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Analysis of Cross-Sectoral Products in the Insurance Market

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Abstract: Insurance markets play a crucial role in protecting against socio-economic, natural, and technological risks, while supporting economic stability. The emergence of financial convergence has led to the development of cross-sectoral insurance products, integrating elements from banking, stock market, and pension sectors, particularly in developed countries. Although such hybrid products have demonstrated effectiveness in risk diversification, customer base expansion, and innovation, limited research addresses their specific advantages, implementation challenges, and adaptation in developing markets. This study aims to analyze the theoretical and practical foundations of cross-sectoral products in the insurance market, examining their advantages, problems, and potential for wider application. The findings reveal that cross-sectoral products enhance competitiveness, profitability, and market stability by combining multiple financial services within a single offering, while also facing sensitivity to interest rate fluctuations, competing investment products, and sector-specific crises. The research highlights that their adoption in developing countries is driven by increased financial literacy and evolving consumer needs. This study provides an integrated conceptualization of the insurance market as a financial segment trading not only traditional insurance products but also hybrid offerings with mandatory insurance coverage, reflecting the sector's functional transformation under financial convergence. The results underscore the potential of cross-sectoral products to diversify risks, stimulate demand, and strengthen the resilience of insurance companies in the face of global financial instability, offering strategic insights for market adaptation and product innovation.

Keywords: risk, insurance, insurance products, underwriting, business processes of an insurance company

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1. Introduction

Insurance markets are a fundamental component of national and global financial systems, serving as mechanisms for protecting individuals, businesses, and governments against socio-economic, natural, and technological risks. In developed economies, insurance functions not only as a safeguard for property and income but also as a stabilizing force that supports economic growth and resilience [1]. Recent decades have witnessed an increasingly dynamic and complex insurance environment shaped by globalization, technological advancement, and heightened risk factors, including geopolitical instability. Within this evolving context, insurance companies are compelled to innovate and adapt their business processes, particularly in underwriting, to meet changing market demands and maintain competitiveness [2].

One of the most significant developments in this transformation is the emergence of cross-sectoral insurance products, a result of financial convergence. This phenomenon involves the integration of services and products from different segments of the financial market such as banking, stock markets, and pension systems into hybrid offerings that provide comprehensive financial solutions. These products are designed to enhance customer convenience, diversify risks, and create new revenue streams for insurers. Theoretically, the concept of financial convergence aligns with competitive strategy and market integration theories, where combining sectoral strengths enables firms to offer value propositions unmatched by traditional single-sector products [3].

Despite their growing presence in developed countries, the diffusion of cross-sectoral insurance products in developing economies remains limited. Existing studies, such as those by Sadikova and Korobeinikova and Druk, have focused on their macroeconomic importance, risk protection roles, and structural challenges in global markets. However, there is a lack of targeted research that examines the specific operational, regulatory, and cultural barriers to their adoption in emerging markets. Moreover, few studies offer a comparative analysis of the advantages and constraints of these products across different economic environments, leaving a gap in both theory and practice [4].

To address this gap, this study applies a qualitative methodology grounded in literature review, comparative analysis, and logical reasoning to explore the characteristics, benefits, and challenges of cross-sectoral products in the insurance market. The research synthesizes theoretical foundations with empirical observations to analyze how financial convergence is reshaping the functions and competitive dynamics of the insurance sector [5]. By examining product structures, distribution channels, and adoption patterns, the study seeks to identify both the potential and the limitations of these offerings, especially in the context of developing markets with evolving consumer behaviors and regulatory frameworks [6].

The findings indicate that cross-sectoral products can substantially enhance competitiveness, profitability, and market stability by offering integrated solutions that appeal to diverse customer segments. At the same time, their sensitivity to interest rates, alternative investments, and crises in related financial sectors poses notable risks. These results have important implications for policymakers, insurers, and financial intermediaries seeking to expand market opportunities while managing systemic vulnerabilities. Ultimately, the study contributes to a deeper understanding of how hybrid financial products can serve as strategic tools for innovation and resilience in the modern insurance industry [7].

Literature review

The level of development of the insurance market is one of the few real tools that can influence the stabilization of the socio-economic situation of the country by attracting funds to the country's economy [8].

In recent decades, the development of the world economy has been characterized by an unprecedented increase in risks due to increased geopolitical tensions, which has an uncertain impact on national insurance markets. On the one hand, this contributes to the increase in the importance of this segment of the financial market for the economy, which leads to an increase in demand for insurance services. It is undoubtedly insurance that provides protection against risks at both the micro and macro levels [9].

The global insurance market is facing global challenges. Economic instability, increased regulatory requirements, natural hazards, and declining investment returns are some of these factors. The growing challenges are leading to a change in the structure of the global insurance market. Increasing specialization, the transition of traditional types of

insurance to digital platforms, and the creation of new cross-sectoral products are determining the balance of power between the participating countries on a global scale [10].

Abdurakhmonov also outlined the current economic conditions of the insurance sector, its role in the economy, modern technologies used in insurance as a result of economic changes, modern insurance products sold in the insurance services market, methods of regulating the insurance market, the transformation of the insurance sector taking place over time, and the vectors of insurance development [11].

Research methodology

The methodology of this study is based on a comprehensive approach that integrates both theoretical and practical perspectives to analyze cross-sectoral products in the insurance market. The research relies on an extensive review of empirical and scientific literature, including works addressing the development of the insurance sector, the role of underwriting, and the mechanisms of financial convergence. Comparative and analytical methods were employed to examine similarities and differences between various cross-sectoral insurance products across markets, while logical reasoning and scientific abstraction were used to generalize findings and formulate conceptual conclusions. Inductive reasoning allowed for deriving theoretical insights from specific case analyses, and deductive reasoning ensured that these insights were tested against broader market conditions. The study also incorporated qualitative assessment of product advantages, limitations, and implementation challenges, supported by the synthesis of data from existing publications and industry reports. Special attention was given to identifying patterns in the emergence and diffusion of cross-sectoral products in both developed and developing countries, taking into account factors such as consumer financial literacy, regulatory frameworks, and distribution channels. This methodological framework ensured a holistic understanding of how financial convergence drives product innovation and diversification in the insurance sector, enabling a nuanced evaluation of the strategic and operational implications for market participants. By combining analytical rigor with contextual evaluation, the study provides a solid foundation for understanding the role of hybrid financial products in enhancing the competitiveness and stability of insurance companies under conditions of global financial uncertainty [12].

Analysis and results

The current conditions of the functioning of national insurance markets are characterized by constant instability in the global financial system, growing inflationary pressures and increased geopolitical tensions. Financial crises, which have been intensifying since the 1920s, have become a common occurrence in the last forty years. In the context of global financial instability, strict requirements are being imposed on insurance companies. Financial instability and crises require insurance companies to increase competitiveness and continue to improve all areas of their activities. Such circumstances lead to the emergence of financial convergence.

According to the research of Chernova, financial convergence is a mechanism of inter-sectoral competition in the financial market, the implementation of which is aimed at increasing the competitiveness of entities in one segment of the financial market by using the capabilities, characteristics and advantages of entities in other sectors of the financial market [13].

It is precisely as a result of financial convergence that cross-sectoral products began to appear in the insurance market. Such products are complex, hybrid products that combine the features of products from several sectors of the financial market participating in the convergence (insurance and banking, insurance and the stock market, insurance and pensions, or various combinations of all three sectors at the same time) (Table 1).

As a result of financial convergence, a functional transformation of the insurance market occurs, which performs not only the function of providing insurance protection in the event of adverse events, but also the functions of other sectors of the financial market. To date, the concept of the insurance market, existing in the scientific literature, in which the object of purchase and sale in this market is an insurance product, insurance service or insurance protection, does not fully reflect the essence of this concept in modern conditions, but rather the insurance market should be understood as a segment of the financial market, the object of purchase and sale of which is not only insurance products, but also a fairly wide range of financial (including hybrid, cross-sectoral) products, and their mandatory component is insurance coverage. It can be noted that cross-sectoral products are widespread mainly in developed countries (the USA, Japan and the European Union), due to the fact that their implementation requires a high level of insurance culture among consumers, high costs of launching the product on the market, and the presence of qualified financial advisors and intermediaries in the market. However, in recent years, there has been a tendency for cross-sectoral products to gradually enter the insurance markets of developing countries [14]. This is due to the consistent development of insurance services markets, the increase in financial literacy of the population of individual countries, as well as changes in the needs of the population (Table 1).

Table 1. Cross-sectoral products

Sectors of the financial market Product Product classification

Insurance and banking **Deposit insurance** **Deposit insurance** is a financial product that combines elements of a traditional deposit and insurance. This deposit is placed in a bank or other financial institution and is considered insurance to cover the risk of loss of funds. Unlike a regular deposit, insurance includes coverage for certain risks, for example, loss of funds as a result of the bankruptcy of a financial institution. Typically, deposit insurance is provided by a state insurance system or a private insurance company, which provides additional protection for the depositor. In some countries, deposits may be insured by the state for a certain amount, which guarantees the return of funds to depositors in the event of a bank bankruptcy or other unforeseen circumstances

Insurance and stock market **Investment Life Insurance** **Investment life insurance** is a financial product that combines traditional elements of life insurance and investments. Clients regularly pay insurance premiums, which provide not only insurance coverage, but also investment in various financial instruments. The main feature of investment life insurance is that part of the funds paid by the insurer is directed to investment in financial markets, for example, in stocks, bonds or other instruments, which creates the opportunity to receive additional income. Thus, along with insurance coverage, the insured has the opportunity to receive income from his own funds.

Insurance, stock market and pension sectors **Unit-linked life insurance** **Unit-linked life insurance** is a product that combines life insurance and investments. Unlike traditional unit-linked insurance, where savings are accumulated in the form of constant interest, in the unit-linked model, part of the payments is directed to investment funds, and their profitability depends on market conditions.

Pension insurance **Pension insurance** is a financial product that provides regular payments over a specified period or throughout the life of the insured person, with the amount of the payment varying depending on market conditions or investment returns.

This increases the opportunity for consumers to simultaneously receive a variety of financial services in one place, which significantly saves consumers' time and makes the product purchase process more convenient. Therefore, cross-sectoral products serve as an effective tool for stimulating demand for insurance and, as a result, increasing the

competitiveness of insurance companies and generating additional income. Hybrid products in the field of life insurance are a vivid example of such products.

In many European Union countries, they are primarily sold through banks, where banks present them as a profitable alternative to bank deposits, for which they receive large incentive commissions from insurance companies. As a result of selling life insurance products through banks, insurance companies achieve a significant expansion of their customer base and an increase in the volume of insurance premiums.

In addition, cross-sectoral products have the following economic and financial advantages, including:

First, risk diversification: cross-sectoral products can cover risks that cover several sectors, which reduces common (core business risks) risks for consumers and companies.

Second, customer base expansion: cross-sectoral products can combine the advantages of different sectors and attract customers from different sectors. For example, offering health or financial products with insurance protection to attract a wider customer audience.

Third, customer convenience: such products offer comprehensive solutions that save time and resources to customers who can receive several services or products in one offer.

Fourth, innovation and flexibility: cross-sectoral products often offer new approaches to solving problems, including innovative technologies and methods, which allows them to offer more flexible terms.

Fifth, increased competitiveness: companies offering cross-sectoral products can gain competitive advantages in the market by offering combined solutions that competitors cannot offer.

Sixth, increased profits: as a result of combining different products and services, it is possible to increase profitability by expanding the range of products and offers attractive to customers [15].

Seventh, market stability: such products help companies to be less dependent on fluctuations in one market sector and provide long-term stability, since the products have a wide consumer audience and a wide range of risks.

In general, cross-sectoral products differ from traditional products by offering more integrated and effective solutions that meet the needs of modern clients.

It should also be noted that, along with the above advantages, cross-sectoral products in the insurance market also have some disadvantages or a number of problems associated with their implementation. For example, the segment of such products is more sensitive to the influence of a wider range of factors than the segment of traditional insurance products. First of all, we can cite interest rates and prices of alternative products in other sectors of the financial market. An increase in the base interest rate turns bank deposits into an attractive investment instrument, which encourages customers to choose bank products. Cross-sectoral life insurance products also compete with products sold by stock market instruments and non-state pension funds.

Another problem of cross-sectoral products of the insurance market is its high sensitivity to crises that occur in other sectors of the financial market, in particular, in the fund and banking sectors, in the context of global financial instability.

Conclusion

The introduction of cross-sectoral products creates many opportunities for companies to expand market opportunities, increase competitiveness and increase profitability. These products not only allow them to attract a wider audience, but also improve the customer experience through integrated solutions that combine several areas. Diversification of risks and the introduction of innovations ensure the long-term stability of the business and adaptability to market changes. Thus, cross-sectoral products are an

important tool for a company striving for leadership and development in modern competitive market conditions. Based on the analysis conducted, we can conclude that cross-sectoral products in the insurance market are a promising tool for ensuring the competitiveness of insurance companies, as well as providing additional financial mechanisms to diversify this industry in conditions of international financial instability and smooth out sharp changes in the volume of insurance premiums during the crisis.

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