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COMPARATIVE ANALYSIS OF BANCASSURANCE DISTRIBUTION MODELS: IMPLICATIONS FOR UZBEKISTAN'S EMERGING INSURANCE MARKET

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Abstract

This thesis classifies the principal organizational models of bancassurance identified in the international literature pure distribution agreements, strategic alliances/joint ventures, financial conglomerates, and embedded credit-linked models and evaluates their applicability to Uzbekistan's rapidly expanding but still underpenetrated insurance market. Between 2020 and 2023, Uzbekistan's aggregate insurance premiums grew from 1,879,346 to 7,737,236 million UZS a cumulative increase of more than 300%, while the number of licensed insurers rose to 43. Against this backdrop of general market growth, the bancassurance channel itself remains at an early stage an estimated 18% of distribution in 2025. The thesis argues that, given the structure of Uzbekistan's banking sector and its stage of digital transformation, an embedded credit-linked model following the pattern observed in India and Nepal offers the most immediately scalable path for expanding bancassurance, while strategic alliances represent a viable medium-term option as regulatory and capital-market conditions mature.

Keywords: bancassurance, distribution models, insurance market development, financial conglomerates, Uzbekistan.

Introduction

As emerging insurance markets seek to raise insurance penetration and diversify distribution beyond traditional agents and brokers, the choice of bancassurance model becomes a strategically consequential decision for both regulators and market participants. International experience shows considerable variation in how bank-insurer cooperation is structured, ranging from loose distribution agreements to full corporate integration under financial conglomerates Bazilinska & Panchenko, 2021. This thesis reviews these models and considers which is best suited to Uzbekistan's current market conditions.

Table 1 Summarizes the four principal models identified in the comparative literature, together with representative markets in which each has predominated.

Distribution model	Description	Representative markets
Pure distribution agreement	Bank sells insurer's products for commission; no capital ties	United States, United Kingdom (partial)
Strategic alliance / joint venture	Bank and insurer co-own a dedicated bancassurance entity	Spain, Italy
Financial conglomerate (Allfinanz)	Bank and insurer under common ownership/holding structure	France, Germany
Embedded / credit-linked model	Insurance automatically attached to bank lending products	India, Nepal, emerging markets

The pure distribution model requires the least institutional restructuring and is typically the entry point for banks new to insurance distribution. The strategic alliance/joint venture model, common in Spain and Italy, allows both parties to share underwriting profit while limiting capital exposure. The financial conglomerate model, dominant in France and Germany, achieves the deepest integration but requires a mature regulatory framework for cross-sector financial holding companies. The embedded, credit-linked model — in which insurance (most often credit-life or collateral insurance) is automatically bundled with a loan — has proven particularly effective in emerging markets such as India and Nepal, where it requires minimal additional distribution infrastructure (Jaiswal, 2025; Ghimire, n.d.).

Table 2 Presents the overall dynamics of Uzbekistan's insurance market for 2020-2023, based on national market data.

Year	Gross premiums written (mln UZS)	Claims paid (mln UZS)	Annual premium growth
2020	1,879,346	419,628	-
2021	2,995,707	609,953	+59.4%
2022	4,672,270	1,087,567	+56.0%
2023	7,737,236	1,568,461	+65.6%

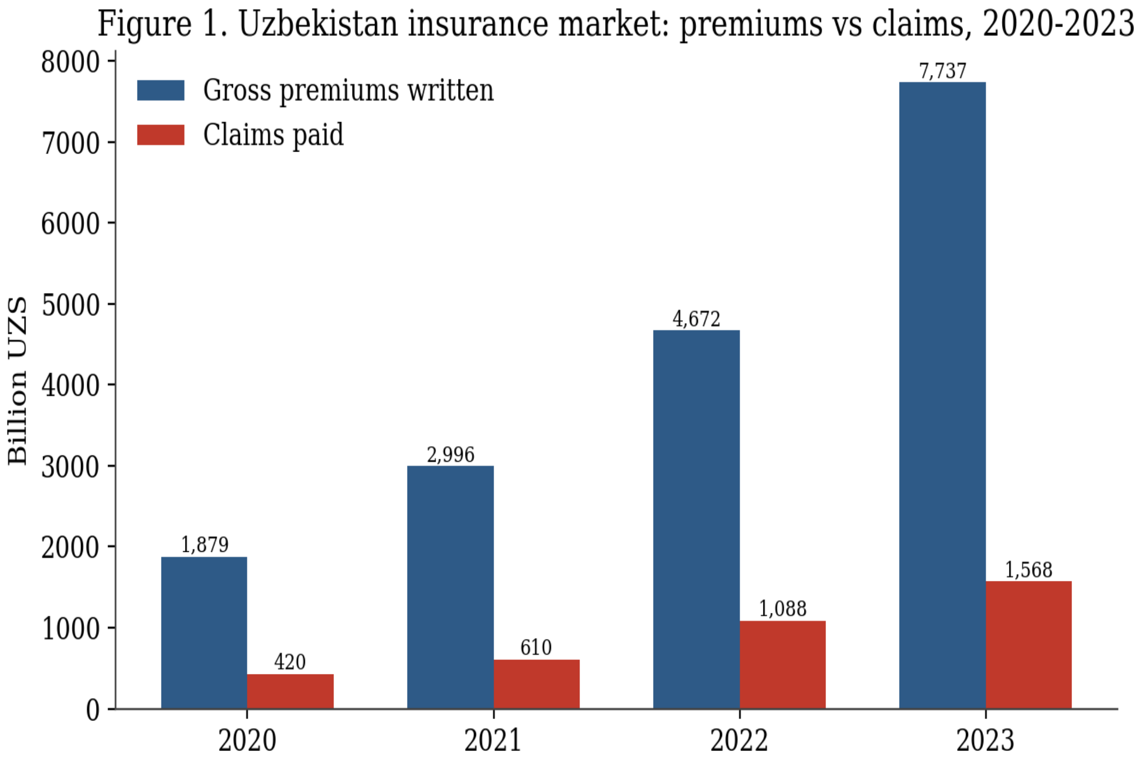

Figure 1. Uzbekistan insurance market: premiums vs. claims, 2020-2023

Over this period, the number of licensed insurance organizations increased from 40 to 43 (35 non-life and 8 life insurers), and aggregate insurer capital rose by 59.7%. This rapid overall market expansion provides a favorable macro-environment for scaling bancassurance, provided that an appropriate distribution model is selected.

The year-on-year growth rate of gross premiums is computed as $g_t = (P_t - P_{(t-1)}) / P_{(t-1)} \times 100\%$, where P_t denotes gross premiums written in year t. Applying this formula to the national data yields:

$g_{2021} = (2{,}995.7 - 1{,}879.3) / 1{,}879.3 \times 100\% = 59.4\%$

$g_{2022} = (4{,}672.3 - 2{,}995.7) / 2{,}995.7 \times 100\% = 56.0\%$

$g_{2023} = (7{,}737.2 - 4{,}672.3) / 4{,}672.3 \times 100\% = 65.6\%$

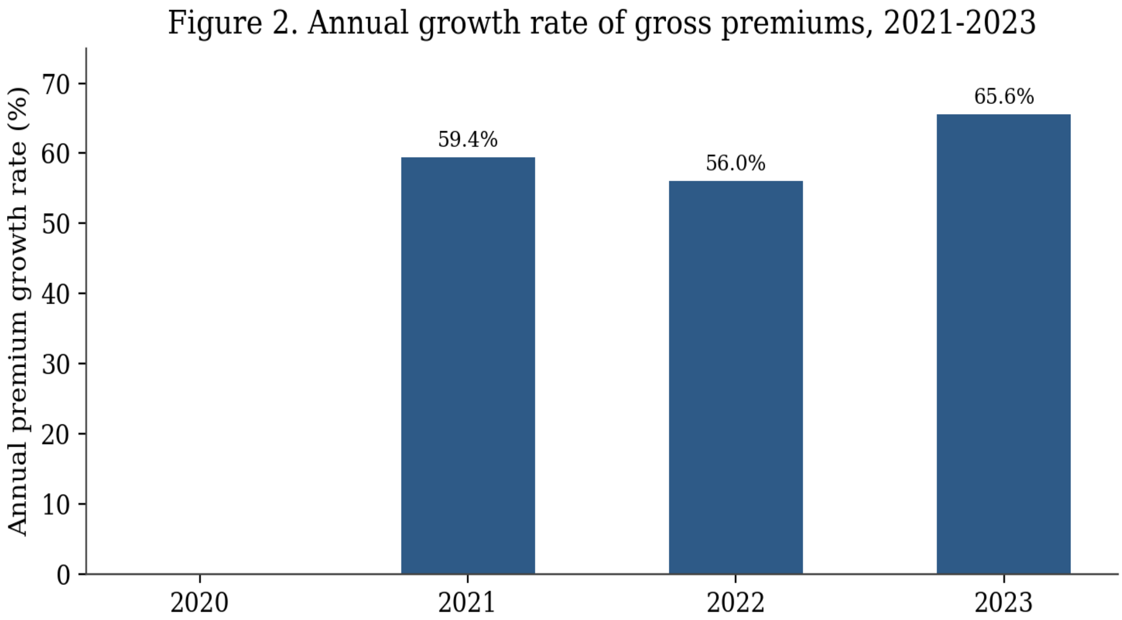

Figure 2. Annual growth rate of gross premiums, 2021-2023

To characterize the average pace of expansion over the full 2020-2023 period, the compound annual growth rate (CAGR) is computed as:

CAGR = (P_2023 / P_2020)^(1/n) - 1, where n = 3 (number of growth periods)

Substituting the national data: CAGR = (7,737.2 / 1,879.3)^(1/3) - 1 = (4.117)^(0.333) - 1 = 1.604 - 1 = 0.604, i.e. a compound annual growth rate of approximately 60.4% over 2020-2023. This confirms that the aggregate insurance market has expanded at a remarkably fast and fairly stable pace (annual growth rates ranging narrowly between 56.0% and 65.6%), providing the underlying scale and liquidity needed for a bancassurance channel to develop credibly alongside it.

An analogous calculation for claims paid gives CAGR_claims = (1,568.5 / 419.6)^(1/3) - 1 = (3.738)^(0.333) - 1 ≈ 0.552, or 55.2% per annum — slightly below the premium CAGR, implying a gradual improvement in the market's aggregate loss ratio claims paid relative to premiums written from approximately 22.3% in 2020 to 20.3% in 2023.

Given that Uzbekistan's banking sector already possesses an extensive branch network, an actively growing digital banking infrastructure, and a large base of retail credit clients, the embedded credit-linked model offers the lowest-cost, fastest-to-scale option: insurance products credit-life, collateral, and health insurance can be integrated directly into the loan origination process, as is already occurring on a limited scale according to the national bancassurance forecast an 18% share in 2025, projected to reach 32% by 2030. As the market matures and as institutional trust and regulatory frameworks for cross-sector financial holdings develop further, a gradual transition toward strategic alliances or joint ventures — following the Spanish and Italian precedents — would allow domestic banks and insurers to share underwriting economics more directly and to develop more sophisticated, tailored insurance products.

Conclusion

The comparative analysis suggests that no single bancassurance model is universally optimal; rather, the appropriate model depends on a market's regulatory maturity, banking-sector structure, and stage of digital transformation. For Uzbekistan, an embedded, credit-linked approach represents the most pragmatic near-term strategy for accelerating bancassurance penetration, with strategic alliances as a natural medium-term evolution. Policymakers should prioritize the legal groundwork for deeper bank-insurer cooperation to enable this progression.

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