



Features of Electronic Insurance in the Republic of Uzbekistan

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ABSTRACT:

The article examines the insurance system and its development prospects during the period of the use of digital technologies and e-commerce in the world and its features in the Republic of Uzbekistan.

Keywords: e-commerce, e-policies, digital technologies, insurance, customer identification

Introduction

The advent of e-commerce has had an impact on society, and it is because of this that it is easier than ever for people to buy and sell products and services without having to be physically present and do it in a certain place. And, as with anything new, inventing new ways to buy goods and services often carries some technical risks that may not have existed before the invention. Sellers using e-commerce elements can reach a global audience and are not geographically constrained as was the case with conventional retail, but the ability to expand the industry more than ever before also increases the responsibility of those behind this expansion. E-commerce is a unique industry, so it should come as no surprise that the risk profile in this industry is just as unique and diverse. The e-commerce industry is growing at an incredibly fast pace, which has become the reason for the emergence of new technology services. Insurance companies' strategy dictates the degree to which they are prepared for the many risks that can arise from such rapid industry growth. According to the latest research, e-commerce retail sales grew to \$ 4.058 trillion in 2020 and accounted for more than 14% of total global spending.¹

One of the main reasons the industry is growing so rapidly is that it is incredibly easy for any business to become a part of e-commerce. Even if an entrepreneur doesn't want to build their own e-commerce site, there are third-party companies like Amazon, Alibaba that provide you with a selling platform. There are risks that all parties to the transaction share and there are some risks that can be avoided. But the introduction of the Internet as a bridge between buyers and sellers and the new risks associated with the emergence of this infrastructure cannot be underestimated.

The functioning of e-insurance as an ecosystem requires identifying challenges for the insurance market in the context of COVID-19, which include:

- ensuring the continuity of business processes in the context of social distancing;
- ensuring the safety of employees and clients of insurance companies;
- creation of conditions for remote work of employees of the insurer, which implies their provision with appropriate technical means and technologies, allowing access to the necessary files and performing the necessary operations from remote locations;
- formation of new security protocols
- continuous operation of IT services to support remote work

¹ <https://news.un.org/ru/story/> Online sales make up one fifth of all retail sales - new UN report // official UN website

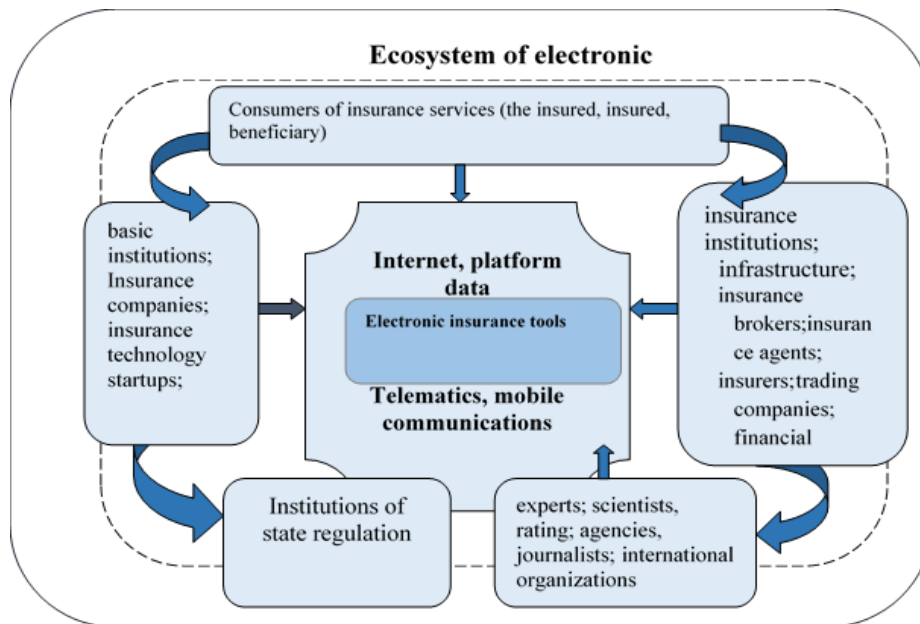


Figure 1. Ecosystem of electronic insurance

The figure shows the ecosystem of modern electronic insurance. Given that the e-insurance ecosystem is a kind of financial ecosystem, it would be logical to assume that it also has features such as: adaptability, decentralization, customer focus, inclusiveness, stability, etc. It is clear that the use of e-insurance tools facilitates interactions between insurance companies and customers, insurance infrastructure institutions, insurance consumers and regulators. At the same time, this requires an increase in the transparency of activities, the establishment of effective communications and an increase in the social responsibility of all participants in the insurance market.

The international insurance market is actively developing. In 2017, global insurance premiums exceeded \$ 4.9 trillion (Businesswire, 2020). In 2018, they surpassed the \$ 5 trillion mark for the first time, the equivalent of over 6% of the world's gross domestic product.

Overall growth was mainly driven by robust growth in the insurance sector, apart from this life insurance (Forinsurer, 2019). World insurance premiums rose 2.9%, and in 2019 adjusted for inflation, they reached the level of 6.3 trillion. US dollars. Risk insurance premiums rose 3.5% on an inflation-adjusted basis, slightly exceeding the growth rate from 2009 to 2018. Life insurance premiums increased by 2.2% in 2019, faster than 1.5% in 2009-2018, adjusted for inflation².

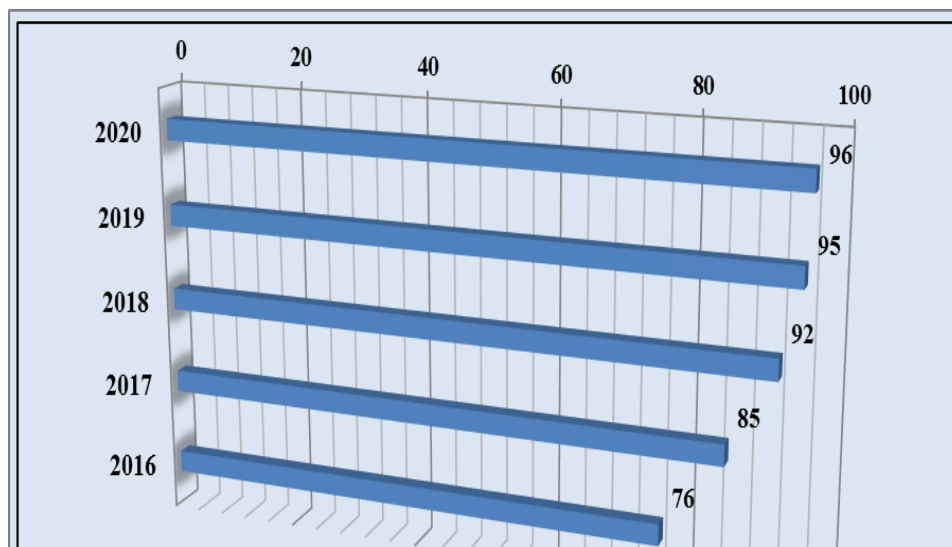


Figure 2. The share of companies in the United States using IT solutions related to the use of the Internet

² <https://www.businessperspectives.org/Transformation-of-insurance-technologies-in-the-context-of-a-pandemic>

The figure shows the percentage of insurance companies using the Internet to provide remote services in the sale of their insurance products, thus it can be concluded that almost 96% of insurance companies use elements of e-commerce³. Internet insurance is evolving, going through stages of development from simple services to complex ones. The main obstacle to this development is the lack of computer literacy among clients, and sometimes even among the employees of the insurance company, which, of course, affects the quality of the services provided and the lack of understanding of what comfort Internet insurance can bring with it. That is why many people around the world prefer direct insurance. For example, according to statistics, over 70% of Britons buy insurance through the phone or the Internet, in France this figure is close to 50% of the total number of local residents.

Through e-insurance, the exchange of data between customers and insurers, it will be possible to create more personalized and targeted products. Insurers will be able to better select products by breaking them down based on technical segmentation into different risk components when assessing an individual or company. The insured will be able to get registered coverage and the insurer will be able to set a more accurate price. A significant surge in online communication between people, including through video, will affect the sales of insurance products, digital consulting through video communication, which is becoming more and more popular among clients before concluding an insurance contract.

The development of new technologies and the growth of the insurance sector have impacted how insurance claims are handled and how insurance contracts are evaluated. This takes place against the background of a preliminary study of customer needs and their subsequent consideration, expressed in the personalization of insurance services.

In the short term, this will lead to structural changes in the insurance market, which will affect the transition from the stage of competition between insurers and companies using modern technologies to the stage of cooperation with them. On the other hand, the pandemic has strengthened the position of e-insurance in the market. Ultimately, these transformations can help further the growth of the insurance market.

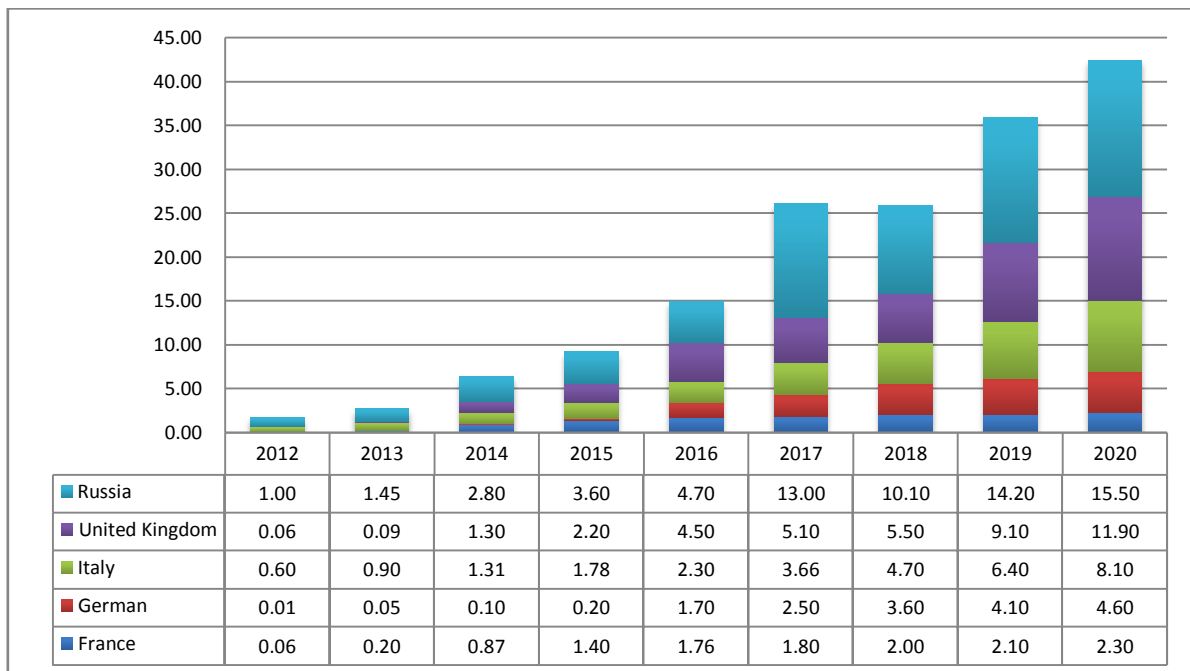


Figure 3. Growth in e-insurance indicators in European countries (growth in% over the previous year)⁴

According to experts, the number of policies sold remotely in European countries is growing every year. Figure 3 shows the dynamics of industry growth in European countries in recent years

A recent survey of 623 top executives in the insurance industry by Accenture found that:

- for 85% of respondents, virtual or augmented reality systems are important for reducing the “physical distance” not only with clients, but also with employees;
- 84% of respondents said it is very important for their company to be pioneers in virtual experiences.

This data is very clear and indicates that the future of marketing and customer experience in this sector may come from VR (virtual reality) and AR (augmented reality) systems, especially when these systems add personalization⁵.

³ [://www.businessperspectives.org/Transformation of insurance technologies in the context of a pandemic/](https://www.businessperspectives.org/Transformation-of-insurance-technologies-in-the-context-of-a-pandemic/): Business Perspectives//https

⁴ [https://www.ptolemus.com/Ptolemus Consulting Group](https://www.ptolemus.com/Ptolemus-Consulting-Group) .

⁵ [https://www.doxee.com/blog/digital-disruption/The 10 digital insurance trends to take into account for 2021](https://www.doxee.com/blog/digital-disruption/The-10-digital-insurance-trends-to-take-into-account-for-2021)

The management of insurance companies is faced with the problems of modern information and communication technologies, and in this direction, appropriate business models on the Internet are needed to introduce their activities into the new environment of the electronic market. To build consumer confidence, distributing these products electronically means making them simpler. Think about the complexity and number of documents that insurance companies prepare: different types of contracts, applications, forms, different types of policies. Then there is the aspect regarding direct (or indirect). Think about the complexity and number of documents that insurance companies prepare: different types of contracts, applications, forms, different types of policies. Then there is the aspect regarding direct (or indirect) relationships with customers. Finally, do not forget about all working interfaces for employees. The list goes on relationships with customers. Finally, don't forget about all the work interfaces for employees. The list goes on. Electronic distribution makes the products of insurance companies more transparent, which leads to a reduction in unnecessary costs. Financial analysis, a full range of information and the availability of choice become more accessible to consumers when purchasing a certain product over the Internet. The global network can play an important role in the search, selection and transactions of consumers. The shift to e-insurance will expand the market and increase competition between insurance companies.

The recent trend in the whole world and in the Republic of Uzbekistan has become the spread of the use of the Internet. For a greater penetration of technologies into the life of our society, the government has developed the "Ragamli Uzbekistan-2030" program, the purpose of which is to create favorable conditions for the further transformation of old traditional types of activity into modern types of information transfer using digital technologies and the development of a new range of services in the domestic electronic communications market. However, with the development of new technologies, new dangers of data loss or loss of potential profit arise, which are transformed into risk or old risks change, ultimately all this leads to the formation of the need for insurance of a new format. Insurers have a need to develop and introduce new types of insurance, the essence of which is in the use of new types of technologies, taking into account the specifics of modern changes.

Competition dictates the conditions for new approaches to scaling the client base. The use of remote methods of selling goods and services has become convenient for participants in the insurance market. Moreover, these innovations require colossal investments, but these investments bring new sources of income and allow the development of new types of products, expanding the choice for customers.

The models that reflect the activities of the insurance company can be applied with appropriate software solutions. Insurance companies have a variety of IT solutions to offer their products. It could be a Web page: almost every insurance company has a personal web page that provides information about the company and the products they offer. This page is actually a marketing support for the company and equates to an online brochure. The company remains dependent on physical distribution channels. This strategy only adjusts the traditional way of distributing insurance policies. Another tool for distributing policies is the Web Portal. Portals are pages that have a set of links leading to other information for the benefit of the portal visitor. There is still no customer interaction at this level. The point of sale portal is different from the usual way a shopper visits a merchant's website. In order to order goods in this category, the seller initiates the sale using Internet services through websites. These are the websites that actually offer insurance services when selling insured items. For example, a car salesman or real estate salesperson might offer insurance to those who bought their product as an add-on to the main product.

Another type of distribution of insurance policies is the activities of intermediary brokers: brokerage sites are intermediary sites that do not actually sell insurance services directly, but they help the potential insured client to combine their wishes and the existing offer.

The potential buyer announces his request and what he wants from the insurance company and chooses the best offer. Today, the activities of the so-called aggregators are widespread - sites containing general information about insurance services. Aggregators are closest to the concept of e-insurance and are widely accepted by most insurance companies.

As a result of the use of different fonts and other technical errors, it was found that one customer can register with different insurance companies and receive insurance coverage multiple times for the same insured event. In many cases, insurance companies do not realize that the financial coverage of the insured event exceeds the value of the insured object. This situation arises due to the possibility of multiple insurance of the insurance object in different insurance companies.

All this creates the basis for the activities of unscrupulous clients, and to date, no cases of fraud after payment of insurance premiums have been identified, which indicates a violation of the legislation on insurance activities. However, the increase in the flow of clients involved in the insurance company and the prospects for this type of activity have become a strong impetus for the development of methods to control the client base.

By the Resolution of the Cabinet of Ministers No. 780 of December 14, 2020 "On additional measures to improve the procedure for the provision of electronic insurance services" from March 1, 2021, insurance policies for MTPL in electronic format have been introduced. E-policies are equated to a paper insurance contract (policy). An interesting fact is that insurance policies in paper form also do not lose their validity and remain valid.

COVID-19 has had a different impact on the insurance market: the number of life and health insurance has increased sharply, but there is a significant decline in travel and car insurance. Nevertheless, in all insurance companies there have been changes in the system of interaction with customers. 90% of insurance market participants can do business remotely, they felt the impact of COVID-19 in attracting new and retaining old customers.

The insurance market of Uzbekistan has witnessed growth in recent years and significant growth can be predicted in the coming years. Today there are

about 41 insurance companies in Uzbekistan. In the period of digitalization of society, in order to overcome the difficulties with fraud, which was mentioned above, it would be ideal to create a global system in which each potential client would have his own status. This kind of information should be stored in a database and made available to all insurance companies.

The problem that insurance agents face at the time of registration of potential customers is the lack of mechanisms to exclude the possibility of mistakes at the time of personal identification. An insurance agent at the time of an online insurance policy must be extremely attentive and accurate. Today, in one insurance company, when registering an insurance policy online, it is possible to register one client several times, in different branches, by different insurance agents. The parallel use of two alphabets - Cyrillic and Latin, technical errors in data entry have led to the fact that the insurance object can be insured several times. Often this does not happen intentionally, due to technical circumstances. This circumstance became a method of manipulation not by bona fide customers, but in some cases by fraud.

Ultimately, at the time of the insured event, the premium may exceed the value of the object itself. According to Article 937 of Chapter 52 of the Civil Code of the Republic of Uzbekistan, the amount of insurance coverage cannot exceed the amount of the cost of the object itself, the object can be insured only once. In the case of insurance two or more times, the amount of the insurance premium cannot exceed the cost of the object itself⁶.

In order to avoid fraud and to overcome difficulties with personal identification, it is necessary to use the Personal Identification Number of an individual - fourteen decimal digits, which completely exclude the possibility of entering data for the same client several times. When entering customer data, in the first place is the column with the PINFL number, and then - the name, surname, etc. If the client has already had an insurance policy before then his data is automatically displayed and identified.

In practice, the use of this method at Kapital-Sugurta has resulted in the customer base being automatically put in order, customers are identified once and there is no risk of errors and technical repetitions. The use of this method will further reduce the risks of fraud in electronic customer registration remotely.

In the future, the creation of a customer database, where information about customers will be completely digitalized, including information on reliability, the presence of debts or their absence before the tax authorities and heredity for health, etc.

As a result, each potential client is assigned a rating from a 10-point system for the reliability of an individual as a potential client of an insurance company. Based on the rating, a decrease in insurance premiums is possible. This whole system is in the near future of insurance companies.

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⁶ <https://lex.uz/docs/111181>