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**Shennayev Xo'jayor Musurmanovich**

# ISSUES OF IMPROVING AGRICULTURAL INSURANCE IN UZBEKISTAN

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**Abstract:** This article examines the key issues related to improving the agricultural insurance system in Uzbekistan amid climate change and increasing natural risks affecting agricultural production. The study highlights major challenges, including the high-risk nature of the agricultural sector, limited insurance coverage, and the constraints of voluntary insurance mechanisms. The article substantiates the need for further institutional development of agricultural insurance and stronger government support instruments. Special attention is given to policy measures outlined in the "Uzbekistan–2030" Strategy, including the establishment of an insurance fund and the introduction of insurance premium subsidies, which are expected to expand opportunities for comprehensive insurance coverage of agricultural products and livestock.

**Key words:** agricultural insurance, aggroinsurance, climate change, natural disasters, risk management, insurance coverage, insurance premium, subsidy, insurance fund, farmers and dehqan households.

**Annotatsiya:** Mazkur maqolada O'zbekistonda qishloq xo'jaligi sug'urtasini takomillashtirish masalalari, iqlim o'zgarishi va tabiiy xavf-xatarlarning qishloq xo'jaligi ishlab chiqarishiga ta'siri sharoitida tahlil qilinadi. Tadqiqotda agrosohaga xos yuqori risklar, sug'urta qamrovining pastligi hamda ixtiyoriy sug'urtalashning cheklanganligi kabi muammolar yoritilib, sug'urta mexanizmlarini institutsional jihatdan rivojlantirish zarurligi asoslanadi. Shuningdek, "O'zbekiston–2030" strategiyasi doirasida sug'urta jamg'armasini tashkil etish va sug'urta mukofotlarini subsidiyalash kabi chora-tadbirlarning ahamiyati ochib beriladi hamda qishloq xo'jaligi mahsulotlari va chorvani kompleks sug'urtalashni kengaytirish bo'yicha takliflar ilgari suriladi.

**Kalit so'zlar:** qishloq xo'jaligi sug'urtasi, agrosug'urta, iqlim o'zgarishi, tabiiy ofatlar, risklarni boshqarish, sug'urta mukofoti, subsidiya, sug'urta jamg'armasi, fermer va dehqon xo'jaliklari.

**Аннотация:** В статье рассматриваются вопросы совершенствования системы агрострахования в Узбекистане в условиях изменения климата и роста природных рисков, влияющих на сельскохозяйственное производство. В ходе исследования раскрываются ключевые проблемы отрасли, включая высокую рискованность аграрного сектора, низкий уровень страхового охвата и ограниченную эффективность добровольного страхования. Обосновывается необходимость институционального развития механизмов страховой защиты, а также усиления государственной поддержки. Особое внимание уделяется мерам, предусмотренным стратегией «Узбекистан–2030», таким как создание страхового фонда и внедрение системы субсидирования страховых премий, что позволит расширить возможности комплексного страхования сельскохозяйственной продукции и поголовья скота.

**Ключевые слова:** агрострахование, сельскохозяйственное страхование, изменение климата, природные риски, страховое покрытие, управление рисками, страховая премия, субсидирование, страховой фонд, фермерские и дехканские хозяйства.

## INTRODUCTION

Agriculture plays an important role in the socio-economic development of the Republic of Uzbekistan. According to preliminary estimates, as of January 1, 2024, the share of this sector in the country's GDP accounted for nearly 30 percent<sup>1</sup>. As of the same period, the population living in rural areas accounted for 49 percent of the total population of the Republic<sup>2</sup>. The figures presented above clearly show that developing

1 Ўзбекистон Республикаси Президенти ҳузуридаги Статистика агентлиги маълумотлари асосида муаллиф томонидан ҳисобланган. <https://www.stat.uz/uz/rasmiy-statistika/agriculture-2>.

2 Ўзбекистон Республикаси Президенти ҳузуридаги Статистика агентлиги маълумотлари асосида муаллиф томонидан ҳисобланган. <https://www.stat.uz/uz/rasmiy-statistika/demography-2>.

agriculture not only strengthens the economic potential of the Republic of Uzbekistan, but also contributes to ensuring food security and employment, as well as increasing the country's export capacity.

Given the significant role of the agricultural sector in national development, the “Uzbekistan–2030” Strategy, approved by the Presidential Decree of the Republic of Uzbekistan No. PF-158 dated September 11, 2023, also identifies key priorities for the development of this sector through 2030. In particular, Clause 54 of the Strategy emphasizes the need to substantially increase productivity and profitability in agriculture<sup>3</sup>.

However, adverse weather conditions, climate change, natural variability, and crop pests negatively affect the sustainable development of agriculture and, consequently, hinder the expected increase in productivity and profitability within the sector. Moreover, soil erosion and the year-by-year decline in water resources are causing serious damage to agricultural efficiency.

Taking these factors into account, the above-mentioned “Uzbekistan–2030” Strategy emphasizes the need to reform the agricultural and livestock insurance system, establish a dedicated insurance fund and attract USD 100 million to it, as well as introduce a mechanism to subsidize 50 percent of insurance premiums for farmers and agricultural producers<sup>4</sup> this task has been clearly defined.

For agricultural producers—primarily farms and dehkan (smallholder) households—insurance plays a crucial role in compensating for losses caused by natural disasters that affect crop yields, livestock, orchards, and fruit-bearing trees, including damage resulting from heavy rainfall, hail, hot dry winds, and frost.

## LITERATURE REVIEW ON THE TOPIC

According to the economist DSc A. Yadgarov, who has conducted research in the field of agricultural insurance for many years, and the young researcher M. Mahamatova, “Against the backdrop of climate change, fundamentally improving the agricultural insurance system for the operations of agricultural enterprises is one of the most pressing issues that still requires an effective solution today. From this perspective, the agricultural insurance system emerges as an effective mechanism for addressing various challenges in such conditions”<sup>5</sup>. Supporting the views of these scholars, it should be noted that over the past years, a certain share of the losses incurred by farms and dehkan (smallholder) *хозяйликлари*—the core segment of the agricultural sector—due to natural disasters and other risks has been compensated by insurance companies.

International research on agricultural insurance consistently emphasizes that climate-related risks and yield volatility create market failures that prevent purely private insurance mechanisms from functioning effectively without state involvement and risk-sharing instruments. In this context, Miranda and Glauber (1997) demonstrate that agricultural insurance markets are exposed to systemic risk, since weather-related shocks are highly correlated across farms, which significantly weakens traditional risk pooling. The authors argue that without affordable reinsurance mechanisms, private crop insurance schemes are unlikely to remain financially sustainable, thereby underlining the necessity of government-supported reinsurance frameworks or public-private partnerships in agricultural insurance systems<sup>6</sup>.

Another important strand of the international literature focuses on the development potential of index-based insurance as an alternative tool for managing agricultural risks in developing countries. Barnett and Mahul (2008) propose that innovative risk-transfer products, including index insurance, can help reduce credit and insurance market failures that trap low-income households in persistent poverty. Their findings indicate that index-based insurance can operate not only at micro level (farmers and households), but also at meso and macro levels, supporting wider economic stability and improving farmers' investment incentives under high climate uncertainty<sup>7</sup>.

Alongside these international perspectives, Uzbek researchers increasingly highlight the need to modernize agricultural insurance in response to climate change and growing vulnerability of rural livelihoods. In particular, Yadgarov and Mahamatova (2023) emphasize that under the conditions of climate change, fundamentally improving agricultural insurance is a pressing issue, and they interpret agroinsurance as an effective mechanism for both insurance protection and financial support of agricultural enterprises. Their research supports the view that climate-driven shocks require not only insurance compensation, but also institutional reforms aimed at strengthening sustainability in the agricultural sector.

3 Ўзбекистон Республикаси Президентининг «Ўзбекистон — 2030» стратегияси тўғрисида» 2023 йил 11 сентябрдаги ПФ-158-сон Фармони. <https://lex.uz/ru/docs/6600413>.

4 Ўзбекистон Республикаси Президентининг «Ўзбекистон — 2030» стратегияси тўғрисида» 2023 йил 11 сентябрдаги ПФ-158-сон Фармони. <https://lex.uz/ru/docs/6600413>.

5 Ядгаров А., Маҳаматова М. Иқлим ўзгаришлари таъсиридан қишлоқ хўжалигини суғурталаш ва молиявий қўллаб – қувватлаш. // Journal of Universal Science Research, 1(5), published may 15, 2023 | version v1 786–790. <https://doi.org/10.5281/zenodo.7938805>. <https://zenodo.org/records/7938805/>.

6 [https://www.jstor.org/stable/1243954?utm\\_source](https://www.jstor.org/stable/1243954?utm_source)

7 [https://www.sciencedirect.com/science/article/abs/pii/S0305750X08001356?utm\\_source](https://www.sciencedirect.com/science/article/abs/pii/S0305750X08001356?utm_source)

Overall, the reviewed international and local studies confirm that agricultural insurance plays a dual role: first, as a financial instrument for compensating farmers' losses and stabilizing rural incomes; and second, as a macroeconomic stabilizer that can reduce fiscal pressure during climate-related disasters. Therefore, strengthening Uzbekistan's agricultural insurance system should rely on expanding insurance participation, improving public-private risk-sharing mechanisms, and introducing subsidy and reinsurance tools in line with global best practices.

## ANALYSIS AND RESULTS

Experienced researchers in the insurance field are well aware that in the early years of independence, more specifically, agricultural insurance activities were carried out by the "Uzagrosug'urta" insurance company. Interestingly, during 1997–2000, in order to ensure the company's financial stability and to provide targeted compensation for losses in agriculture, billions of soums were allocated from the State Budget of the Republic of Uzbekistan to the insurance fund of "Uzagrosug'urta." However, despite the fact that agriculture remains a high-risk sector with a significant probability of natural disasters, in recent years many insurance companies operating in the general insurance market have been providing insurance services to agricultural producers to the best of their capacity. Examples include "My Insurance" and "Semurg' Insurance." By the end of 2023, "My Insurance" collected a total of UZS 331.7 billion in insurance premiums and ranked 4th among insurance companies in Uzbekistan in terms of premium volume<sup>8</sup>.

It can be stated with confidence that agricultural insurance occupies a significant share in the insurance portfolio of this company.

It is widely known that global climate change, the ongoing reduction in water supply volumes, and the sharp intensification of drought have a negative impact on the food security of the Republic of Uzbekistan, while also affecting the living standards of the rural population and leading to a substantial decline in agricultural crop yields.

In order to protect the agricultural sector as much as possible from such adverse natural developments and to provide state support for the sector, the government is taking the necessary measures. In the past seven months of the current year alone, several decrees and resolutions of the President of the Republic of Uzbekistan, as well as relevant resolutions of the Cabinet of Ministers, have been adopted with the aim of developing agriculture and strengthening state support.

However, global experience shows that various natural disasters and technogenic incidents resulting from climate change cause losses to legal entities and individuals, including farmers and dehqan households engaged in agricultural production, and such losses are typically compensated through the insurance system.

Compared to other sectors of the economy, agriculture is more vulnerable to natural variability and, therefore, belongs to a high-risk category; in other words, it is considered a loss-making line of insurance.

No matter how effectively underwriting and business processes are optimized in providing insurance services to the agricultural sector, achieving positive results remains challenging for insurance companies. This can also be observed in the case of "Uzagrosug'urta," an insurance company that has been engaged for many years in insuring the property interests of farms and dehqan households—the leading segments of the agricultural sector.

The main problems in the development of agricultural insurance can be highlighted as follows:

- agricultural risk insurance for farms and dehqan households is carried out on a voluntary basis;
- the procedure for covering at least 50 percent of insurance premiums paid by farms and dehqan households from the state budget has not yet been introduced;
- effective demand for insurance services has not been sufficiently formed among farms and dehqan households;
- some agricultural producers still perceive insurance as an "additional expense";
- the low payment capacity of farms and dehqan households limits the possibility of increasing tariff rates;
- the mechanism for effective assessment of insurance objects has not been properly established;
- there is a need to create a transparent and open system for reviewing insurance claims and determining losses;
- farms and dehqan households do not fully understand the essence of insurance contract terms and do not familiarize themselves adequately with the conditions;
- due to insufficient awareness of insurance and its benefits among farms and dehqan households, trust in insurance companies remains inadequate.

8 Показатели страхового рынка Республики Узбекистан по итогам 2023 года. [https://napp.uz/storage/files/shares/reports/Indicators%20of%20the%20insurance%20market%20for%2012M\(rus\).pdf](https://napp.uz/storage/files/shares/reports/Indicators%20of%20the%20insurance%20market%20for%2012M(rus).pdf).

With regard to the tasks that should be implemented in the future to develop agricultural insurance in Uzbekistan, it is considered necessary to express the following views and proposals:

- introduce a compulsory insurance system for crop yields and livestock;
- implement a mechanism whereby at least 50 percent of insurance premiums paid by farms and dehqan households for crop insurance are subsidized from the state budget;
- with financial support from the UNDP project “Insurance and Risk Financing,” organize a series of seminar-trainings for the heads of farms and dehqan households on the topic: “Advantages of Insuring Crop Yields and Livestock of Farms and Dehqan Households in Uzbekistan.”

#### CONCLUSIONS AND RECOMMENDATIONS

In accordance with the “Uzbekistan–2030” Strategy, attracting USD 100 million to establish an insurance fund for insuring agricultural products and livestock, as well as introducing a system to subsidize 50 percent of insurance premiums for dehqan and farmers, will create opportunities for comprehensive insurance coverage of the interests of agricultural producers in the future.

Moreover, these measures are expected to enhance the financial resilience of the agricultural sector by reducing producers’ exposure to climate-related risks and stabilizing farm incomes. As a result, broader insurance coverage will help decrease the burden on public finances in emergency situations, accelerate post-disaster recovery, and contribute to sustainable rural development by improving investment attractiveness and strengthening confidence among agricultural producers.

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