



## Opportunities And Challenges of Implementing Digital Insurance Projects

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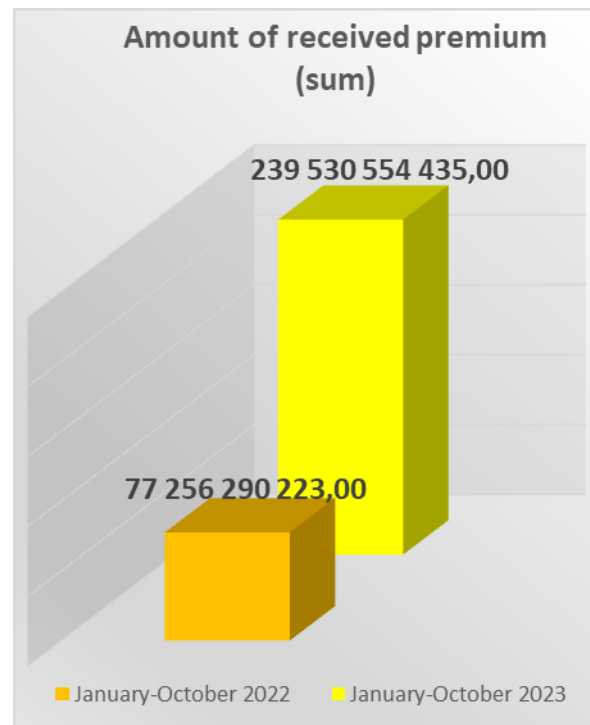
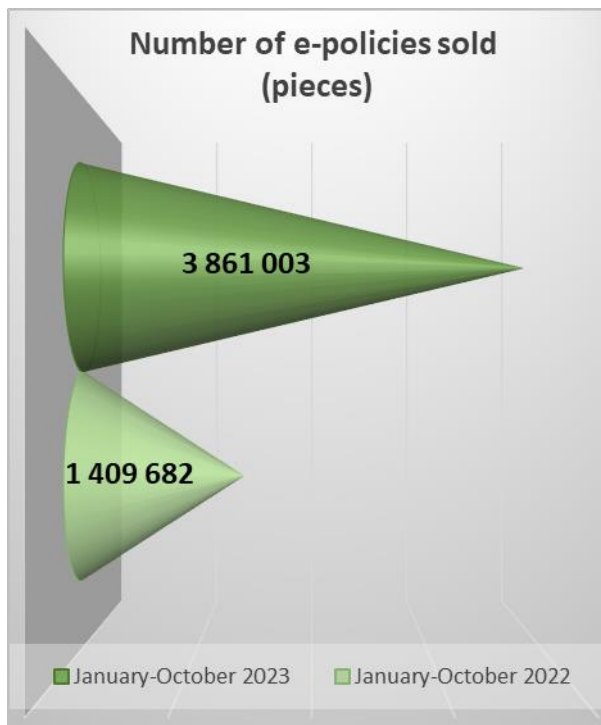
**Abstract:** *The modern global trend is characterized by the intensive development of digital technologies, the transformation of business models, and the influence of digital technologies on society, economy, and culture. Digitalization penetrates all areas of our lives, and insurance is no exception. The article discusses the global experience of introducing digital insurance and its potential for Uzbekistan—emerging opportunities and challenges entailed by digitalization. The research is based on analyzing scientific articles, reports, publications, and interviews with insurance experts.*

**Keywords:** *insurance market, electronic insurance service, digitalization, digital insurance, digital transformation, challenges, capabilities, cybersecurity, digital literacy, regulatory environment.*

### INTRODUCTION

In recent years, global trends in the insurance industry have pointed to the active development of digital insurance. Digital insurance is a part of insurance as a mechanism of insurance protection, manifested in unique economic relations due to the presence of insurance interests of enterprises and citizens and their satisfaction based on the formation of a specialized insurance fund. Insurance protection against specific risks inherent in the digital economy represents the first part of digital insurance. If earlier digital insurance included insurance for electronic risks of e-commerce, then in the conditions of the digital economy, cyber risk insurance, insurance of the Internet of Things (property of individuals and legal entities managed via the Internet), responsibility of artificial intelligence to third parties and other still hidden digital risks are becoming relevant. However, Uzbekistan is just beginning to master this new paradigm. Because the insurance market of Uzbekistan is the most minor "digitized" branch of the economy, [1] to transform the national insurance business and create a favorable environment for consumers, on October 23, 2021, President of the Republic of Uzbekistan Shavkat Mirziyoyev signed a resolution, according to which the process of phased transition of insurance products from paper to electronic form began (e-policy), and a unified automated information system for registration of insurance policies based on the car insurance accounting system has been developed and implemented. [2] This event, to some extent, was a trigger for accelerating the digital transformation of the insurance industry in

Uzbekistan, which can be traced in the growth trends of the e-policy for compulsory civil liability



insurance of vehicle owners in Figures 1 and 2. [3]

**Figure 1** – Growth dynamics of the sold e-policy in quantitative terms for the period January-October 2022 and 2023.

**Figure 2** – Growth dynamics of the sold e-policy in the total ratio for the period January-October 2022 and 2023.

Examples of scientific research on the introduction of digital insurance on the world stage help to better understand the prospects and challenges associated with digital transformation in the insurance industry. They provide valuable scientific findings and recommendations for insurance companies, regulators, and consumers to effectively use the possibilities of digital technologies and cope with the difficulties associated with introducing digital insurance. Below is a brief overview of some of the studies:

1. "Digital Transformation of Insurance Sector" – this study, conducted by Tonina Yaneva (2022), tells that today, the digital revolution is one of the most important factors of economic development and how Internet penetration and a dynamically changing business environment pose opportunities and challenges to the conservative insurance sector, arising from the need to –adapt to the digital economy.

2. "Digital Transformation in the Insurance Industry: Challenges and Opportunities" – this study conducted by Freedom & Faith Agency (2023) analyzes the impact of digital technologies on the insurance industry and identifies key challenges and opportunities associated with the introduction of digital insurance. The study is based on analyzing data from various countries and assesses the potential impact of digital innovations on the economy and consumers.

3. "Insurtech Revolution in the Insurance Sector" – this study, conducted by Salvatore La Barbera (2023) as part of an academic project to improve business processes, analyzes the impact of digital startups (Insurtech) on the insurance industry, methods of their implementation and interaction with traditional insurance companies.

4. "Digital insurance innovation: A systematic literature review and future research agenda" – in this article, the authors Huang Y., Zhao X., and Zhu Q. (2020) conducted a systematic review of the literature on innovations in digital insurance and identified the main directions for future research in this area.

5. "Exploring the impact of insurance on the insurance industry: A text mining approach" – in this study, authors Xu X., Zhang Y., and Xie J. (2019) applied text processing methods to analyze

the impact of insurance on the insurance industry, identified the main trends and challenges faced by insurance companies.

6. "Digital insurance services: Consumer adoption and intentions" – in this article, the authors Wang Y., Liu J., and Li D. (2018) investigated the adoption and use of digital insurance services by consumers and analyzed the factors influencing their intentions to use such services.

7. "The impact of mobile internet on insurance sales: An empirical study in China" – in this study, authors Liang X., Bi Z., and Huang Y. (2017) investigated the impact of mobile Internet on insurance product sales in China, analyzed the factors influencing the adoption of digital channels by customers to purchase insurance.

The prospects for implementing digital insurance projects are significant and extensive, as digital technologies open new opportunities for improving and optimizing insurance services. Here are some key prospects for the introduction of digital insurance:

- Improved access to insurance services: Digital technologies allow customers to obtain insurance policies, make insurance payments, and receive online consultations. This dramatically simplifies the process of interaction between policyholders and insurers.

- Personalized insurance products: Digital technologies allow you to collect and analyze customer data, their behavior, and needs, which in turn allows you to develop personalized insurance products that meet specific customer needs.

- Improved risk assessment: Big Data analysis and the use of machine learning methods allow insurers to assess risks more accurately, which reduces the likelihood of losses and increases the effectiveness of insurance programs.

- Process automation: Digital technologies allow you to automate most of the processes related to insurance - from calculating premiums to settling losses. This increases the efficiency and accuracy of insurance transactions.

- Improved customer service mechanisms: Digital communication channels allow insurance companies to improve customer service, simplify communication processes, and increase customer satisfaction.

- Improved customer experience: Digital insurance offers more convenient and flexible conditions for customers. Online sales, instant payments, and the ability to manage policies through mobile applications – all make insurance more affordable and attractive to consumers.

- Improve efficiency and reduce costs: Digitalization of insurance processes allows you to automate many routine operations, reduce paperwork, and reduce customer service costs. This helps to increase the efficiency and competitiveness of insurance companies.

- The international experience of insurance digitalization shows that digital technologies have the potential to transform the insurance industry, making services more accessible, effective, and personalized for customers. In order to implement the Presidential decree and successfully transition business processes to the path of automation and digitalization, the insurance market of Uzbekistan began to attract international consultants to apply their experience of transformation in their activities. Since the introduction of a policy as a civilized solution to social issues and the digitalization of the country, taking into account international experience in the introduction of online insurance is the right decision of the government. [4]

- However, the introduction of digital projects in the insurance sector presents both new opportunities and significant challenges for insurance companies. Here are a few key challenges they face in this process:

- Cybersecurity: The transition to digital technologies increases the threat of cyber-attacks and data leaks, which requires insurers to strengthen cybersecurity measures and protect customer privacy.

- Overcoming legacy systems: Many insurance companies face the problem of outdated information systems and processes, which makes it difficult to successfully implement digital projects and requires significant investments in updating them.

- Changing customer needs: Digitalization leads to changing customer expectations and needs, requiring insurance companies to create new digital service channels, personalized products, and improved customer experience.

- **Development of new products and services:** The introduction of digital technologies often requires the development of new insurance products and services, such as cyber risk insurance, smart devices, IoT technologies, and drones, which require flexibility and innovation from insurers.
- **Big data analysis:** Processing and analyzing huge amounts of data obtained from various sources allows you to make more accurate risk forecasts but also requires insurers to develop analytical competencies and infrastructure.
- **Digital transformation of business processes:** The introduction of digital projects requires a review and modernization of business processes, including automation, efficiency improvement, and operational improvement.
- **Cultural and psychological barriers:** There is a preference for traditional insurance methods in society, which may make it difficult to adopt digital insurance products. Information campaigns and educational programs should be conducted to increase awareness and trust in digital insurance.
- **Legislative and regulatory aspects:** The development and implementation of appropriate legislative and regulatory mechanisms is an important factor in the successful development of digital insurance.

It should be borne in mind that digitalization entails, in addition to improving the quality of services and expanding the range of insurance services provided, increasing the vulnerability of the country's insurance market to external and internal cyber threats. First of all, this is the presence of vulnerabilities in the system, the possibility of data leakage, and unfair and fraudulent actions as a result of cyber-attacks. [5]

In January-October 2023, the volume of insurance services in Uzbekistan reached 5,873.0 billion soums. Compared to the same period last year, the growth rate was 118.2%. In January-October of this year, the largest volume of insurance services was recorded in the city of Tashkent – 4 110.5 billion soums. [6]

One of the important aspects of the development of digital insurance in Uzbekistan is the use of mobile applications for registering insurance policies, obtaining consultations, and submitting service requests. This makes the process of interaction between insurers and customers more convenient and efficient. In addition, there is an increasing interest in digital technologies in the processes of risk assessment, policy management, and loss settlement. Big data, machine learning, and analytics help make insurance more personalized and tailored to customer needs. Uzbekistan is also witnessing the active development of technologies in the field of digital identification and online payments, which helps simplify the process of issuing insurance policies and interacting with customers.

For the successful digital transformation of the insurance business as a whole, I think we, as well as the Republic of Kazakhstan, should focus on the following three areas:

**Insurtech:** digital technologies that will facilitate the effective interaction of insurance companies with their customers in the provision of insurance services, which will allow the rational use of the time and financial resources of both parties. According to IBM research, 81% of the most successful insurance companies in the world have already invested or are cooperating with Insurtech projects. There are more and more such companies and projects every year. The insurance business is gradually moving online. [5]

**RegTech:** these technologies are designed to improve the efficiency of insurance market participants. For example, creating a complete database of insurance contracts will reduce the burden on insurance companies by reducing reporting. The integration of government databases will allow for a more complete and reliable risk assessment for each client (underwriting). A complete database will provide an opportunity for a comprehensive analysis of the entire market and the establishment of insurance tariffs at an adequate level. [5]

**SupTech:** automation of supervision of compliance with regulatory requirements by insurance companies. This will enable the supervisory authority to respond promptly to negative factors in the activities of insurers. Thanks to SupTech, the effectiveness of the supervisory authority will increase, which will ultimately ensure that the rights of customers are protected at the appropriate level. [5]

Digital insurance presents great prospects for the development of the insurance industry in Uzbekistan. For successful implementation of digital projects in the insurance sector, it is necessary not only to develop infrastructure, technological competencies, and digital literacy through large-

scale information campaigns but also to actively adapt to changing customer preferences, develop innovative products, ensure data security, and strive for continuous improvement of business processes. Also, one of the key factors of successful digital transformation is the appropriate regulatory environment.

In general, digital insurance in Uzbekistan is at an early stage of development. Despite all the risks and challenges entailed by digital transformation, every year, there is an increase in the number of companies that introduce innovative technologies into the insurance sector, which indicates the potential for growth in this area in the future. Currently, one can see how technology is changing the preferences of people and society as a whole and how a new insurance culture is gradually forming, which also strongly screams that digitalization is the future.

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