TSUE TASHKENT STATE UNIVERSITY OF ECONOMICS

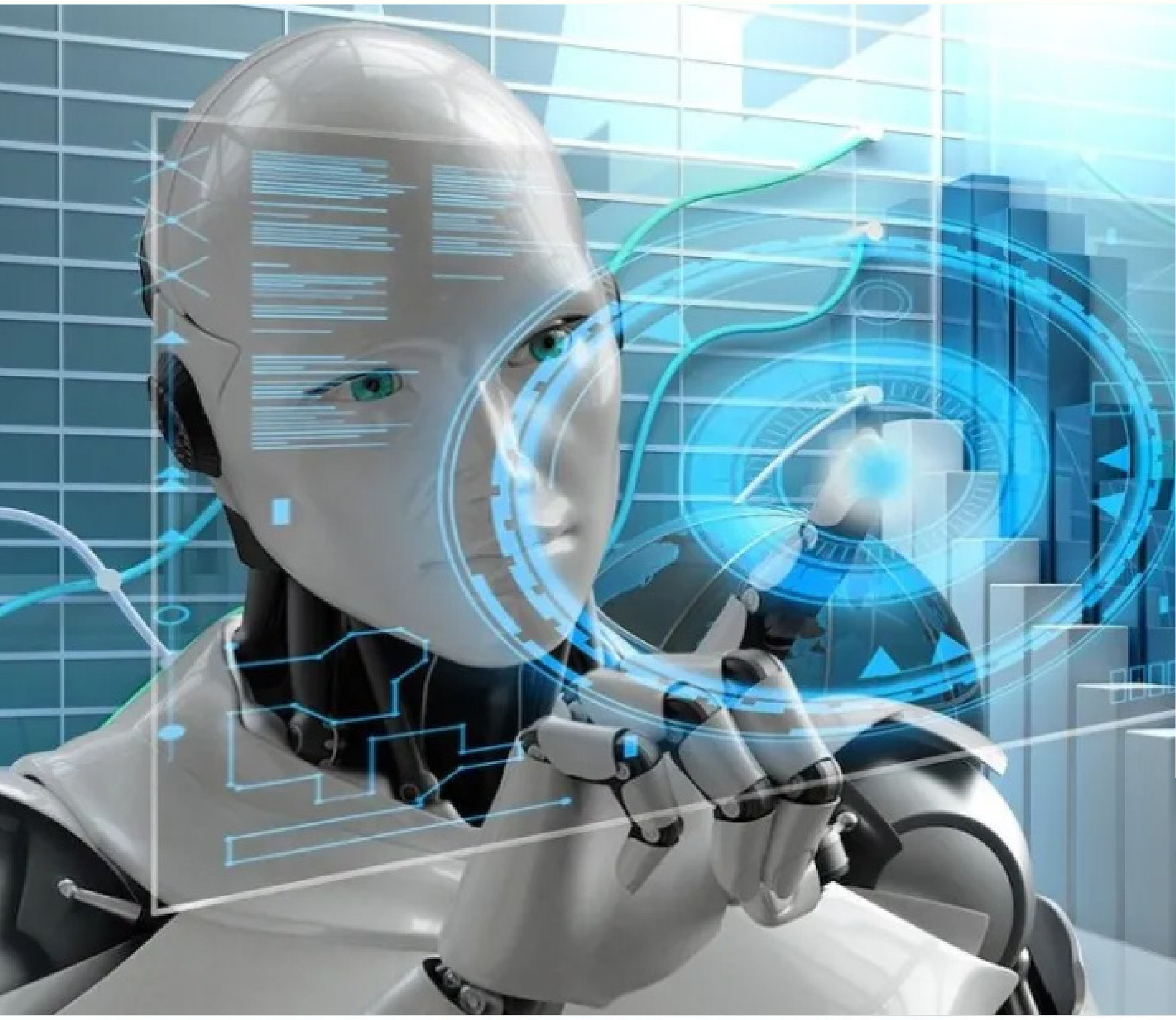
International journal of topics

INNOVATION SCIENCE AND TECHNOLOGY

Scopus || Electronic journal specializing in Scopus

ISSUE 9

Acceptance of papers **September, 2025**



Acceptance of papers

Published monthly

Topics

economics, technology, social sciences

ISSN 3060-5229

Electronic publication, Issue 9. 18 pages.
Approved for publication on September 1, 2025.

THE SCIENTIFIC-POPULAR ELECTRONIC JOURNAL **"INNOVATION SCIENCE AND TECHNOLOGY"** HAS BEEN REGISTERED UNDER THE NUMBER **C-5669633** BY THE AGENCY FOR INFORMATION AND MASS COMMUNICATIONS (AOKA) OF THE REPUBLIC OF UZBEKISTAN, EFFECTIVE FROM OCTOBER 9, 2024.

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The scientific electronic journal “Innovation Science and Technology” has been included in the list of scientific publications recommended for the publication of main scientific results of dissertations for the award of PhD and DSc degrees in economics and technical sciences, in accordance with the Resolution No. 370 of the Presidium of the Higher Attestation Commission of the Republic of Uzbekistan, dated May 8, 2025.

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IMPROVING REINSURANCE RELATIONS BETWEEN RUSSIA AND UZBEKISTAN

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Abstract: This thesis develops scientific and practical recommendations aimed at strengthening cooperation in the reinsurance market between Russia and Uzbekistan. Special attention is given to analyzing the structural and institutional challenges currently faced within the reinsurance system, including issues of risk distribution, retrocession mechanisms, and the efficiency of quota share arrangements. The study emphasizes the importance of fostering a more resilient and transparent reinsurance framework to enhance financial stability, improve risk management practices, and support sustainable development of the insurance sector in both countries. The findings are expected to provide valuable insights for policymakers, regulatory bodies, and insurance organizations seeking to modernize reinsurance relations and expand international collaboration.

Key words: reinsurance, retrocession, quota share reinsurance, risk transfer, insurance activity, insurance organization, financial stability, international cooperation.

INTRODUCTION

The global insurance market represents an essential component of the international financial system. Its primary function lies in distributing risks across economic activities, ensuring financial stability, and supporting the development of capital markets. Within this framework, the reinsurance system plays the role of a “chief risk distributor.” Reinsurance companies assume large-scale and high-probability risks, thereby safeguarding the stability and resilience of national insurance markets.

The Russian insurance market, however, has undergone profound transformation since 2014, and particularly after 2022, under the impact of wide-ranging economic sanctions imposed by Western countries. The withdrawal of major Western reinsurance companies from Russia created a significant “gap” in the national market. As a result, the role and importance of the Russian National Reinsurance Company (RNRC) substantially increased. At the same time, insufficient reinsurance cooperation, especially in covering major industrial and infrastructure risks, has emerged as a critical challenge.

Under these circumstances, the Russian reinsurance market requires new strategies: expanding domestic market capacity, strengthening cooperation with partner countries, advancing retrocession mechanisms, and applying innovative solutions. In this context, Central Asia—particularly Uzbekistan—is viewed as a strategically important direction of development. Regional cooperation may help Russia mitigate the negative impact of sanctions, diversify risk exposure, and secure sustainable growth of its insurance and reinsurance sectors.

Therefore, the main objective of this thesis is to explore the scientific foundations and practical approaches to improving reinsurance processes in Russia, with a particular focus on strengthening cooperation with Central Asian partners—most notably Uzbekistan—as a tool to enhance resilience, address external challenges, and promote long-term financial stability.

RESEARCH METHODOLOGY

The research employs a qualitative and comparative approach to examine the development of reinsurance relations between Russia and Uzbekistan in the context of sanctions and global market transformations. The study is grounded in the analysis of official documents, policy papers, and international reports issued by organizations such as the Swiss Re Institute, the International Association of Insurance Supervisors, the Bank of Russia, and the Ministry of Economy and Finance of Uzbekistan. Comparative case studies of reinsurance pools in Europe and Asia are reviewed to identify models that may be applied in the Eurasian context. In addition, statistical data on premium growth, loss ratios, RNRC capitalization, and the ongoing reforms of Uzbekistan's insurance sector are examined to trace market trends and structural changes. By combining document analysis, comparative review, and trend evaluation, the study aims to identify the main challenges posed by sanctions, assess the potential of Eurasian reinsurance cooperation, and develop policy recommendations for strengthening bilateral relations between Russia and Uzbekistan.

LITERATURE REVIEW

The global reinsurance system is considered a backbone of modern insurance markets, ensuring diversification of risks and financial stability. According to Outreville (2012), "reinsurance represents a key element of risk distribution at the international level, allowing emerging markets to stabilize their insurance portfolios" (p. 145). This observation is particularly relevant for Russia and Uzbekistan, where external shocks and sanctions have constrained access to global reinsurance capacity.

Sanctions have dramatically altered the Russian insurance landscape. As Koryakovtseva and Kuznetsova (2023) argue, "the withdrawal of European reinsurers has forced Russian insurers to increase reliance on domestic mechanisms, especially RNRC, which raises systemic risks of market concentration" (Journal of Insurance Law and Practice, p. 78). Similarly, Swiss Re Institute (2023) notes in its World Insurance Sigma Report that "geopolitical tensions and sanctions have accelerated regionalization in reinsurance markets, creating new incentives for cross-border cooperation among friendly economies."

The literature on regional pooling suggests that multi-country risk-sharing arrangements can be highly effective. For instance, Cummins and Weiss (2014) highlight that "risk pools in Europe and the Caribbean have demonstrated the capacity to absorb catastrophic losses that no single insurer or national market could handle alone" (The Geneva Papers on Risk and Insurance, p. 236). For Russia and Uzbekistan, this implies the potential of Eurasian reinsurance pools, particularly in high-severity lines such as energy and aviation.

Payment mechanisms under sanctions are also a crucial concern. According to Beck and Wagner (2022), "sanctions create frictions not only in contract enforcement but also in settlement execution, making alternative financial channels essential for cross-border risk transfer" (Journal of Financial Regulation, p. 115). This supports the view that national currency settlements between Russia and Uzbekistan could reduce dependency on Western banking infrastructure.

The credibility of rating agencies has been another focal point. As Louw and Moti (2020) explain, "mutual recognition of national rating systems is a pragmatic response for emerging economies excluded from the coverage of the big three rating agencies" (Emerging Markets Finance and Trade, p. 56). This is directly applicable to Russia and Uzbekistan, where cooperation between domestic rating agencies may restore trust and facilitate reinsurance contracts.

ANALYSIS AND RESULTS

Since 2022, the Russian insurance market has faced a severe shortage of reinsurance protection due to the mass withdrawal of Western companies. Leading European and U.S. reinsurance corporations terminated their contracts with Russian insurers and refused to enter into new agreements. This situation created substantial risks, particularly in covering large-scale industrial, energy, and aviation exposures.

In response, the Russian government introduced a mandatory requirement for insurers to cede up to 50% of their risks to the Russian National Reinsurance Company (RNRC), compared to the previous level of 10%. The RNRC's charter capital was simultaneously increased from 21 billion to 300 billion rubles, enabling the company to partially absorb the market share vacated by foreign partners.

The frequency of large-scale insurance claims in Russia rose sharply in 2022–2023. Whereas during 2004–2020 the market reported on average one to two large claims annually (each exceeding 2 billion rubles), in 2022 the number increased to six, and in 2023 to four. This surge significantly strained RNRC's loss reserves:

- in 2022 – 62 billion rubles,
- in 2023 – 142 billion rubles.

By the second quarter of 2025, the cumulative reported losses exceeded 110 billion rubles, highlighting the rising level of risk exposure within the Russian market.

Another critical obstacle has been the blocking of payments by international banks. Even when reinsurance contracts were formally concluded, numerous cases were recorded where Western banks refused to process transactions. As a result, Russian insurers were effectively deprived of the actual benefits of reinsurance coverage, further undermining financial stability.

According to 2025 statistics, growth in the Russian insurance market was largely driven by the Life segment, mainly due to short-term policies. However, this growth remains unstable. In the Non-life segment, property insurance and infrastructure-related projects continue to serve as the primary drivers. In contrast, auto insurance lines such as CASCO and OSAGO have experienced a decline, while voluntary health insurance (VHI) has sustained growth, supported by rising demand from healthcare infrastructure and employers.

Historically, Western countries served as the backbone of Russia's reinsurance system. For decades, Russian insurers transferred major risks to leading European and U.S. reinsurers. Yet, following the imposition of sanctions in 2022, these channels were effectively closed. The economic consequences of this disruption can be summarized as follows:

- insufficient reinsurance protection,
- heightened financial stability risks for large Russian corporations,
- sharp concentration of risks within the national market.

These dynamics underscore the urgent need for Russia to diversify its reinsurance partnerships, strengthen regional cooperation—particularly with Central Asia—and develop innovative mechanisms to ensure sustainable financial resilience in the face of geopolitical constraints.

As a result of international sanctions, Russian insurance companies have been forced to redistribute risks within the domestic market. From the perspective of financial stability, this internal concentration of risks creates significant vulnerabilities. Sanctions disrupted not only the conclusion of reinsurance agreements but also their execution. Even when foreign reinsurers agreed to cover claims, the transfer of funds could not always be completed because banking channels were blocked.

For example, European banks, citing sanction policies, frequently refused to process payments linked to Russian transactions. Consequently, Russian insurers were unable to benefit from reinsurance payouts, which posed serious threats to national market stability, particularly in the event of large-scale insurance losses.

Before the sanctions, more than 70% of Russia's large risks were ceded to international markets. After 2022, this share dropped below 30%, leaving over 70% of risks concentrated domestically. The economic and financial consequences of this shift can be summarized as follows:

- In the event of catastrophic losses, RNRC and the domestic market may be unable to provide sufficient protection;
- Shortages in reinsurance funds and cooperative mechanisms weaken the resilience of insurers;
- The risk of bankruptcy for major companies has increased.

In high-risk sectors such as energy, construction and assembly works, transport, and aviation, the limited availability of reinsurance protection has led to sharp increases in premiums. For instance:

- Between 2023 and 2024, insurance tariffs for industrial facilities increased by 20–30%;
- In the logistics and transportation sectors, tariffs rose by up to 40%.

These developments have raised production costs across the economy and negatively affected the competitiveness of Russian enterprises in both domestic and international markets.

Another challenge lies in the continued reliance of Russian companies on ratings from global agencies such as S&P, Moody's, and Fitch, all of which suspended operations in Russia. To facilitate cooperation with reinsurers from partner or "friendly" countries, recognition of ratings issued by Russian national agencies is necessary. However, since this practice is not yet fully established, many companies struggle to engage with "non-rated" foreign partners.

Following the sanctions, RNRC has emerged as the dominant reinsurer in Russia. By 2024, its market share reached 55.5%. On the one hand, this expansion strengthened domestic market stability; on the other hand, it raised concerns about excessive concentration and potential monopolization. A monopolistic environment risks driving up premiums further while undermining competition.

Additionally, settlement of large claims in Russia is increasingly prolonged, sometimes extending for several years. The main reasons include supply chain disruptions and delays in reconstruction projects caused by sanctions. As a result, the average settlement period for claims has exceeded one year. Such delays erode customer trust and undermine the credibility of the domestic insurance system.

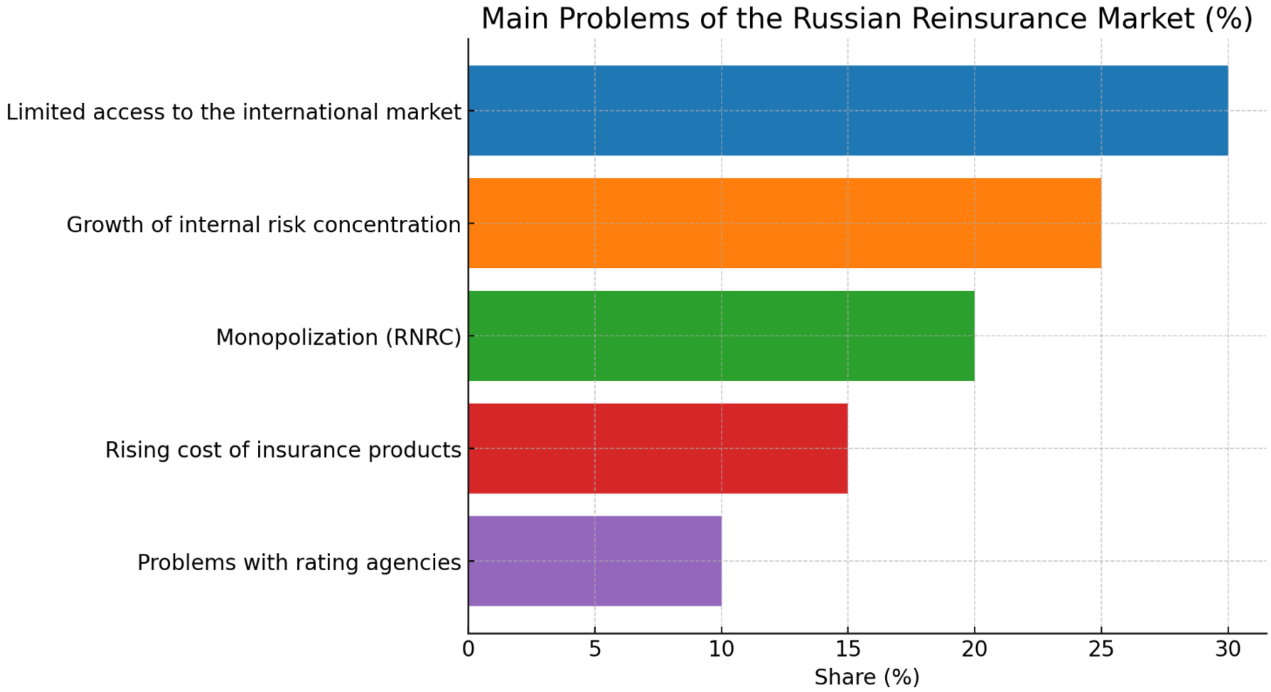

Figure 1. Challenges and Prospects of the Russian Reinsurance Market under Sanctions.

Under the sanctions regime, the Russian reinsurance market has encountered several critical challenges:
- limited access to international markets;
- blocked financial settlements through the global banking system;
- high concentration of risks within the domestic market;
- sharp increase in the cost of insurance products;
- monopolization by RNRC, which restricts competition.

These problems require strategic responses. One potential solution is to strengthen cooperation in the field of reinsurance with friendly countries, particularly Central Asia and Uzbekistan.

The insurance markets of Central Asian states are still at a developmental stage, and their reinsurance capacities remain limited. Nevertheless, opportunities for regional cooperation and integration are significant. Within the frameworks of the CIS and the Eurasian Economic Union, Russia may benefit from:
- diversifying risks through cross-border arrangements;
- creating insurance pools and consortia with partner countries;
- reducing sanction-related risks by conducting settlements in national currencies.

In this regard, the markets of Kazakhstan and Kyrgyzstan may serve as important partners for Russian insurers in transport, energy, and agricultural insurance.

Since 2017, Uzbekistan has been actively implementing reforms aimed at liberalizing and modernizing its insurance market. Between 2020 and 2025, the following achievements were recorded:
- the volume of insurance premiums more than doubled;
- demand for insurance services from households and businesses has steadily increased;
- IT-based and digital insurance platforms have been introduced;
- export credit insurance and agricultural insurance have received strong state support.

The rapid growth of Uzbekistan's insurance sector creates new opportunities for cooperation with Russia. In particular:
- partial coverage of Russian risks through reinsurance in Uzbekistan;
- diversification of insurance products available in the Russian market;
- collaboration between national rating agencies.

The key problem of the Russian insurance market today remains the concentration of risks and disconnection from global reinsurance channels. One of the most effective ways to mitigate this is the development of retrocession mechanisms through Central Asia. In such a model, Russian companies would reinsure major risks via RNRC, after which part of these risks would be transferred to the Central Asian market. This approach offers several advantages:

- broader geographical distribution of risks;
- deeper integration between Russian and Uzbek insurance markets;
- enhanced regional financial stability.

At present, Russian companies are increasingly relying on national rating agencies in reinsurance operations. Since Uzbekistan also maintains a national rating system, mutual recognition mechanisms between Russian and Uzbek agencies could substantially strengthen bilateral reinsurance cooperation.

From a scientific perspective, this process can be explained through the mitigation of the “information asymmetry” problem in financial markets by means of local institutions. If Russia and Uzbekistan’s national agencies cooperate effectively, reliance on the “big three” international rating agencies will diminish, supporting greater sovereignty and resilience in the reinsurance sector.

Economic Advantages of Cooperation with Central Asian Countries

For Russia, cooperation with Central Asian states offers a range of significant economic benefits:

- Risk distribution – the concentration of large-scale risks within Russia can be reduced, thereby strengthening the resilience of the domestic insurance system.
- Protection against sanctions – regional agreements may be implemented through national payment systems rather than international banks, helping to circumvent restrictions and ensure the continuity of settlements.
- Innovative integration – the establishment of joint risk management centers based on digital technologies will facilitate the adoption of modern practices and enhance transparency in the insurance sector.
- Support for exports – closer collaboration in the field of export credit insurance between Russia and Uzbekistan will create favorable conditions for trade expansion and cross-border projects.

Uzbekistan has already introduced state-supported programs for insuring agriculture and small businesses. This experience is particularly relevant for Russia, as under sanctions the expansion of state–insurance company partnerships could serve as a vital tool for maintaining market stability.

Thus, cooperation with Central Asia—and especially with Uzbekistan—is of strategic importance for the Russian reinsurance market. Such collaboration enables diversification of risks, mitigation of sanction pressures, enhancement of regional financial stability, and the implementation of innovative solutions. For these reasons, the Central Asian vector should be prioritized within Russia’s reinsurance strategy.

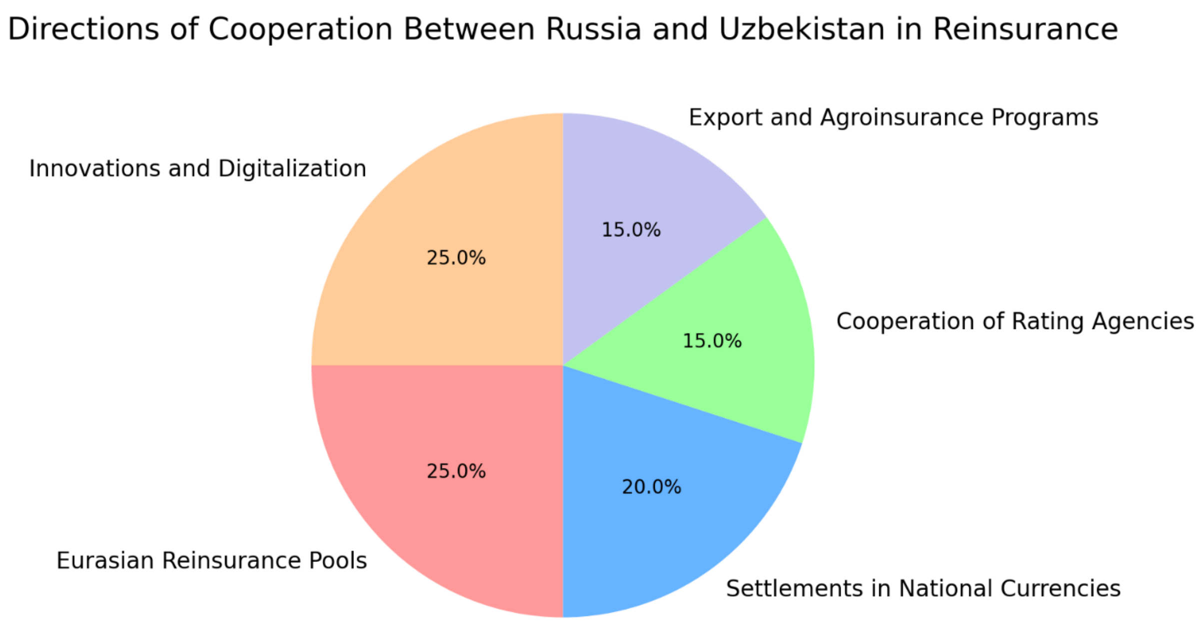

Figure 2. The Need for Eurasian Reinsurance Pools.

In the Russian market, coverage of large-scale risks within the domestic system remains insufficient. Therefore, the establishment of Eurasian reinsurance pools has become a strategic necessity. Such pools, if created with the participation of Russia, Uzbekistan, Kazakhstan, and other Central Asian states, could:

- distribute risks related to major exposures such as energy, construction and assembly works, aviation, and natural disasters;

- allocate responsibility in proportion to each country's market share and contribution;
- significantly enhance the overall reinsurance capacity of the region.

This model is consistent with the experience of Germany, France, and Switzerland, where reinsurance pools were established in the 1980s and successfully mitigated the risks of large-scale catastrophic events.

To protect the Russian reinsurance market from the negative effects of sanctions, it is essential to conclude interstate agreements with Uzbekistan and other partner countries. These agreements should stipulate that:

- settlements under reinsurance contracts are conducted in national currencies (rubles, soms);
- alternative payment mechanisms outside the SWIFT system are introduced;
- secure financial channels, guaranteed by the Central Banks of both states, are established.

These measures would reduce sanction-related restrictions in executing insurance payments through the international banking system.

Both Russia and Uzbekistan already operate national rating agencies. Mutual recognition of their ratings is crucial, given that the "big three" international agencies (S&P, Fitch, Moody's) have withdrawn from Russia and partially from the Central Asian market. Such cooperation would strengthen trust in reinsurance contracts between the two countries and minimize bureaucratic barriers in cross-border transactions.

In addition, rapid development of digital technologies in both Russia and Uzbekistan necessitates the creation of joint risk management and IT platforms. These platforms should perform the following functions:

- forecasting risks using big data analytics;
- automating reinsurance contracts through artificial intelligence applications;
- providing a unified digital platform for all regional market participants.

The adoption of such innovations would lower operational costs, increase efficiency, and enhance the competitiveness of insurance companies in both domestic and regional markets.

Export and agricultural insurance are priority sectors in both Russia and Uzbekistan. Accordingly, the two countries may jointly:

- develop programs for export credit insurance,
- establish reinsurance pools specifically designed for managing large-scale agricultural risks.

These initiatives would not only strengthen the stability of national markets but also deepen trade and economic integration across the Eurasian region.

Russia's Strategic Priorities in the Reinsurance Sector under Sanctions

The Russian insurance market should actively support the initiative of establishing joint reinsurance companies within the framework of the Eurasian Economic Union (EAEU), BRICS, and the Shanghai Cooperation Organization (SCO). Such an approach would:

- reduce dependence on Western institutions in the global financial architecture;
- create new opportunities for Russian and Uzbek companies to expand their presence in international markets.

For Russia, the main strategic directions for ensuring the sustainable development of the reinsurance market under sanctions include:

- establishing Eurasian reinsurance pools;
- mitigating sanction-related risks through settlements in national currencies;
- strengthening cooperation between national rating agencies;
- using innovations and digital platforms for risk management;
- developing joint programs in export credit insurance and agricultural insurance;
- creating new reinsurance companies within the framework of Eurasian and BRICS institutional cooperation.

If these initiatives are successfully implemented, the Russian and Central Asian—particularly the Uzbek—reinsurance markets will be able to mitigate the effects of sanctions and ensure regional financial stability.

CONCLUSION

In recent years, the Russian insurance market has undergone profound transformation under the impact of extensive sanctions and international financial restrictions. The withdrawal of Western reinsurers and obstacles in the global banking system have increased the internal concentration of risks within Russia. As a result, the stability of the market is threatened whenever large-scale insurance events occur.

Although the expansion of the RNRC's share and capitalization has provided partial protection for the national market, the growing risks of monopolization, the accumulation of exposures within domestic boundaries, and the loss of access to international rating systems remain strategic challenges. Furthermore, rising insurance premiums negatively affect the overall competitiveness of the Russian economy.

In these circumstances, the most effective path for the Russian reinsurance market is to deepen cooperation with partner countries—especially with Uzbekistan and the broader Central Asian region. Uzbekistan's insurance sector has been developing rapidly in recent years, with the adoption of digital technologies, growing attention to agricultural and export insurance, and stronger state support. These trends create strategic opportunities for Russia to diversify and strengthen its reinsurance activities.

Based on the scientific analysis, the following directions are identified as strategic priorities:

- risk distribution through Eurasian reinsurance pools;
- mitigation of sanctions via settlements in national currencies and interstate guaranteed financial channels;
- reduction of bureaucratic barriers through cooperation between national rating agencies;
- establishment of joint IT platforms and risk management centers based on digital innovations;
- regional economic integration through joint programs in export and agricultural insurance;
- development of international institutional cooperation within EAEU and BRICS frameworks.

Thus, cooperation between Russia and Uzbekistan in the reinsurance sector is not only essential for the financial stability of both countries but also contributes positively to the broader economic security and integration of the entire Central Asian region.

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Proofreader: Zokir ALIBEKOV

Layout and Designer: Oloviddin Sobir ugli

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