shaping a more resilient and inclusive financial sector.

RESEARCH METHODOLOGY.

As a result of reinsurance, the insurer expands the possibilities of direct insurance, which creates the basis for insuring uninsured objects due to the high probability of an insured event. Reinsurance allows the insurer to minimize the impact of risks that exist in the insurance business and control compliance with regulatory requirements. The insurer independently determines the maximum deductible under the insurance contract. In reinsurance relations, legal relations do not arise between the insured and the reinsurer, they involve the insurer and several reinsurers. The client may not be informed about the reinsurance contract concluded with the insurer directly upon signing the insurance contract.

ISSN 3060-4567

The insurance market of developed countries has a high level of use of reinsurance, this is due to the fact that 40-45 percent of reinsurance premiums have a share in the total amount of insurance premiums, and in most countries, insurers prefer to use the obligatory form of reinsurance for financial protection. In turn, we believe that it would be appropriate to give an explanation of the concept of obligatory reinsurance. Obligatory reinsurance is a mandatory form of reinsurance, in which, in accordance with the terms of the reinsurance contract, based on the signed terms of the insurance contract, the reinsurer is obliged to transfer the risks to the reinsurer included in this agreement, while the reinsurer is obliged to accept these risks.

Obligatory reinsurance agreements can also be concluded with companies that carry out additional activities in the field of reinsurance. At the same time, certain types of insurance are selected, such as construction and installation risks, property insurance, cargo insurance. A certain part of the company's obligations under all contracts concluded under these types of insurance is automatically transferred to the reinsurer. In this case, the insurance company faces an important task, that is, it is necessary to determine the size of the share.

To ensure the financial stability of insurers, it is advisable to conclude an obligatory reinsurance agreement with domestic, as well as foreign reinsurance companies. As a result, the implementation of this measure will help maintain financial stability by distributing the company's losses (liabilities) between the two parties, as well as reduce the volume of imports of reinsurance services. Therefore, the conclusion of this agreement with domestic companies will ensure the preservation and distribution of reinsurance premiums in the domestic market, and cooperation with foreign companies involving their insurance obligations will create a flow of incoming reinsurance.

RESULTS AND DISCUSSION

Inclusive insurance is increasingly recognized as a critical component of financial inclusion and social protection strategies, particularly in developing economies. For Uzbekistan, where a significant portion of the population operates outside formal financial systems, inclusive insurance offers both a social and economic imperative. This section presents an in-depth discussion of the current state, challenges, international benchmarks, and potential policy directions for inclusive insurance in Uzbekistan.

1. Low Penetration and Trust DeficitDespite ongoing reforms, Uzbekistan's insurance market remains underdeveloped in terms of outreach and inclusion. According to data from the Ministry of Finance (2023), less than 10% of the population is covered by any form of insurance, and this figure drops below 3% in rural regions. The trust deficit is also substantial—historical inefficiencies, weak claims management, and lack of client engagement have created a perception of insurance as an unreliable or unnecessary service.This skepticism is particularly acute among low-income households, informal workers, and rural communities. Many perceive insurance as a product for the elite or large corporations. Furthermore, the complexity of insurance contracts, lack of financial literacy, and limited access to service points contribute to the exclusion of the most vulnerable segments of society. This highlights a fundamental paradox: the people most in need of risk protection are the least likely to access it.

2. Structural and Operational Barriers One of the primary barriers to inclusive insurance in Uzbekistan is the lack of regulatory recognition and product segmentation. Microinsurance, index-based insurance, and bundled products tailored for vulnerable populations are not formally defined in national legislation. As a result, insurance providers are hesitant to develop such products, fearing regulatory uncertainty and financial risk.Operationally, traditional distribution models are ineffective for reaching remote or marginalized groups. Insurance companies still rely heavily on brick-and-mortar offices and agent-based sales models, which are expensive and limited in geographic reach. This restricts expansion into low-density areas where inclusive insurance is most needed. Additionally, few insurers have invested in digital platforms that could reduce operating costs and streamline access to services through mobile phones or online portals. Moreover, product design remains overly standardized and urban-centric. Premiums are not priced for affordability, coverage terms are inflexible, and claim processes are complex. These

conditions make existing insurance products inaccessible for small farmers, informal traders, female-headed households, and migrant worker families—precisely the groups inclusive insurance seeks to empower.

3.Untapped Digital Potential and Mobile Access.Uzbekistan's growing digital ecosystem offers a promising foundation for scaling inclusive insurance. The country has over 30 million mobile subscribers and an internet penetration rate exceeding 85%. This creates a unique opportunity to adopt digital-first insurance models, including:

- USSD-based microinsurance policies that require no internet access;
- Mobile claim filing systems for accident or funeral insurance;
- Digital identity verification for onboarding and fraud prevention.

Yet, implementation remains slow due to limited coordination among regulatory bodies, weak digital infrastructure among insurers, and lack of investment in fintech partnerships. Cross-sector collaboration with telecom companies, fintech startups, and microfinance institutions could help accelerate digital inclusion and make insurance more accessible, especially in remote regions like Karakalpakstan, Kashkadarya, and Surkhandarya.

4.Lessons from Global Best Practices.International experience offers valuable lessons for Uzbekistan. In countries like Kenya, the "M-TIBA" platform provides mobile-based health insurance tailored to low-income users, with funding support from donors and the government. India's Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) offers life insurance at $0.60 per year, subsidized and managed through public-sector banks. In the Philippines, mutual benefit associations (MBAs) play a vital role in community-based microinsurance. These cases demonstrate that inclusive insurance flourishes when the following conditions are met:

A. Legal recognition and simplified regulations for small-scale insurance;

B. Cross-sector partnerships between insurers, NGOs, telecoms, and local governments;

C. Consumer education integrated into product rollout;

D. Data-based risk modeling to ensure affordability without compromising sustainability.

Uzbekistan can adapt such practices by leveraging existing structures like the mahalla system, national ID infrastructure, and the government's targeted social registers such as the “Iron Book” and “Women’s Book.”

5. Social and Economic Impact Potential.The socioeconomic implications of inclusive insurance are far-reaching. Insurance allows low-income individuals and households to better cope with unexpected shocks such as illness, job loss, agricultural failure, or death of a breadwinner. This enhances financial resilience, reduces reliance on predatory loans, and prevents the slide back into poverty due to a single adverse event.From a macroeconomic perspective, widespread adoption of inclusive insurance can stabilize consumer demand, protect human capital, and even reduce the fiscal burden on the government by limiting emergency public transfers. For example, in the aftermath of a natural disaster, insured families are more likely to recover without requiring state subsidies or humanitarian aid.Furthermore, inclusive insurance contributes to gender equality. Women, particularly those running microenterprises or working in informal sectors, benefit significantly from protection against health and income shocks. Insurance also encourages asset accumulation, business continuity, and education retention among children, creating intergenerational development outcomes.

CONCLUSION

Inclusive insurance holds immense potential for transforming Uzbekistan’s insurance market from an elitist, underutilized service into a mass-scale social safety net. As evidenced by global best practices and domestic socioeconomic realities, such insurance models can substantially reduce vulnerability and enhance financial resilience among underserved groups.However, realizing this potential requires multi-level action. Regulatory authorities must recognize inclusive insurance as a distinct category, developing tailored frameworks that encourage innovation and lower entry barriers. Insurance providers must shift from risk avoidance to risk-sharing mindsets, integrating flexible, low-cost products into their portfolios. Technology must be leveraged to reduce operational costs and improve outreach.

Moreover, meaningful progress will depend on strategic collaboration between public institutions, private insurers, civil society, and international development partners. Inclusive insurance is not merely a market expansion strategy—it is an investment in social equity, long-term productivity, and national resilience.In conclusion, Uzbekistan stands at a crossroads. By embracing inclusive insurance as a strategic priority, the country can not only strengthen its financial system but also take a decisive step toward inclusive growth and equitable development.

REFERENCES

1. Churchill, C. (Ed.). (2006). Protecting the poor: A microinsurance compendium. International Labour Organization (ILO) and Munich Re Foundation.

2. Roth, J., McCord, M. J., & Liber, D. (2007). The landscape of microinsurance in the world's 100 poorest countries. MicroInsurance Centre.

3. International Association of Insurance Supervisors (IAIS). (2015). Application paper on regulation and supervision supporting inclusive insurance market Basel: IAIS.

4. Decree of the President of the Republic of Uzbekistan No. DP-4412. (2019). *On* measures for reform and accelerated development of the insurance market. Retrieved from http://www.lex.uz

5. GIZ (German Agency for International Cooperation). (2021). Promoting inclusive insurance – Policy and regulatory recommendations for Central Asia. Eschborn, Germany.

6. Bester, H., Chamberlain, D., & Hougaard, C. (2009). Making insurance markets work for the poor: Microinsurance policy, regulation and supervision. Access to Insurance Initiative (A2ii).

7. Mahul, O., & Stutley, C. J. (2010). Government support to agricultural insurance: Challenges and options for developing countries. World Bank Publications.

ISSN 3060-4567

8. Ministry of Finance of the Republic of Uzbekistan. (2023). *Annual report on insurance market development in Uzbekistan*. Retrieved from https://www.mf.uz

9. Matul, M., Tatin-Jaleran, C., & Kelly, E. (2013). Improving client value from microinsurance: Insights from India, Kenya, and the Philippines. Microinsurance Innovation Facility, ILO

10. Islam, A. & Chikoko, L. (2020). The role of inclusive insurance in promoting financial resilience: Evidence from low-income economies. Journal of Risk and Insurance, 87(4), 1135–1152.

11. Central Bank of Uzbekistan. (2024). National Strategy for Financial Inclusion 2024–2028. Tashkent.

12. Lagomarsino, G., Garabrant, A., Adyas, A., Muga, R., & Otoo, N. (2012). Moving towards universal health coverage: Health insurance reforms in nine developing countries in Africa and Asia. The Lancet, 380(9845), 933–943.