



Article

Developing Forms of Competition in The Insurance Field: Theory and Practical Aspects

Azmiddin Turgunmirzaev*¹

1. Kimyo International University, Tashkent

* Correspondence: turguniminzayev@mail.ru

Abstract: The article analyzes the changes in competition in the insurance sector, the emergence of channel and inter-market types of competition in addition to traditional competition, that is, the reasons for the emergence of inter-industry, sales channel and inter-type competition. Theoretical, economic and practical analyses of new types of competition emerging in the sector are presented.

Keywords: Insurance, Insurance Companies, Competition, Channel Competition, Industry and Inter-Market Competition

1. Introduction

The rapid development of the financial sector and markets has significantly changed the traditional forms of competition and necessitated their reanalysis. On this basis, competition in the insurance sector is also changing under the influence of several important factors. These changes can be understood through the following aspects:

- a. Firstly, nowadays insurance companies are starting to compete not only with each other, but also with other financial institutions - banks, investment funds, microcredit organizations, leasing companies, as well as non-financial organizations, such as medical institutions, car dealerships, travel agencies;
- b. secondly, competition for customers is emerging through different channels in the sale of services between different divisions or branches of one insurance company;
- c. thirdly, competition for customers is intensifying between different companies offering services for different types of insurance in order to meet the needs of the same customers;
- d. Fourth, competition in the insurance market is becoming stronger not only in the traditional form of competition - price (tariff), but also in non-price forms of competition.

The existence of these situations and their analysis allow us to study competition in the insurance market from a new, modern perspective. At the same time, it can provide practical assistance in identifying and describing new types of competition in the insurance sector in the current market conditions.

Literature Review

In the insurance sector, competition is understood as a set of factors that determine the choice of insurance products or services for the insured and potential customers of an insurance company, as well as the factors that determine the choice of customers. From the

Citation: Turgunmirzaev, A. Developing Forms of Competition in The Insurance Field: Theory and Practical Aspects. Central Asian Journal of Innovations on Tourism Management and Finance 2025, 6(3), 1083-1090.

Received: 30th May 2025

Revised: 14th Jun 2025

Accepted: 25th Jun 2025

Published: 4th Jul 2025



Copyright: © 2025 by the authors. Submitted for open access publication under the terms and conditions of the Creative Commons Attribution (CC BY) license (<https://creativecommons.org/licenses/by/4.0/>)

point of view of insurance products and services, traditional competition is carried out based on the price of insurance products (tariff rate) and non-price factors. The insurance tariff or the price of an insurance product with identical conditions serves as a price factor for its competitiveness (Danisov (2014), Vasilenko (2011)).

According to Platonova (2023), competition is a process that occurs between suppliers of insurance services for the consumer on a number of parameters: speed of service, price, quality of service. This process can work both to the benefit of the market and to its detriment, depending on the established rules of the market. In some cases, competition can lead to “price wars”, increased reputational risk, or the adoption of risk-taking strategies by participants to maintain their customer base and profitability.

Researchers Tsyganov and Bryzgalov (2014) in their study argue that the specific features of the current development of the modern insurance market, the convergence of financial services, incomprehensible consumer behavior, a high share of sales through intermediaries, and imperfect regulation of financial markets lead to the emergence of new types of competition. They argue that in the absence of traditional tariffs and prices in the insurance market, inter-industry, sales channel, and inter-type competition are emerging and intensifying.

Researcher Abdurakhmonov (2018-2024) also conducted research on the digitalization of the insurance industry, expansion of sales channels, regulation of the industry, development of competition, development of modern insurance products, and the positive impact of innovative insurance products on the insurance market and the industry.

2. Materials and Methods

During the research, the reasons for the emergence of new types of competition in the development of the insurance industry, their theoretical and practical foundations, and scientific literature were studied. Logical thinking, scientific observation, and a systematic approach were widely used, and conclusions were drawn based on empirical research on the topic.

3. Results and Discussion

To identify new forms of competition in the insurance services market, it is important to analyze the subjects of competition, that is, organizations that compete for potential insurance companies with certain interests, which we present in Figure 1.

Based on the analysis, we can conditionally divide competition in the insurance services market into two large groups. The first is intra-market competition (within the insurance market), when competition for the client occurs between insurance companies (or divisions of one company), and the second is inter-market competition, that is, when competition occurs between insurance companies and other financial institutions.

If we consider the nature of the classification by the subject of competition, then intra-market competition can be divided into inter-insurance and mono-insurance (competition within one company, between its divisions). By subject of competition, inter-market competition is divided into financial (between insurance and financial companies) and non-financial (between insurance and non-financial companies).

Interinsurance competition, that is, competition for customers between insurance companies, can be traditional, channel and cross-species. Mono-insurance competition is possible only in conditions of channel and cross-species competition.

Each type (subtype) of competition in the insurance market is traditionally divided into price (tariff) and non-price types.

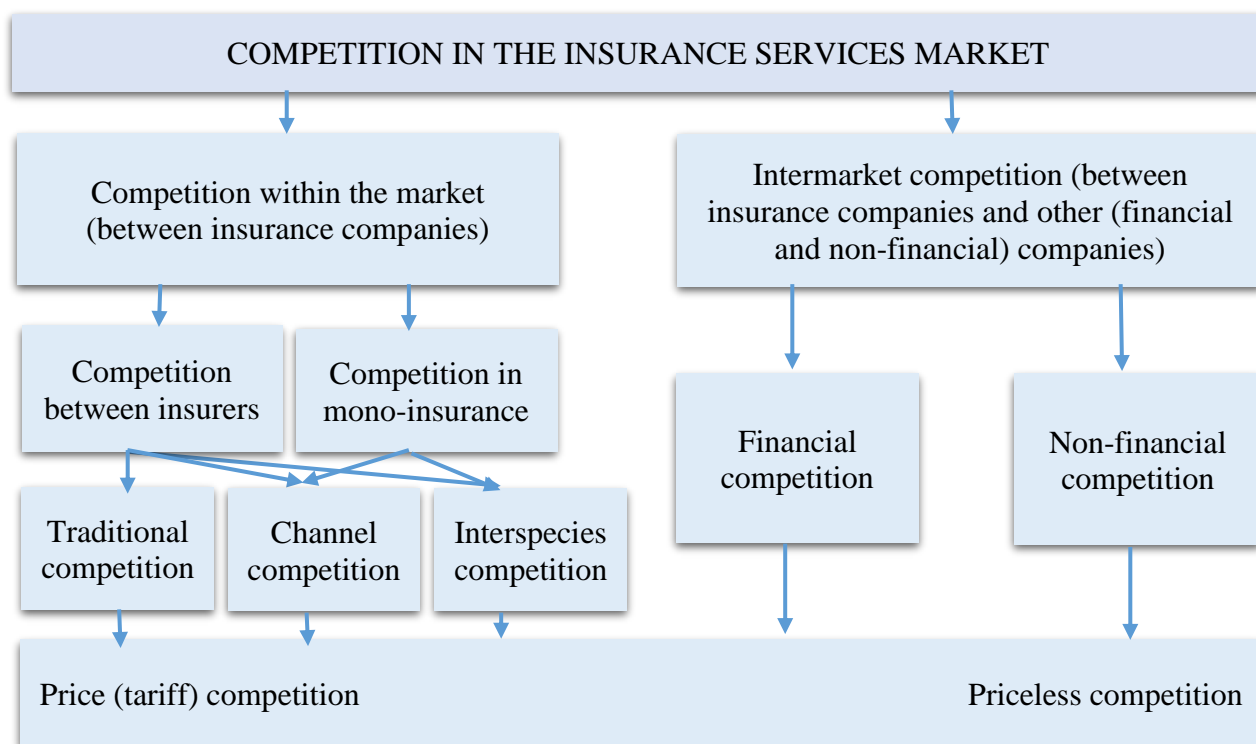


Figure 1. Competition in the market of insurance services generalized classification.

Taking into account the traditional concept of competition, competition in the insurance market can be understood as competition between insurance companies or between insurance and other (financial, non-financial) companies or between divisions of one insurance company by providing customers with better prices or non-price conditions.

The reasons for the emergence of traditional competition were formulated by A. Smith (1895) (not only for the insurance market, but for any market). The founder of the Western economic school explains competition as a force that, through supply and demand, brings the market to an equilibrium point, that is, “the sum of the advantages and disadvantages of various uses of labor and capital.” Thus, if there is an insurance market, there will certainly be traditional competition in it.

At the same time, the classical and neoclassical economic schools, in studying competition issues, proceeded from the actions of consumers, including the actions of consumers of insurance services. The main features of the rational behavior of the consumer of insurance services are:

- a. the advantages and constancy in choosing insurance;
- b. the ability to obtain and use all information;
- c. the ability to make the same decisions at different times;
- d. economic expediency or suitability, that is, the ability to make a decision taking into account the most favorable conditions for a particular economic entity.

Modern research shows that the actions of consumers who do not have special financial training in financial markets do not fully meet the main features or criteria of rational behavior in four important respects.

First, consumers, although they have a need to carry out some financial transactions, do not know which of them are suitable for them. For example, when “saving or increasing money,” they do not know the advantages of a bank deposit or investment life insurance policy or which one to choose.

Secondly, the lack of choice among consumers is largely due to the lack of sufficient information about these financial services.

Thirdly, decisions on choosing a financial service in different periods of economic development are different (during a crisis - deposits in foreign currency in reliable banks, and during growth - other financial instruments).

Fourthly, the choice of financial services is often made not based on personal analysis, such decisions are made under the influence of recommendations (acquaintances, other "advisors", etc.).

The behavior of economic entities in financial markets is characterized by instability, which is characterized by the lack of sufficient information and information asymmetry or illogicality. In this case, decision-making is carried out as a result of various recommendations and "mass action".

It is precisely the illogical behavior of the consumer of financial, including insurance, services, the high transaction costs of the consumer in collecting and analyzing information that create the institutional foundations for the emergence of other types of inter-market, channel and inter-type competition in the insurance services market, first of all.

Based on the above, let us dwell on their main economic and theoretical foundations.

Traditional competition. Traditional competition in the insurance market can be understood as competition between two or more insurance companies for the insured under similar conditions of delivery by type of insurance and sales channel. This is a form of intra-market competition. Traditionally, traditional competition is divided into price (tariff) and non-price competition.

In the field of traditional competition, price (tariff) and non-price or non-price competition are more pronounced. For other types of competition in insurance (channel, inter-type and inter-market), price (tariff) and non-price competition have their own characteristics.

Channel competition

Channel competition in the insurance market includes competition between insurance companies for customers, taking into account the characteristics within a particular sales channel, or competition between different sales channels for customers between sales divisions of insurance companies.

Channel competition is characteristic of inter-insurance and mono-insurance competition. Inter-insurance channel competition is manifested in the form of competition between insurance companies, taking into account the characteristics of one or different sales channels.

Mono-insurance channel competition occurs within the framework of one insurance company in the form of sales through the insurer's own sales channels or sales through various intermediaries (competition between different sales channels of one insurance company).

Interspecific competition

Interspecific competition is competition between insurance companies or between sales divisions of a single insurance company that use different types of insurance to satisfy the same need for insurance protection. The following factors contribute to the emergence of interspecific competition:

- a. Illogical actions of a consumer (client) who does not have sufficient knowledge or information to correctly identify and choose an insurance service.
- b. Imperfection of the insurance market, which leads to the use of different types of insurance to satisfy similar needs.

Intermarket competition

Intermarket competition in the insurance market means competition between insurance companies and other companies that are not subjects of the insurance market for consumers of insurance or non-insurance services with similar consumer characteristics.

Inter-market competition by insurance entities can be classified into financial competition, i.e., competition between insurance companies and financial organizations, such as banks, investment companies, non-governmental pension funds, microfinance organizations, and non-financial competition, i.e., competition between insurance companies and clinics, automobile clubs, and other organizations for their clients. Also, depending on the reason for the emergence of inter-market competition, it is divided into competition in the choice of risk management mechanisms and competition arising from the illogicality of consumer behavior.

In the process of developing a development strategy and tactical plans for its implementation, insurance companies should take into account the positive and negative impact of new types of competition on the insurance market as a whole and on the activities of individual companies.

The positive impact of traditional competition on the insurance market depends on the most efficient allocation of funds of policyholders and other consumers of services to meet their needs to the maximum extent (in terms of price, volume, quality and other characteristics), including the most efficient allocation of resources to insurers or other companies with the lowest business costs. Such an impact is characteristic of channel, inter-type and inter-market competition.

It is important to consider the positive and negative aspects of the impact of new types of competition on the market separately.

Table 1. Analysis of the positive and negative impact of new types of competition on the insurance market.

| Effect of exposure | A new type of competition | Exposure feature |
|------------------------------------|---------------------------|--|
| Positive impact | | |
| Emergence of new customer segments | Intermarket competition | The emergence of new segments of potential policyholders due to other markets |
| | Channel competition | Choosing a sales channel that is a priority for the consumer situation |
| Independent control body | Interspecies competition | Choosing the optimal type of insurance based on the consumer's property or economic situation |
| | Intermarket competition | Optimizing the use of the "right" (effective, preferred) service in terms of consumer characteristics |
| Negative impact | | |
| Monopolization | Channel competition | The possibility of monopolizing or oligopolizing certain trade channels |
| | Channel competition | A slowdown in collections through any sales channel due to reallocation of rewards to other channels |
| Stability | Interspecies competition | Reduction of premiums by redistribution of premiums for a certain type of insurance to a competitive type of insurance |
| | Intermarket competition | Reduction in premiums for certain types of services due to consumer preference for non-insurance services |

| Reduction of influence of traditional competitiveness factors | Channel competition | The influence of internal (channel) factors of competitiveness |
|--|----------------------------|---|
| Loss of image | Intermarket competition | Negative image processes in relevant markets that compete with insurance can negatively impact the insurance market |
| | Channel competition | Problems with intermediaries such as brokers can negatively impact the insurance industry |

The use of modern digital technologies leads to the emergence of new tools for the competitiveness of insurance products. Analysis of the offers of leading insurance companies allows systematizing digital factors of competitiveness for the following business processes (after the conclusion of insurance contracts):

- a. Online communication processes with consumers of insurance products;
- b. Provision of services under the contract during the term of the insurance contract;
- c. Maintaining information on changes in risks during the term of the insurance contract;
- d. Resolving claims for losses.

Online communication between consumers of insurance products and insurance companies can be carried out by creating personal accounts for policyholders (insured persons) or representatives of employers in corporate insurance. Personal accounts are used to eliminate problems that may arise for consumers of insurance products (claim compensation, prompt exchange of opinions, renewal of insurance contracts for existing insurance products), provide advice and comprehensive support. It is distinguished by the fact that it provides a lot of convenience to the parties, especially in terms of resolving claims through a personal account, especially for personal types of insurance, submitting applications, and uploading supporting documents for settlements.

4. Conclusion

The modern development of the national insurance services market has its own characteristics, including the convergence of financial services, consumer behavior, a large share of sales through intermediaries, and the underdevelopment of the financial market regulation system, which are leading to the emergence of new forms of competition.

In addition to traditional price (tariff) and non-price competition, trends in the development of inter-market, channel, and inter-type competition are also noticeable in the insurance market.

Inter-market competition is competition between insurance companies, as well as financial and non-financial organizations, in the struggle for potential customers. It is carried out, like traditional competition, through price (tariff) and non-price competition methods.

Channel and inter-type competition is mainly manifested in the form of price (tariff) competition, since non-price factors can have a much smaller impact than traditional and inter-market competition.

Insurance companies should take into account the characteristics of new types of competition in the insurance market when developing their development strategies and agile marketing plans. Particular attention should be paid to minimizing the negative effects arising from new forms of competition. For example, the stability of premiums collected for a particular type or sales channel, prevention of monopoly of certain channels, reduction of negative image effects, and preservation of the influence of traditional competitive factors are important.

National insurance companies should also thoroughly study their main competitors in their related markets and areas that are a source of inter-market competition, as well as positively assess changes that may affect the insurance market. Failure to pay attention to these issues can lead to the disappearance of market segments.

The transfer of business processes of insurance companies to digital technologies is leading to the emergence of new digital factors in competition, streamlining the processes of communication with consumers, providing services during insurance contracts, and considering claims.

At the same time, the further development of digitalization in the insurance industry is leading to increased competition among insurance companies in digital sales channels.

REFERENCES

- Denisov, S. L. (2014). Dumping in insurance. *Bulletin of Maykop State Technological University*, (4), 63–66.
- Vasilenko, E. (2011). Features of competitiveness analysis of insurance products and services for the purposes of forming a competitive strategy. *RISK: Resources, Information, Supply, Competition*, 212–215.
- Platonova, E. (2023). Competition in the insurance market: Factors and trends. *SST*, 4(99), 37–41.
- Tsyganov, A. A., & Bryzgalov, D. V. (2014). New forms of competition in the Russian insurance market. *Financial Journal*, 3(21), 141–149.
- Abdurakhmonov, I. (2020). Regulation of the insurance market and implementation of effective mechanisms of prudential control. *International Finance and Accounting*, 2020(2), Article 10. <https://uzjournals.edu.uz/interfinance/vol2020/iss2/10>
- Abdurakhmonov, I. (2020). Methods and approaches to evaluating the insurance industry efficiency. *International Finance and Accounting*, 2020(3), 7.
- Abdurakhmonov, I. (2020). Impact of insurance services on the development of real sector enterprises. *International Finance and Accounting*, 2020(6), 7.
- Abdurakhmonov, I. (2022). Prospects for the use of digital technologies in the insurance sector. *Finance and Banking*, 8(1), 95–99. <https://journal.bfa.uz/index.php/bfaj/article/view/82>
- Abduraxmonov, I. (2022). Trends in the formation of insurance sectors. *Finance and Banking*, 8(3), 60–67.
- Abdurakhmonov, I. (2020). Prospects for applying new marketing technologies in the insurance industry. *International Finance and Accounting*, 2020(4), Article 6. <https://uzjournals.edu.uz/interfinance/vol2020/iss4/6>
- Abdurakhmonov, I. Kh. (2023). *Conceptual foundations for the development of insurance branches in the Republic of Uzbekistan* [Doctoral dissertation abstract]. 78 pages.
- Abdurakhmonov, I. Kh. (2022). New forms of competition in the insurance sector: Theoretical foundation and economic analysis. *Finance and Banking*, (2), 145–150.
- Abdurakhmonov, I. Kh. (2022). Prospects for applying digital technologies in the insurance sector. *Finance and Banking*, (1), 95–99.
- Abdurakhmonov, I. Kh. (2020). Prospects for the use of new marketing technologies in the insurance sector. *International Finance and Accounting*, (4), 1–10.
- Abdurakhmonov, I. (2024). Insurance market: Current state and development trends. *Economic Development and Analysis*, 2(4), 309–319.
- Abdurakhmonov, I. Kh. (2024). Assessment of efficiency in the insurance sector. *TADQIQOTLAR.UZ*, 37(6), 161–167.
- Abdurakhmonov, I. (2024). Prospects for the development of the insurance sector. *Nashrlar*, 2(D), 12–15. <https://doi.org/10.60078/2024-vol2-issD-pp12-15>
- Abdurakhmonov, I. (2024). Unknown risks of the digital economy. *Economic Development and Analysis*, 2(7), 230–239. <https://doi.org/10.60078/2992-877X-2024-vol2-iss7-pp230-239>

- Tsyganov, A. A., & Bryzgalov, D. V. (2014). New forms of competition in the Russian insurance market. *Financial Journal*, (3), 141–149.
- Smith, A. (1895). *An inquiry into the nature and causes of the wealth of nations* (Vols. 1–2). Moscow.