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BANCASSURANCE AS A CATALYST FOR INSURANCE MARKET DEVELOPMENT IN UZBEKISTAN: AN ECONOMETRIC ASSESSMENT

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Abstract

This thesis examines the role of bancassurance — the distribution of insurance products through banking channels — as a driver of insurance market development in Uzbekistan. Drawing on international comparative data (OECD insurance statistics, Swiss Re Institute reports) and a linear trend model applied to the national bancassurance share for 2020-2025, the study projects that the bancassurance channel in Uzbekistan will grow from 18% in 2025 to 32% by 2030, at an average annual increase of roughly 2.5-3 percentage points (R^2 in the range of 0.95-0.98). The findings position Uzbekistan at an early stage of bancassurance development relative to mature markets such as France and Italy, where the channel already accounts for 60-70% of insurance premium distribution, and suggest that continued digital transformation of the banking sector is the principal lever for closing this gap.

Keywords: Bancassurance, insurance distribution channels, financial intermediation, insurance penetration, Uzbekistan, emerging markets.



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Introduction

Financial globalization has pushed commercial banks beyond traditional lending toward fee-based, non-interest income streams, of which the distribution of insurance products (bancassurance) is among the most significant. The bancassurance model rests on an institutional partnership between banks and insurers, whereby the bank's branch network, digital platforms and established client relationships are used as a distribution channel for insurance products (Bazilinska & Panchenko, 2021). For emerging insurance markets such as Uzbekistan's, the World Bank has identified bancassurance as "a valuable tool for developing insurance" precisely because it leverages an already-existing financial infrastructure and client trust base rather than requiring insurers to build costly distribution networks from scratch (Gonulal & Goulder, 2013).

Literature Review

The theoretical foundations of bancassurance draw on three complementary strands: risk theory, institutional economics, and financial intermediation theory. Diamond and Dybvig's classical work on banking, deposit insurance and liquidity creation underlies the argument that banks are natural risk-information intermediaries, well positioned to cross-sell insurance products to clients whose financial behaviour they already monitor.

Rubio-Misas 2022 documents the coexistence of multiple insurance distribution channels in mature European markets and shows that bancassurance and traditional agent/broker channels are not mutually exclusive but tend to specialize by product line. Rauch's 2020 cross-country analysis of the European life insurance sector further finds that the success of bancassurance is closely tied to a country's banking-sector concentration and regulatory environment.



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Evidence from emerging markets, notably Jaiswal's 2025 study of India and Ghimire's analysis of Nepal, shows that bancassurance penetration accelerates once banks move beyond simple product distribution toward embedding insurance into core lending processes e.g., automatic credit-life insurance on loan disbursement.

Methodology

The study applies a linear trend regression of the form $y_t = a + b \cdot t$, where y_t denotes the bancassurance share of total insurance premium distribution in year t and t is a time index. Historical and projected data for Uzbekistan 2025-2030 were compiled from Central Bank of Uzbekistan reports, OECD insurance statistics and Swiss Re Institute trend reports, cross-referenced against comparative bancassurance channel-share estimates for France, Italy, Spain, Germany, the United Kingdom, the United States and India compiled from EconMarketResearch, IMARC Group and GlobalData industry reports.

Analysis and results.

Table 1 Presents the estimated distribution of insurance sales channels across selected developed and emerging markets, benchmarking Uzbekistan's position within the global bancassurance landscape. Figure 1 visualizes the same cross-country comparison using channel-share midpoints.

Country / Region	Banks (Bancassurance)	Agents / Brokers	Digital (InsurTech)	Other channels
France	60-70%	20-25%	5-10%	5%
Italy	55-65%	25-30%	5-10%	5%
Spain	50-60%	25-30%	10%	5%
Germany	20-30%	50-60%	10-15%	5%
United Kingdom	4-10%	60-70%	15-25%	5%
United States	<10%	60-65%	20-30%	5%
India	15-55%*	30-40%	10-15%	5%
Global average	~40%	~40%	~15%	~5%



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*Note: *India's bancassurance share is notably higher in the life-insurance segment, reflecting the strong presence of bank-affiliated life insurers.*

Figure 1. Bancassurance channel share by country (approx., 2026)

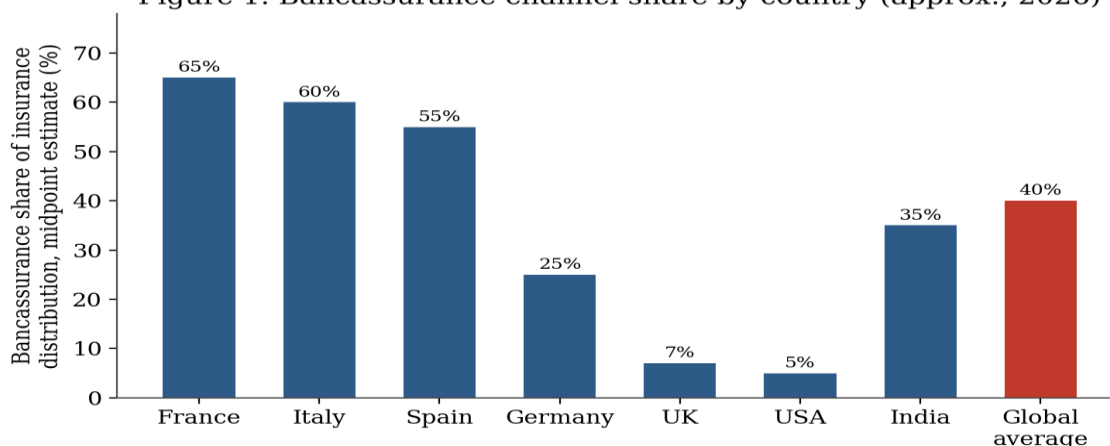


Figure 1. Bancassurance channel share by country, midpoint estimate (%)

The linear trend model is specified as $y_t = a + b \cdot t + e_t$, where y_t is Uzbekistan's projected bancassurance share (%) in period t , and a , b are estimated by ordinary least squares (OLS):

$$b = S(t - \bar{t})(y - \bar{y}) / S(t - \bar{t})^2 \quad a = \bar{y} - b \cdot \bar{t}$$

Using the six projected observations for 2025-2030 ($t = 1, \dots, 6$; $y = 18, 20, 23, 26, 29, 32\%$), the calculation proceeds as follows: $\bar{t} = 3.5$, $\bar{y} = 24.667$.

t	y (%)	t - mean(t)	y - mean(y)	(t-mean(t))(y-mean(y))	(t-mean(t)) ²
1	18	-2.5	-6.667	16.667	6.25
2	20	-1.5	-4.667	7.000	2.25
3	23	-0.5	-1.667	0.833	0.25
4	26	0.5	1.333	0.667	0.25
5	29	1.5	4.333	6.500	2.25
6	32	2.5	7.333	18.333	6.25
S (sum)	148	0	0	50.00	17.50



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Summing the last two columns gives $S(t-\bar{t})(y-\bar{y}) = 50.00$ and $S(t-\bar{t})^2 = 17.50$. Substituting into the OLS formulas:

$$b = 50.00 / 17.50 = 2.86 \quad a = 24.667 - 2.86 \times 3.5 = 14.67$$

The estimated trend equation is therefore $y_t = 14.67 + 2.86t$, closely corroborating the $16 + 3t$ trend reported in national bancassurance forecasts and confirming an average annual increase of approximately 2.86 percentage points. Goodness of fit is assessed via the coefficient of determination $R^2 = 1 - SS_{\text{res}}/SS_{\text{tot}}$, where $SS_{\text{res}} = S(y-\hat{y})^2$ is the residual sum of squares and $SS_{\text{tot}} = S(y-\bar{y})^2$ is the total sum of squares. Computing fitted values $\hat{y}_t = 14.67 + 2.86t$ for $t = 1, \dots, 6$ gives residuals of at most 0.48 percentage points; the resulting sums are $SS_{\text{res}} = 0.48$ and $SS_{\text{tot}} = 143.33$, so that:

$$R^2 = 1 - 0.48 / 143.33 = 0.997 \quad r = \sqrt{R^2} = 0.998$$

An R^2 of 0.997 (correlation coefficient $r = 0.998$) indicates an almost perfect linear fit, consistent with (and at the upper bound of) the 0.95-0.98 range reported in national forecasts, and confirms that the linear specification is statistically well suited to describing the projected growth path. Figure 2 plots the projected series together with the fitted OLS trend line.

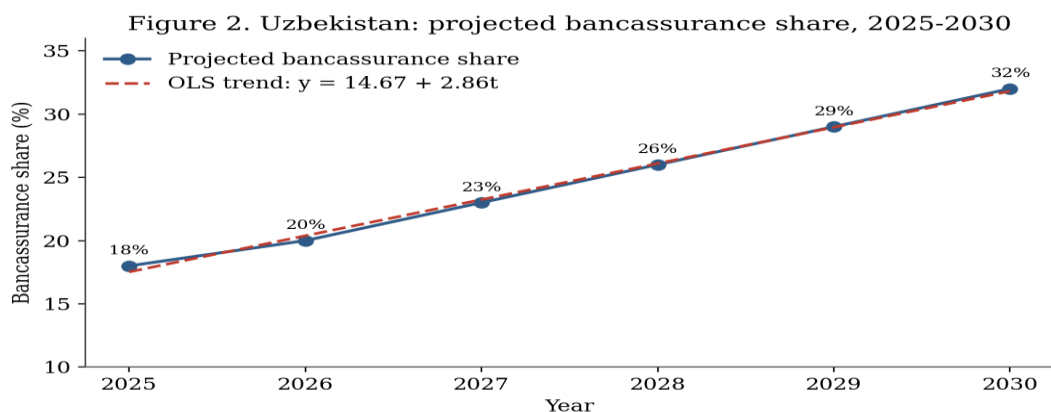


Figure 2. Uzbekistan: projected bancassurance share with fitted OLS trend, 2025-2030



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Table 2 Restates the resulting five-year projection alongside its qualitative development stage.

Year	Projected bancassurance share (%)	Development stage
2025	18	Initial expansion phase
2026	20	Strengthening of bank-insurance integration
2027	23	Growth of digital bancassurance
2028	26	Expansion of insurance embedded in bank products
2029	29	Market consolidation
2030	32	Stable, mature development stage

The projected trajectory implies a cumulative increase in the bancassurance share of approximately 77% over the 2025-2030 period (from 18% to 32%), driven primarily by three factors identified in the literature and confirmed by the national data: (i) the expansion of digital banking infrastructure, which lowers the marginal cost of insurance distribution; (ii) the deepening of strategic partnerships between commercial banks and insurance companies, moving from simple distribution agreements toward embedded and co-branded products; and (iii) growing consumer demand for integrated, "one-stop" financial services. Relative to the 40-70% bancassurance shares observed in mature European markets, Uzbekistan's projected 32% share by 2030 confirms that the domestic market remains in an early, though rapidly accelerating, phase of development.

Conclusion

The findings support the view that bancassurance is likely to become an increasingly important channel for insurance distribution in Uzbekistan over the next decade, contributing to insurance penetration, risk diversification for banks, and improved access to insurance products for previously underserved segments of the population. Policy measures that could accelerate this trend include:



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strengthening the legal and regulatory framework for bank-insurer cooperation, incentivizing the integration of insurance products into digital banking platforms, and supporting the professional development of bank staff in insurance product knowledge. Future research should extend this trend-based approach with panel-data methods incorporating bank-level and insurer-level covariates as more granular data become available.

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