

DIGITALIZATION OF THE INSURANCE MARKET

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ABSTARCT:

This article analyzes the digitization of the insurance market. The impact of digital technologies on the insurance sector and the trends of transformations in the insurance market are considered. In addition, the article discusses the insurance industry in the era of COVID-19. Based on the results of scientific research, a scientific conclusion was made.

KEYWORDS: Technological change, insurance industry, digital reality, Internet of Things (IoT), digital transformation, digital trends.

INTRODUCTION:

The insurance industry is one of the foremost competitive businesses and faces different challenges. These challenges are not fair caused by changing client desires and behavior or by the coming of 'disruptive' organizations from outside the industry, in spite of the fact that that's a developing concern for very a few time presently as well. While moderate to begin, the insurance sector has grasped computerized transformation—in huge portion due to modern competitors such as insurtech new companies and stage companies entering the field. About all the protections administrators in our study imagine a carefully changed industry five a long time from presently. The challenge for officeholders will be adjusting computerized administrations

whereas too keeping up the individual touch that's foundational to the industry.

Nevertheless, technological change is the finest utilize of mechanical powers to "re-examine" trade models, draw in clients to modern channels, and make users' basic involvement. Computerized change ought to begin from redesign of current innovation, numerous protections companies have actualized programs of center transformation. Technological change makes a difference guarantees set foot within the advanced time by utilizing essential computerized contact, digitalizing reports, in putting information online, applying versatile administrations and alike.

COVID-19 ought to have fundamental suggestions for the money related circumstance of protections arrange companies. The cost of insurers' contributed resources has been affected with the help of instability (and bland decays) in value markets and alterations in bond yields related to changing corporate and specialists default peril and lower action rates.

WHAT IS DIGITAL REALITY?

Computerized reality permits clients the chance to exchange and extricate esteem from information, possibly in already obscure ways. It is rowdy capacity in adjusting, be that as it may, individuals relate to information—and any other—may have as it were started to journey for discourse. Generally, since the 70's, a genuine move shows up to have taken put inside

the innovation industry. Digital reality permits the consistent utilize of computerized information to create choices in real-time as it carry out errands. The three essential components that reinforce digital reality are as follows:

Source of information:

The method begins at the point where data is delivered, bringing us past the region of immaculate advanced reality and into another associated innovation, the IoT.

Method of introduction:

Data over-burden can befuddle clients, which may lead to destitute comes about. The points of interest given ought to be satisfactory, but not intemperate, depending on the complexity of the application.

Interaction with and use of data to guide action:

Even the right data delivered in the right manner would be of no use if it did not generate meaning. Digital reality not only makes it possible to view digital content, but also to manipulate it in increasingly natural ways (Deloitte insights, 2018).

Digital reality highlights bodily experiences in relation to digital technologies in everyday life. It explores our interplay with digital technologies to heighten our awareness, sensitivity and responsiveness to the bodily aspects of screen-based experiences. In digital reality, the body and digital technologies are regarded as phenomena that appear to the senses. Importantly, social and cultural conventions filter and shape our perception of phenomena such as smartphones, handsets, tablet computers and so forth. However, digital reality also considers how our active bodily interplay with digital technologies goes beyond staring at screens with our “urban eyes” (Chan, 2020). Digitalization is designed to

fundamentally change the financial and insurance environment, impacting all activities that make up the entire insurance value chain, from product development to pricing/underwrite. Every player in the insurance industry is called upon to face and act in a macroeconomic context in which InsurTech start-ups, young companies that pursue technology-driven business models, are expanding rapidly. The focus of these new entrants has shifted from pure software solutions to activities that clearly compete with those of insurance companies and brokers ting, sales and delivery, policy and claims management, and asset and risk management. The faster the insurance business adapts to and integrates with the new digital innovation, the more likely it is that traditional insurers will survive as the market context changes rapidly and is driven by technology (Cappiello, 2020).

The effect of digital technology on the insurance sector:

Technology is the key to the insurance sector for its evolution and overall growth. It not only adds value to the industry, but also directs its future to some extent with the changing time and its requirements. Inventions and technology have their effects from influencing underwriting decisions to helping streamline business processes. The use of mobile devices, the Internet, GPS and other technical applications has played an important role in a number of ways. It has helped companies not only to conduct market research, market penetration and business promotion and market development, but also to provide after-sales service, understanding customer satisfaction. Data collection and data analysis of insurance companies has been made possible only 40 to 4 using various software and hardware.

Innovation, introduction and implementation of new technologies are

important drivers for change in the financial sector. This implementation of new technologies will lead to efficiency gains, although these changes may initially give rise to some uncertainties and doubts. This innovation was initiated to develop new technologies and this phenomenon has been described as FinTech. Financial services, which deals with intangible products so that technological innovations lower transaction costs and accelerate the delivery of services. The proliferation of technologies such as the recent proliferation of Internet connections, home computers and mobile devices and the development of applications have enriched the impact of the technology on insurance sector. New technology will lead to a new method of service delivery, as well as a greater ability to collect data (Ostagar, 2018).

The insurance industry has many opportunities to use technologies in typical areas such as telematics, IoT, predictive analytics and new business models such as pay-as-you-go (on-demand services).

Successful insurance companies use the data sources to be competitive in their industry. These companies manage their business-critical data centrally with a platform that they created themselves, or by using or working with the third-party providers. As insurance companies use these platforms, they leverage these platforms to take analytical insights from complex, unstructured and unused data sources into account for claims, including; Notes and diary records, transcriptions, photos, medical bills, sensors, geolocation events, weather events, and social media. Through the platforms, these insurance companies can generate the actionable insights needed to identify fraud, prevent damage leaks, and identify opportunities for passing on or cross-selling additional products. Combined with the real-time streaming data collection capabilities of these platforms, the most advanced insurance

companies want to come first through dynamic customer profiles and predictive analytics. The insurance sector is based on risk and reward estimation, and today many insurance companies do this with predictive analytics. Predictive analytics receives large amounts of data that are collected by insurers and used to accurately calculate the risk. However, good data is one thing. Knowing how to maximize availability is something entirely different. The right degree of standardization and the ready-to-use product capability to reduce the total cost of ownership are very important for insurers. As a result, many companies have bought modern "rules and tools" systems over the past five years. Most insurance companies try to expand these tools company-wide to leverage their investments (Deniz Guney Akkor, 2020).

Many insurance corporations have created the error in targeting digital services in a very point "point solution" approach as and once new technologies or new client demands/expectations are placed between on the existing infrastructure-overlaying rather than adopting a future proof approach. Making the choice to maneuver to a digitized infrastructure isn't any simple task and careful consideration of all the challenges across the end-to-end scheme must be undertaken (Wavestone, 2016).

Digital trends transforming the insurance market:

Digital world, is new for consumerists, opens a new generation where every commercial employer need to learn how to cope in order not to disappear. It includes the insuranceii19. Yet, to embark into the digital experience an organization that is closely regulated and historically formatted – like the insurance - is now no longer an accessible task. Stringent compliance, problematic crook requirement and systematic governance do now not assist innovation. Digital requires redefining

the traditional methods and open doors to reinvent itself.

Digital transformation is a time duration used so usually and variously that it is commonly misunderstood. The time length is brilliant described as capitalizing on the power of technology to revisit corporation models, collect customers to new channels and create crucial consumer experiences. Digital transformation in insurance industry requires an innovative commercial enterprise model that is focused on customer needs, greater related merchandise and services, emerging technologies and real-time data. Also customers increasingly more assume a near real-time relationship with the insurer for the submissions and claims and particularly for customer care. The importance of the digital transformation of the insurance plan industry can be:

- Insurance company's reliance on digital transactions is completed except the need to use paper in the income of files or the number of claims. Contracts can also be stamped with digital signatures. This known as on international corporations to set up a prison framework for e-commerce and to sign and pay electronically.
- As techniques pace up in order to furnish higher and faster provider to customers, it is logical to expect that the number of fraudsters or fraudulent claims that are not discovered by means of claims coping with will also increase. But science additionally helps in this area, generally except aggravating the patron trip.
- The extend in increase prices in the quantity of premiums or investments in the insurance sector, as nicely as the enhancement of the legislative surroundings of this sector leads to an increase in countrywide output (Radwan, 2019).

Although the present wave of latest technology investment focused first on improving customer experience and reducing

costs, it's now shifting to new business models. The increasing use of sensors, AI and machine learning in combination has affected the practices of loss anticipation and compensation, moving them towards more proactive risk detection, intervention and prevention. The chances already are often seen in health monitoring and alerts from wearable devices, which are now being built into health coverage. Further examples include the utilization of Internet of Things (IoT) technology to scale back property claims and control crop damage risk, deploying integrated real-time data from ground sensors, aerial surveillance and satellite imagery. The win-win is best outcomes for policyholders and lower risks and claims for insurers. In addition, in spite of the fact that insurers continuously have built their success on DT(digital transformation), advanced change and related changes in customer desires have increased data's esteem (PWC, 2019).

As with every other industry, insurance is becoming more technologically advanced (and some may say, disrupted) by the day. Though the transformation is far too slow. There are several reasons for this, but one which will or might not surprise you is that insurers are struggling to draw in and retain top-talent despite insurance being a multi-trillion dollar, high-growth industry.

In the last three years, insurtech funding has increased by 60% within the US (from US\$1.46 billion to \$2.44 billion consistent with CB Insights), while it's quite tripled in Asia (from \$140 million to \$506 million). This might seem impressive, but it's also necessary.

Insurance infrastructures are established in developed economies, which may be a double-edged sword. Companies are struggling to modernize complicated legacy systems and develop new ways of working (with a robust specialize in the customer) without sacrificing the old approaches that got them where they are today. In this area, new

players and corporations in developing economies are at a plus – they're ready to develop digital-first infrastructures that incorporate the newest technologies from the outset, without concerning themselves with making old, analog ways of working function during a new world. It's up to established insurance heavy-hitters to make sure they don't get left behind. It's no wonder that an important area for improvement has emerged - advancing human intellectual capital (Alexandra Sutton, 2020).

The insurance industry during COVID-19:

Coronavirus disease, scientifically reclassified as COVID-19, has assumed international pandemic proportions. It attained a pandemic recognition declared with the resource of the World Health Organization (WHO) on 11 March 2019. The state-of-the-art spread of the virus at a speedy cost compared to preceding pandemics has resulted in a total lockdown of nations, ban on travels, public gatherings and closure of offices. There has been global closure of corporations as well as the loss of jobs and lives. The everyday monetary nation of affairs is a global recession. In most instances, the insurance layout industry and governments all over the world have given up the beacons of hope to which human beings appear for rescue from entire annihilation. However, due to the fast increase in infection instances extended than the healing of infected people, the pandemic has overwhelmed many governments and financially weakened some insurance plan companies. The influence of the pandemic on the insurance plan enterprise is yet to be estimated and projected to provide an information for authorities and insurers for the simulation of future activities (Pius Babuna, 2020).

COVID-19 should have necessary implications for the monetary situation of insurance plan companies. The price of insurers'

invested assets has been impacted with the aid of volatility (and generic declines) in equity markets and adjustments in bond yields related to changing corporate and authorities default danger and lower activity rates. Insurers have been (or will additionally be) affected by way of modifications to their liabilities in the structure of altering claims experience. Claims extent may additionally decline in a quantity of strains of business as a result of commercial enterprise closures and stay at-home measures. However, in other traces of business, claims experience should deteriorate (e.g. health, death, cyber). For some lines of business, there is full-size uncertainty on the degree of eventual losses (such as property (with commercial enterprise interruption coverage), liability). Financial market stress, multiplied claims, decreased premium revenue as properly as policyholder surrenders ought to additionally lead to liquidity stress. Insurance supervisors are carefully monitoring the financial impacts of COVID-19 in three essential areas: changes in the cost of assets due to market movements; changes to the cost of liabilities due to the have an effect on of COVID19 on claims experience; and conceivable liquidity stress (OECD, 2020).

The effect on widely wide-spread insurers will differ depending on the merchandise and sorts of coverage offered by means of the insurers. The pandemic has taken a toll on new premiums on sure lines of business, such as travel, events, and alternate savings insurance, and losses from these strains of may additionally turn out to be significant. Other lines of commercial enterprise such as motor and domestic have remained tremendously stable.

Claims volumes for personal traces have radically lowered due to the lockdown. This is now not proper from a commercial enterprise continuity coverage standpoint as there has been a large volume of claims initiated; here, insurers need to pay close interest to viable

exclusions in the policies and government expectations for a non-legalistic, pro-consumer approach in assessing claims. In some incredible cases, GI insurers have offered credit and rebates to coverage holders due to restrictions. Operationally, GI insurers have replied pretty nicely in the initial phase of the crisis with most workforces working remotely. There have been some challenges with contact center operations and with third-party issuer services, even though these troubles have not been across-the-board. Those insurers that had developed digital capability have been in a better function to reply to consumer and middleman self-service and engagement needs. From an investment perspective, the volatility in financial markets has not but had a pronounced have an effect on GI insurers, in specific with authorities bonds having been relatively unaffected by means of the crisis (Deloitte, 2020).

CONCLUSIONS:

The computerized transformation has changed the way companies connected with customers, creating an environment where showcasing, data and innovation must work together. The transformation isn't as it were to meet the quick deals target but too to make a modern innovation stage for the arrange to create a long-term advanced conveyance channel towards multi-touch, multi-channel.

The access to client information through computerized innovation moreover postures a lawful issue for insurers that requires a lawful environment that has to be completed beforehand. But to begin with, the legitimate system to oversee and guarantee electronic exchanges must be total and strict to ensure the true blue interface of both protections companies and customers.

The new technologies can cause the risk of gadget failure, information loss, community attacks, which can lead to economic losses,

business interruptions and legit losses. Security breaches can lead to loss of personal facts - a fundamental situation for insurance shoppers.

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