

The use of Digital Technologies in the Activities of Insurance Companies

Zakirkhodjayeva Shirin Akmalovna¹

Abstract

The relevance of the study is related to the accelerated pace of automation and digitalization of the economy, which open up new opportunities to increase the efficiency of insurance market participants. Such a process will allow reducing costs and increasing income in insurance organizations. The purpose of the work is to determine the current trends of digitalization penetration into the insurance market. The subject of the study is the processes of digitalization and consolidation of the insurance market.

The analysis of the peculiarities of the insurance market development in the conditions of digitalization is carried out and the prospects for further development are indicated. Over the past year, there has been an increase in the intensity of the development of Internet communication between companies and customers in the insurance market. There is an appearance of new insurance products, which is associated with the ability to collect more data about customers of insurance companies. The results obtained can be used to substantiate the ways of development of individual insurance companies, and the study may be of interest to practitioners.

Keywords: *digitalization, digitalization, insurance market, business process, online sale, marketplace, digital economy.*

¹ Associate professor of the Tashkent Financial Institute

1. Introduction

The development of the insurance market significantly depends on the introduction of new technologies of the digital economy. Their use can significantly improve the efficiency of many processes in insurance activities. The use of modern digital technologies and tools by insurance companies, as well as other business entities, allows them to improve the quality of insurance services by increasing the speed of decision-making at the stages of the insurer's business processes, the use of individual risk assessment, the development of new products that meet modern customer needs, and other factors. In many ways, the quality of the insurance service will be determined by the quality of its performance and the level of satisfaction of the client (policyholder) during the entire term of the insurance contract, that is, throughout the entire life cycle of the contract.

Today, the insurance industry is forced to pass at an accelerated pace the milestones that other industries have passed over the past ten years. All processes are digitized, metrics are created at all stages. This covers insurance production: the regulatory process, risk assessment, sales funnel, etc. There are also new opportunities related to the Internet of Things.

There are applied solutions that allow insurance to be more accurate, more focused on a specific risk, for example telematics in cars. Insurance will inevitably become digital, although most insurers still live in the "paper era" — forms and so on.

All industries are now forced to catch up with changes in consumer behavior. It used to be that we went to some branches, and paper forms did not frighten us, but on the contrary, added confidence to the company with which we worked. Now each of us is holding a smartphone in his hands, which he turns to almost every minute. If we want to purchase some insurance product, any other, then first of all we look not at paper, but at our mobile phone. And therefore, any company that is interested in being closer to the customer should be on the phone, one way or another.

Digitalization is the movement of user experience from offline to digital. In general, this is an organic process of development of society, although now it is taking place at a revolutionary pace. As a result, there is an active growth of online sales, the transformation of the interaction of suppliers with consumers of goods and services, an active growth in the popularity of financial applications, in particular the so-called "banks without branches". All this, along with digitalization in the public sector of our country, signals changes in the daily economy.

The insurance market of Uzbekistan strives to achieve a high level of digitalization. But it is important to understand that the process of digitalization has spread both to the internal business processes of companies and to external ones that directly concern customers.

On April 28, 2020, the President of Uzbekistan signed a decree "On measures for the widespread introduction of the digital economy and e-government". Thus, the share of the digital economy in Uzbekistan's GDP is planned to increase by 2 times by 2023, and the volume of electronic public services will increase to 60% by 2022.

Already, national insurance companies are more focused on developing simple and user-friendly interfaces for customers to make online purchases convenient and simple. The market is being transformed, and the development of online sales is dragging other sectors with it: more and more business processes, including internal ones, are being translated into numbers. In the near future, the number of voluntary insurance products sold online on the insurance market will only grow.

For an insurance company, digitalization is an opportunity to expand the coverage of the population, not to spend additional resources on offices and not to increase administrative costs,

which ultimately allows us to provide a better product to customers.

It is digitalization that will allow insurance companies to get closer to the client, create a highly competitive environment and ensure work with the population at a higher quality level

But, of course, when switching to digital, insurance companies have to face a number of difficulties. These are standard problems associated with the project of implementing integrated software, there are difficulties with the migration of old data and systems, with understanding the feasibility of digitalization.

Qualitative transformations of the insurance industry related to digital transformation and the development of IT infrastructure took place this year. Online insurance in Uzbekistan has been introduced since January 1, 2019 for compulsory insurance.

On October 23, 2021, the President of Uzbekistan signed Resolution PP-5265 "On additional measures to digitalize the insurance market and develop the life insurance sector." To ensure the fulfillment of the tasks set out in PP-5265 starting from July 1, 2022, all types (classes) insurance is carried out in electronic form, insurance policies for all types of insurance are registered in a Single automated information system, which is maintained by the Insurance Market Development Agency under the Ministry of Finance together with the Insurance Benefit Guarantee Fund, and starting from January 1, 2023, the practice of issuing insurance policies for all types of compulsory insurance on paper forms has been canceled.

Market players were preparing for the introduction of online insurance in advance, efforts were focused on the modernization of existing information systems and automation of business processes, the development of websites with online services, the creation of web services, mobile applications, integration with other industries.

In parallel with the preparation for the introduction of the electronic policy, issues related to the information security of websites and online services were resolved, since the widespread use of new digital technologies carries risks associated with cyber attacks, phishing, malware penetration, leakage of personal data and confidential information.

New digital products can become growth points both in terms of increasing sales and improving insurance services. In order for insurance to become personalized, national insurers have started launching mobile applications, online consultation services with chatbots in messengers, testing smart insurance technologies and the Internet of Things. Another tool of insur-techs (new technologies in insurance) - telematics (the field of computer science covering the field of telecommunications) in auto insurance, is used not only to control driving style and operational assistance in case of an accident, but also for a personal approach to tariff formation. National insurers have already tried to introduce telematics, but it has not caught on yet.

In addition, the insurance market is studying the use of drones for a preliminary assessment of vehicles when concluding a car insurance contract and assessing the damage caused in an accident. Similarly, smart technologies are applicable in property insurance (installation of security systems) and health (remote health assessment). The issues of using biometrics and identification of the policyholder are also being investigated.

Due to the increase in the theft of personal data on the Network and online attacks, as well as the electronic storage of a large data stream, cyber insurance products for legal entities, especially large companies, may become in demand.

According to a study on the digitalization of the insurance market, a smartphone is already the No.

1 device for Internet users for online shopping, paying utility bills, viewing content and even training. Digitalization also affected insurance products: insurance companies are increasingly offering to purchase their products online. At the same time, most of the online sales are still the merit of aggregators and marketplaces. In Europe, aggregator sites are one of the main sources of sales of digital financial products. According to a report by McKinsey & Company consulting company, in developed markets, more than 40% of all insurance premiums are generated by financial marketplaces, while the share of mobile traffic for market leaders exceeds 50%. Users are attracted by the opportunity to compare products of different companies comfortably and at a convenient time, analyze the pros and cons, and make the best choice on one site, even starting the choice from a smartphone, and completing the purchase from a personal account.

In global practice, marketplaces are the driving forces of digitalization in insurance. The insurance companies themselves appreciated the cooperation with the marketplaces: in fact, without making efforts to promote their product, but only paying the marketplace a reward after the transaction, you can get a constant flow of customers. Insurance companies can concentrate on their key activities — the development and improvement of insurance products and optimization of insurance claims settlement processes.

With marketplaces and partner sales through banking applications, insurers save resources on purchasing traffic, integration with affiliates, and setting up modern digital marketing tools. Taking into account the fact that it is expensive to attract traffic to your site, and you need to do it all the time, the cost of attracting one client for an insurance company would become sky-high, which would necessarily affect the price of the product for the consumer.

Now, in the historically main sales channels for insurance companies, the commission rate can reach 40-50%. And in order for products to be competitive, their prices should be within the average price offer, while the cost structures of insurance companies differ significantly depending, for example, on the level of customer service and representation in the regions. Obviously, the level of commission will decrease, and the ability to compare prices for insurance policies is a catalyst for this process. In any case, being represented in digital channels is the minimum homework for every insurance company that plans to survive the era of changing consumer habits.

It is obvious that digitalization is reflected positively in the insurance market due to the implementation of such digital projects that simplify the choice and interaction of the insurance company and the client. An important role is played by the authority of the aggregator brand, the specialization of the application on insurance, not on banking or other services, the priority of the client and his needs, and not the desire to sell insurance in addition to its core business. A simple price comparison will spur insurance companies to optimize the cost of attracting customers, thereby reducing the price of their products.

Electronic insurance was introduced earlier in the foreign insurance market than in Uzbekistan, but in general, domestic companies are on par with their foreign counterparts in terms of the development of digital technologies in insurance. According to experts, about 15-20% of insurance companies' budgets are allocated for the development of digital technologies. The financial benefit from the introduction of digital solutions is to optimize business processes, attract more customers due to competitive advantages, professional growth of the company.

To develop digitalization into the internal environment of an insurance company, it is necessary to perform the following:

- accounting and financial reporting, which includes the construction of compatible programs with the tax service, with
- insurance control bodies and, above all, with the Agency for the development of insurance activities of the Republic of Uzbekistan, allowing to consolidate branch reporting and generate reports for both supervisory and
- fiscal authorities;
- formation of a digital environment of the policyholder reflecting the available data about the subject and object of the policyholder, called an internal compatible service for the formation of a query environment and preliminary formation of the risk assessment of the policyholder with the involvement of external databases about the insured subject/object;
- formation of an internal insurance environment that unites the insurer and the policyholder according to the B2P principle or creates conditions when the policyholder-client is invited to comfortably form the necessary insurance product in an unobtrusive form to get acquainted with existing products with;
- formation of electronic document flow, which includes a set of both external and internal documents in case of confirmation of the operation by the policyholder by paying the invoice for insurance services;
- settlement of insurance cases, registration of a set of documents from the insurance company itself, as well as the formation of the history of the insured object or entity with the involvement of independent expert organizations confirming the actual event, accompanied by an expert examination, with the transfer of data to the insurance company in the unified insurance environment.