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CYBER RISK MANAGEMENT AND PROTECTION SYSTEMS IN INSURANCE COMPANIES

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Abstract. Cyber risks have emerged as one of the most significant threats to insurance companies worldwide due to increasing digitization, reliance on information systems, and online financial transactions. Effective cyber risk management is essential to ensure business continuity, protect sensitive data, and maintain customer trust. This study examines cyber risk management practices and protection systems in insurance companies in Uzbekistan, evaluates the role of IT infrastructure, regulatory frameworks, and organizational policies, and identifies key challenges in implementation. Using case studies, regulatory review, and comparative analysis with international best practices, the research highlights strategies such as cybersecurity protocols, risk assessments, employee training, data encryption, and incident response plans. Findings indicate that a proactive, multi-layered approach to cyber risk management improves resilience and reduces operational and reputational risks. The study concludes that integrating advanced cybersecurity technologies, robust governance frameworks, and continuous employee education is crucial for safeguarding insurance companies against evolving cyber threats.

Keywords: cyber risk, insurance companies, cybersecurity, risk management, IT infrastructure, data protection, incident response, digital security, Uzbekistan, regulatory compliance

Introduction

The growing reliance on digital systems in insurance operations has increased exposure to cyber threats, including data breaches, ransomware attacks, system failures, and fraud. Insurance companies are particularly vulnerable due to the sensitive personal and financial data they handle, including customer information, policy records, and payment details. Cyber incidents can lead to financial losses, regulatory penalties, reputational damage, and operational disruptions.

In Uzbekistan, the insurance sector is gradually adopting digital technologies, including online policy management, automated claims processing, and mobile applications. While these innovations improve efficiency and customer experience, they also create new vectors for cyberattacks. Therefore, developing comprehensive cyber risk management and protection systems is a strategic priority for insurers.

Effective cyber risk management involves identifying vulnerabilities, assessing potential impacts, implementing technical and organizational safeguards, training personnel, and establishing incident response plans. International best practices emphasize proactive monitoring, continuous improvement, and alignment with regulatory standards such as ISO/IEC 27001 for information security management.

This study aims to evaluate cyber risk management practices in Uzbekistan's insurance companies, analyze the effectiveness of existing protection systems, and propose strategies to strengthen cybersecurity and operational resilience.

Literature Review

Globally, cyber risk has become a core concern for the insurance industry. OECD (2023) stresses that cyber incidents can result in direct financial loss, regulatory fines, and long-term reputational damage. Swiss Re Institute (2023) highlights the importance of advanced

cybersecurity measures, risk assessment frameworks, and employee awareness programs to mitigate threats. The World Bank (2022) notes that emerging markets often face challenges in implementing comprehensive cyber risk management due to limited infrastructure and expertise.

In Uzbekistan, Abdullaev & Karimov (2022) underline that insurance companies need to strengthen IT governance, adopt encryption and multi-factor authentication, and conduct regular audits. Rakhimov (2023) emphasizes the role of regulatory compliance, employee training, and collaboration with cybersecurity specialists. Comparative studies show that insurance companies that combine technical solutions with organizational policies and continuous monitoring are better positioned to prevent, detect, and respond to cyber incidents.

Methodology

This research employs qualitative and analytical approaches. It reviews Uzbekistan's regulatory framework for cybersecurity and insurance operations, examines case studies of local insurance companies implementing cyber protection measures, and compares practices with international standards. Data sources include government regulations, company reports, academic studies, and reports from international financial institutions. The study evaluates IT infrastructure, risk assessment procedures, employee training, incident response plans, and regulatory compliance to assess the effectiveness of cyber risk management in insurance companies.

Results and Discussion

The analysis reveals that leading insurance companies in Uzbekistan have initiated cybersecurity measures, including secure networks, firewalls, encryption, access controls, and automated monitoring systems. Employee training programs on data protection and cyber hygiene have also been introduced. Some companies have incident response plans in place to mitigate damage in case of cyberattacks.

However, challenges remain. Many insurers still rely on outdated IT systems, which are vulnerable to attacks. Awareness and skills gaps among employees, insufficient funding for cybersecurity, and lack of standardized reporting practices limit the effectiveness of current protection measures. Regulatory oversight is evolving but requires more detailed guidelines specific to cyber risk management in the insurance sector.

International experience shows that effective cyber risk management requires a multi-layered approach, combining preventive measures, continuous monitoring, rapid response capabilities, and collaboration with cybersecurity experts. Additionally, digital risk assessments and scenario testing help identify vulnerabilities before exploitation. Integrating IT governance with corporate governance ensures accountability and continuous improvement.

Overall, the findings indicate that while progress has been made in cyber protection, Uzbekistan's insurance sector needs to adopt comprehensive, proactive, and standardized cyber risk management strategies to minimize operational, financial, and reputational risks.

Conclusion and Recommendations

Cyber risk management is critical for ensuring the operational resilience and reputation of insurance companies in Uzbekistan. Despite advances in digitalization and IT infrastructure, existing cybersecurity measures are not yet fully comprehensive or standardized.

Key recommendations include:

1. Implementing a robust cybersecurity governance framework aligned with international standards such as ISO/IEC 27001.

2. Upgrading IT infrastructure and deploying multi-layered protection systems, including firewalls, encryption, and intrusion detection tools.

3. Conducting regular risk assessments, penetration testing, and scenario simulations to identify vulnerabilities.

4. Developing comprehensive incident response and business continuity plans.
5. Strengthening employee training programs and promoting cyber awareness across all organizational levels.
6. Enhancing regulatory compliance with clear guidelines on reporting, data protection, and cyber risk management.
7. Encouraging collaboration with cybersecurity specialists, technology providers, and international partners to share knowledge and best practices.

By implementing these measures, insurance companies in Uzbekistan can effectively manage cyber risks, protect sensitive data, maintain operational continuity, and build trust with policyholders and stakeholders.

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