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Development of the Insurance Market in the Conditions of Digitalization

Obiddin Toshmurzaevich Yuldashev

candidate of economic science, associated professor of the department of “Insurance and Pension affairs”, Tashkent Institute of Finance

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.

Key words: business process, digitalization, digital economy, insurance market, marketplace, online sale.

The development of the insurance market significantly depends on the introduction of new digital economy technologies. Their use can significantly improve the efficiency of many processes in the insurance business. 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, applying an individual assessment of accepted risks, and developing new products that meet modern customer needs. and other factors. In many ways, the quality of the provision of insurance services will be determined by the quality of its performance and the level of satisfaction of the client (insured) during the entire period 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 in the past ten years. There is a digitization of all processes, the creation of metrics at all stages. This covers insurance production: the regulatory process, risk assessment, sales funnel, etc. New opportunities are also emerging related to the Internet of things.

Applied solutions are emerging that allow insurance to be more accurate, more focused on a specific

risk, such as 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. We used to go to some branches, and paper forms did not scare us, but, on the contrary, added confidence to the company with which we worked. Now each of us holds a smartphone in his hands, which he refers to almost every minute. If we want to purchase some kind of insurance product, any other, then first of all we look not at paper, but at our mobile phone. And so, any company that is interested in being closer to the customer should be on the phone, one way or another.

Digitization is the movement of user experience from offline to digital. In general, this is an organic process of the development of society, although now it is taking place at a revolutionary pace. As a result, the active growth of online sales, the transformation of the interaction between suppliers and consumers of goods and services, the 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 digitalization process has spread both to internal business processes of companies and to external ones that relate directly to customers.

On April 28, 2020, the President of Uzbekistan signed the Decree "On measures for the widespread introduction of the digital economy and e-government". Thus, the share of the digital economy in the GDP of Uzbekistan is planned to double by 2023, and the volume of electronic public services to be increased to 60% by 2022.

Already, national insurers have concentrated more on developing simple and user-friendly interfaces for customers to make online purchases convenient and easy. The market is transforming, and the development of online sales is pulling other sectors with it: more and more business processes, including internal ones, are being digitized. In the near future, the number of voluntary insurance products sold online in the insurance market will only grow.

For an insurance company, digitalization is an opportunity to expand 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 provide 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 implementation of complex software, there are difficulties with the migration of old data and systems, with understanding the feasibility of digitalization.

Qualitative transformations in the insurance industry regarding digital transformation and the development of IT infrastructure have taken 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 Decree PP-5265 "On additional measures to digitalize the insurance market and develop the life insurance sector". To ensure the fulfillment of the tasks set in PP-5265, starting from July 1, 2022, all types (classes) of insurance are carried out in electronic form, insurance policies for all types of insurance are registered in the Unified Automated Information System maintained by the Insurance Market Development Agency under the Ministry of Finance together with the Insurance Payments 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 modernizing existing information systems and automating business processes, developing websites with online services, creating web services, mobile applications, and integrating with other industries.

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

New digital products can become points of growth both in terms of increasing sales and improving the service in insurance. In order for insurance to become personalized, national insurers have begun launching mobile applications, online consultation services with chatbots in messengers, testing smart insurance technologies and the Internet of things. Another tool of insurtechs (new technologies in insurance) is telematics (a field of computer science covering the field of telecommunications) in car insurance, which is used not only to control driving style and prompt assistance in case of an accident, but also for a personal approach to tariff setting. National insurers have already tried to introduce telematics, but it has not yet taken root.

In addition, the insurance market is studying the use of drones for a preliminary assessment of vehicles when concluding an AutoKASKO agreement 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 the use of biometrics and the identification of the insured are also being explored.

Due to the growth of personal data theft on the Web and online attacks, as well as 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 learning. Digitalization has 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 the consulting company McKinsey & Company, in developed markets, more than 40% of all insurance premiums form 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 platform, even starting the choice from a smartphone, and completing the purchase already from a personal account.

In world practice, marketplaces are the driving force behind digitalization in insurance. The insurance companies themselves also appreciated cooperation with marketplaces: in fact, without making any effort to promote their product, but only by paying a fee to the marketplace after the transaction, you can get a constant flow of customers. Insurance companies can focus on their core business - developing and improving insurance products and optimizing claims settlement processes.

With marketplaces and affiliate sales through banking applications, insurers save resources on buying traffic, integrating with affiliates, and setting up modern digital marketing tools. Taking into account the fact that it is expensive to drive 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 level can reach 40-50%. And for products to be competitive, their prices must be within the range of 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 commissions 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 between the insurance company and the client. An important role is played by the authority of the aggregator's brand, the specialization of the application in insurance, and not in 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 customer acquisition costs, thereby lowering the price of their products.

In the foreign insurance market, electronic insurance was introduced earlier than in Uzbekistan, however, in general, in terms of the development of digital technologies in insurance, domestic companies are on a par with their foreign counterparts. According to experts, about 15-20% of the budgets of insurance companies are directed to the development of digital technologies. The financial benefit from the implementation of digital solutions is to optimize business processes, attract more customers through competitive advantages, and professional growth of the company.

To develop digitalization in the internal environment of the insurance organization, the following must be done:

- maintaining accounting and financial reporting, including the construction of compatible programs with the tax service, with insurance control authorities and, above all, with the Agency for the Development of the Insurance Market under the Ministry of Finance of the Republic of Uzbekistan, which allows consolidating branch reporting and generating reports for both supervisory and fiscal authorities;

- formation of the digital environment of the insured, reflecting the available data on the subject and object of the insured, called the internal compatible service for the formation of the request environment and the preliminary formation of the risk assessment of the insured with the involvement of external databases about the insured subject/object;

- formation of an internal insurance environment that unites the insurer and the insured according to the B2P principle or creates conditions when the insurer-client is invited to comfortably form the necessary insurance product in an unobtrusive way to get acquainted with the existing II products;

- formation of electronic document management, including a set of both external and internal documents in case of confirmation of the operation by the insured by means of payment of the invoice for insurance services;

- settlement of insured events, execution of a set of documents from the insurance company itself, as well as the formation of the history of the insured object or subject with the involvement of independent expert organizations, confirming the actual event, accompanied by an examination, with the transfer of data to the insurance company in a unified insurance environment.

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