

Advantages of using Digital Technologies in Improving the Implementation of Insurance Services

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Abstract

The advantages of digitalization of insurance services in the development of the insurance market in Uzbekistan, as well as ways to provide innovative insurance services to customers through new digital technologies are highlighted in this article.

Keywords: Insured, insurance market, insurance service, blockchain, insurance product, insurance agent, microinsurance, insurance contract, potential insured.

Introduction

Improving the efficiency of insurance services in Uzbekistan is one of the important factors in ensuring further economic potential of the country and macroeconomic stability. Therefore, due to the real changes taking place in all spheres of socio-economic life in the country today, objective conditions are being created to increase the role of insurance, which is one of the main financial components of the economy. In fact, the insurance market is one of the most important segments of the market economy, and it plays an important role in the socio-economic development of the state.

Therefore, one of the priorities is to "... develop a strategy for medium and long-term development of the insurance industry, to increase the amount of insurance premiums per capita by 3 times and the share of the industry in GDP by 2 times by 2022." Ensuring the implementation of these tasks requires ensuring the access of national insurance companies to international financial markets, obtaining international ratings through the introduction of advanced corporate governance.

Resolution No. PP-4412 "On measures to reform the insurance market of the Republic of Uzbekistan and ensure its rapid development" was adopted by President of the Republic of Uzbekistan on August 2, 2019 in improving the process of implementation of insurance services. According to the decision, insurance companies should use digital technologies in the provision of services and develop new innovative insurance products.

It should be stated that the infrastructure of the insurance market plays a special role in ensuring the functioning of the insurance services market. Insurance market infrastructure means all the conditions that ensure the continuity of insurance activity. In fact, insurance infrastructure includes insurance institutions, the secondary insurance market, and others.

It can be said based on the official data of the Republic that the main factor in the changes in the development of insurance activity in Uzbekistan is the Law of the Republic of Uzbekistan "On Insurance" adopted in 1993. Later, this law was amended, and on April 5, 2002, the Law on Insurance Activity was adopted. Undoubtedly, there was a new impetus for the further development of the industry and the formation of the insurance market. The law has been providing the legal basis for the development of insurance, the formation of the insurance market, the role and

importance of insurance in the socio-economic development of the republic, the full satisfaction of the needs of citizens and legal entities in insurance services.

Analysis of the Literature: In the foreign literatures, insurance service can sometimes be understood as a mechanism that guarantees partial or complete financial compensation for losses in a situation that does not depend on the activities of the insured party. In this case, insurance is seen as an economic category, the essence of which is the redistribution of risk. By transferring the risk of individuals to the insurer, the reduction of the level of insurance is manifested as a special social mechanism.

However, in the Anglo-Saxon legal practice, although there is not always a clear distinction between the above concepts, such a difference is evident in the existing literature and practice in our country.

Professor Dieter Farney, one of the leading German experts in the field of insurance, points out that there is no single approach to the interpretation of insurance, and that his book *Theories of Production and Costs* contains a number of definitions of insurance.

D. Farney's approach is to protect an undefined amount of needs based on the time-based mitigation of risks between insurers and other participants in insurance activities. Many studies also support such an organizational-economic approach to the definition of the concept of insurance.

All of the above analyzed literatures suggest that the snail is a system of interconnected vertebrae and functions.

Although Serebrovsky noted that it is impossible to give a full definition of the concept of "insurance service", it is possible to distinguish two main views of scientists. According to the first group of scientists, insurance service is a way to deal with potential risks; according to the second group, the insurance service is a mechanism to meet the needs of people in the event of loss of property or property damage and injury. But to what extent do the above approaches fit into the essence of providing insurance and insurance services?

There is a stable phrase in English "to provide insurance", which can be translated into Uzbek as "provision of insurance services" and "provision of insurance (insurance policy)". It is obvious that the concepts are not exactly the same, and it is necessary to clearly distinguish between insurance and insurance services. In accordance with the current legislation, the insurance policy in Uzbekistan is defined as "relations for the protection of the interests of individuals and legal entities." Insurance services are closer to the concept of insurance activity. Insurance activity (insurance business) is the activity of insurers on insurance, reinsurance, mutual insurance, as well as insurance brokers, insurance actors on insurance, reinsurance services.

Along with it, the term "magic service" has several meanings in daily life. For example, it can mean any risk provision or protection against any unwanted situation. Exactly two subjects - the insurer and the insured - interact and interact, resulting in insurance services. The concept of "insurance services" is closely related to the concept of "insurance product", and it has two different properties. From the point of view of insurance, insurance product is an insurance contract, which includes insurance policy and insurance rules. At the same time, in theory, the insurance product is a commodity that can be offered to the market to meet the needs of the consumer.

At the same time, if we look at insurance services as a commodity, it must be able to sell, and it must meet the needs of the consumer.

According to A. Zybets, "insurance product is a set of basic and ancillary services provided to the insured in concluding an insurance contract." Thus, the insurance product is a set of known services aimed at meeting the needs of the insured under the insurance contract. In addition to services in the field of insurance and reinsurance, such services are legal and organizational services provided under a certain insurance policy.

In terms of this, the concept of insurance products is broader than the concept of insurance services, because it includes other types of services. This quality is not always taken into account in practice. For example, according to some IMF experts, insurance services consist of the process of obtaining and providing insurance products. The above considerations are also useful in analyzing the concepts of "financial services" and "financial products". Insurance services, like other financial services, are part of the concept of "financial services", and in turn are included in the concept of "services" as an integral part of it. For example, real estate, financial services, banking and insurance services, as well as various investment programs and services are included in the financial sector.

In connection with this, it can be noted that the categories of financial services in the field of insurance and insurance services have long been the subject of analysis by economists. For example, Adam Smith believed that services usually disappear at the time of rendering, and in some cases leave behind any permission or any value that could later be used to receive an equal number of services in return for them. Based on the idea, it can be concluded that services arise as a result of non-productive labor, which does not create a separate material product that can be worked by hand. According to Hill, services are a change in the status of a person or commodity belonging to a particular economic unit, when there is a pre-existing contract with an individual or economic unit, due to the activities of another economic unit.

Based on the above, the definition of "insurance service" has its own characteristics, if the product of labor has a material form and can be expressed in units of measurement, the criterion does not apply to insurance services.

The complexity of the interpretation of the concept of "insurance service" is due to the specific characteristics of the services: inadequacy, inseparability from the manufacturer (insurer) and quality. The term "insurance service" includes: life insurance services; insurance services; reinsurance services; insurance brokerage services; insurance-related services: acting, consulting services, risk assessment and indemnification services.

Methodology of the research: The advantages of using digital technologies in the implementation of insurance services are the creation of convenience for customers. Blockchain technology is actually easy to understand. Simply put, it is a comprehensive and unified database that contains many records that must be verified and coded. In fact, blockchain technology allows consumers (highly reliable and efficient) to create a secret activity log that cannot be falsified. Blockchain is a technology that is a strategically important tool for market participants. The new technology could help most players in the network overcome competitive threats, such as customers' lack of interest in insurance products, limited growth in developed markets, and a tendency to switch to digital technologies. The growing interest in blockchain technology by various stakeholders in the insurance industry is mainly due to the inefficiency of existing technologies and processes. Undoubtedly, it is necessary to take into account the different types of insurance activities that are transferred to blockchain technology in the laws. The use of Blockchain technology in the global insurance business provides an opportunity to solve some of the problems in this area. The main problems are: (1) false claims on insurance claims; (2) placing data in multiple systems; (3) the

availability of complex insurance practices; (4) susceptibility to manual errors and (5) the availability of scattered sources of data. With this approach, blockchain technology can increase the transparency of all processes, as well as allow for significant changes in the insurance industry (time-consuming).

The blockchain technology initiative in the insurance industry (Blockchain Insurance Industry Initiative) was created by combining the efforts of the five major global Aegon, Allianz, Swiss Re, Munich Re i Zurich Re (known as B5 gyryhi) forces in the primary and secondary insurance industry is to explore the possibilities of exposure. More information about this technology can be found on Whitepaper and bitcointalk.org. can be obtained from the Pre-announcement on the site. It is then proposed to explore the prospects of blockchain technology in the insurance industry, based on a report from the consulting firm McKinsey.

We can develop possible scenarios for the use of blockchain in the insurance industry. Currently, the banking sector is trying to implement several scenarios for the simultaneous use of the blockchain: the development of technology for direct interaction of customers with the payment system, the launch of exchange and currency trading systems, and so on. Although the insurance industry lags behind the banking sector in terms of technology, it is unique, allowing you to try out all the advantages of the blockchain. The new technology will help many industrial enterprises to overcome the challenges of competition, including customer interest in dairy products, the trend of universal transition to technology in developed markets. The following is a general description of the most promising scenarios for the use of blockchain in terms of insurance. The following is a general description of the most profitable types of insurance, which can be divided into three categories: growth, efficiency and cost reduction (due to the automation of key processes).

At least three years of blockchain use have opened up new growth opportunities for insurance companies: increasing customer interest, offering new economically viable products for emerging markets, and developing insurance products related to the Internet of Things. The key to success is to create a reliable, widely distributed platform based on new technology that allows customers to work directly with their personal data, collective insurance policies.

An important means of influencing customers to increase their interest in the company's services is the use of blockchain digital technology to work with their personal data. Clients may be dissatisfied with the possibility of losing control over their personal information during the contracting process with the company and the need to answer the same questions on a regular bas

Therefore, the data provided by the customer to verify the company's data can be eliminated using directly controlled blockchain digital technology. Through blockchain digital technology, insurance companies can create convenience for customers by providing innovative customer service, as well as increase insurance premium revenue.

Analysis and results: From the point of view of its essence, the concept of "service" is fundamental in insurance business. The "service" offered by the insurer does not initially reflect the materiality, that is, it sells only the promise to its client. Therefore, insurance activity in international trade is also classified as "invisible activity". The insured is issued a "policy" as evidence of the contract. In the event of an accident through this policy, the insurer shall indemnify the insured for the losses incurred to fulfill the obligation to the insured in accordance with the terms specified in the contract.

The more the insured benefits from the insurer in the event of an accident, the greater the confidence in the insurer. Therefore, it is very important for insurers to develop insurance products

and update the service sector at the level of demand, taking into account the needs of potential policyholders, based on the marketing analysis of the insurance market.

At the end of 2019, the insurance premiums collected by insurance companies in the insurance market of Uzbekistan have been analyzed.

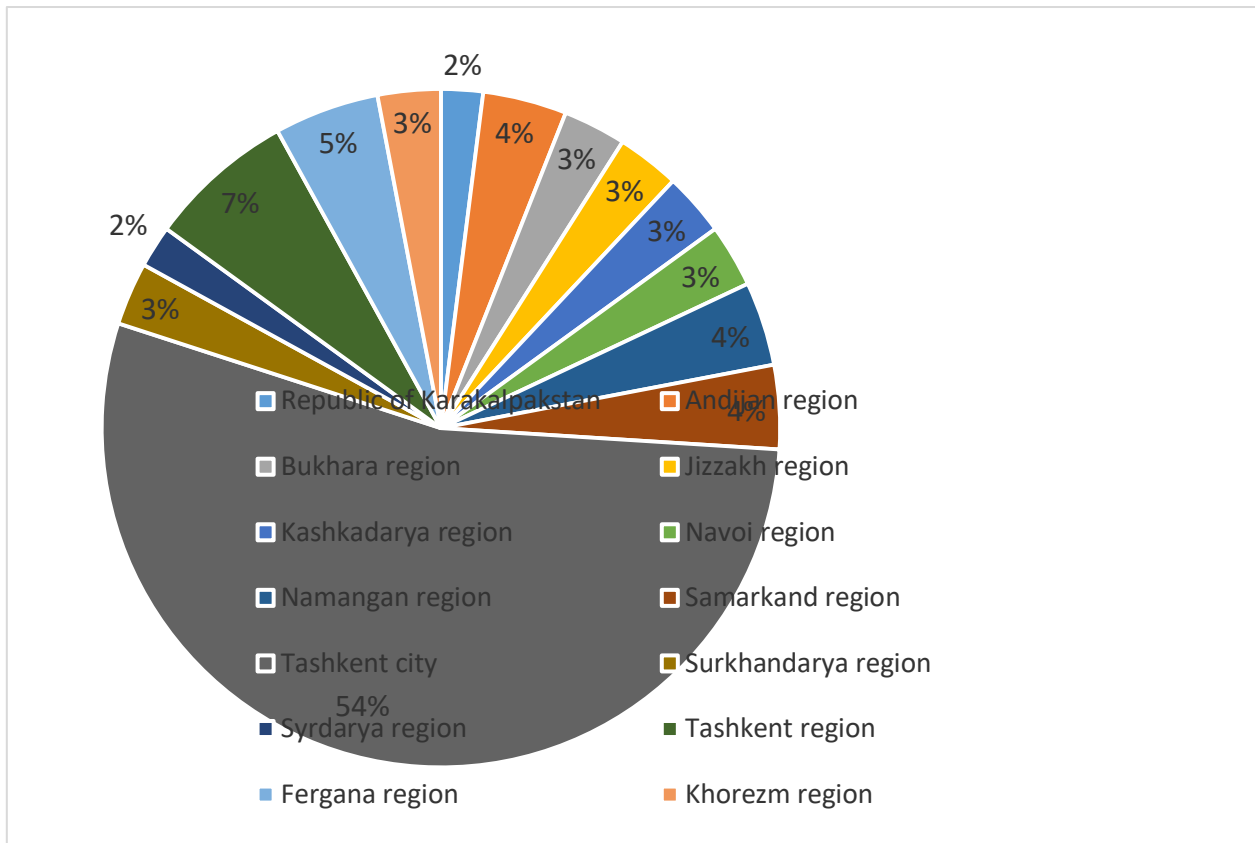


Figure 2.1. The sum of insurance premiums in the insurance market of Uzbekistan in 2019.

At the end of 2019, we can see the sum of premiums received by insurance companies in the insurance market of Uzbekistan. According to the receipt of insurance premiums, it is 54% in Tashkent, 7% in Tashkent region, 5% in Fergana, 3% in Samarkand, Namangan and Andijan regions. The lowest rates are in the Syrdarya region and the Republic of Karakalpakstan at 2%. Based on the analysis, it can be said that the largest number of insurance premiums fell on the city of Tashkent and Tashkent region. In other regions, the level of performance is satisfactory. New insurance companies have started operating in the life insurance market. We can see from the below given figure that the number of customers is increasing as new insurance companies serve customers through new digital technologies. These new insurance companies are: Apex Insurance LLC, Euroasia Life LLC and Kafolat Hayot LLC.

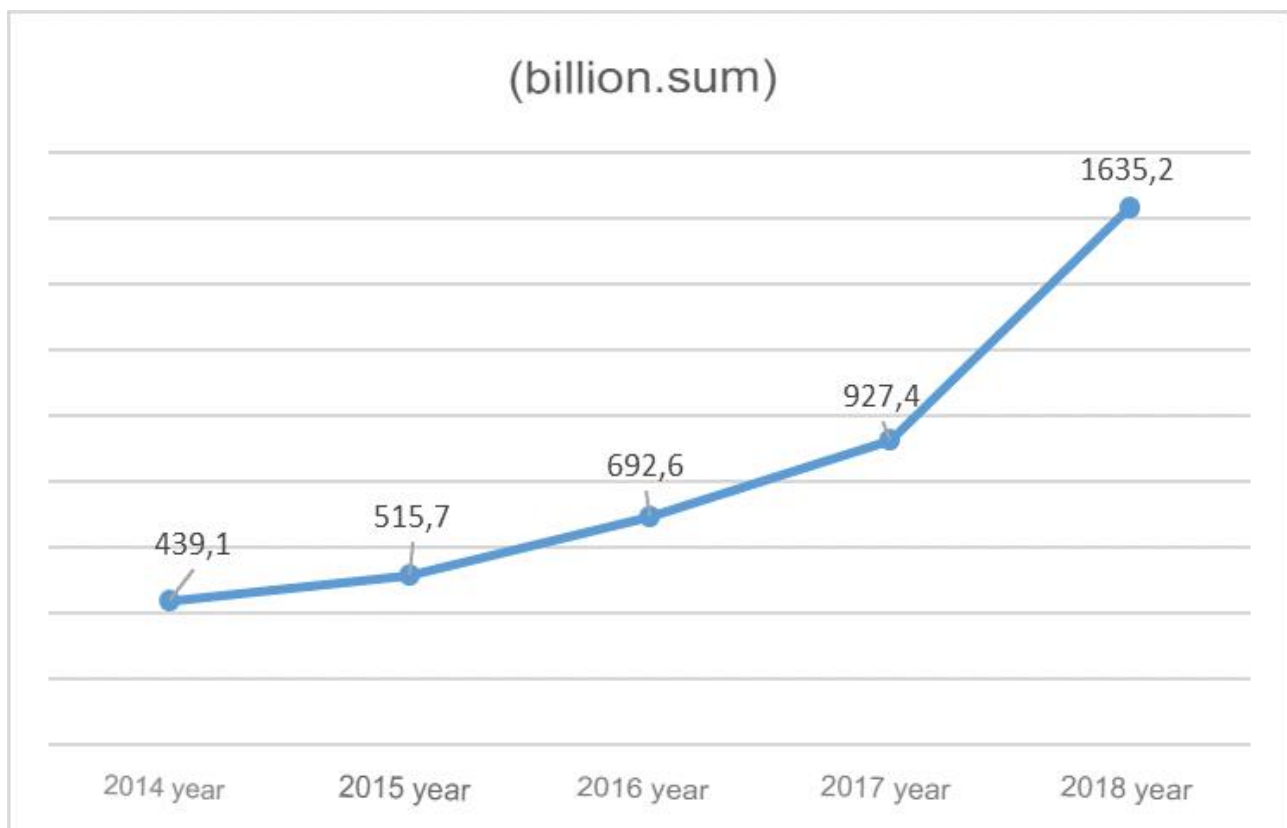


Figure 2.2. Growth dynamics of insurance premiums collected on life insurance (billion soums)

In 2018, the amount of insurance premiums collected on life insurance in the market of insurance services of the republic increased by 3.7 times compared to 2014 and amounted to 1635.2 billion soums of insurance premiums were collected. In 2018, the total volume of insurance payments for all types of insurance will increase by 6 times compared to 2014, to 74.6 billion. 460.8 billion soums (Figure 2.2). The sharp increase in insurance premiums compared to 2017 (170%) was due to payments in the life insurance network. In addition, the total amount of insurance payments paid in 2018 on compulsory insurance increased by 2.4 times compared to 2014, and insurance payments on voluntary insurance increased by 8.6 times.

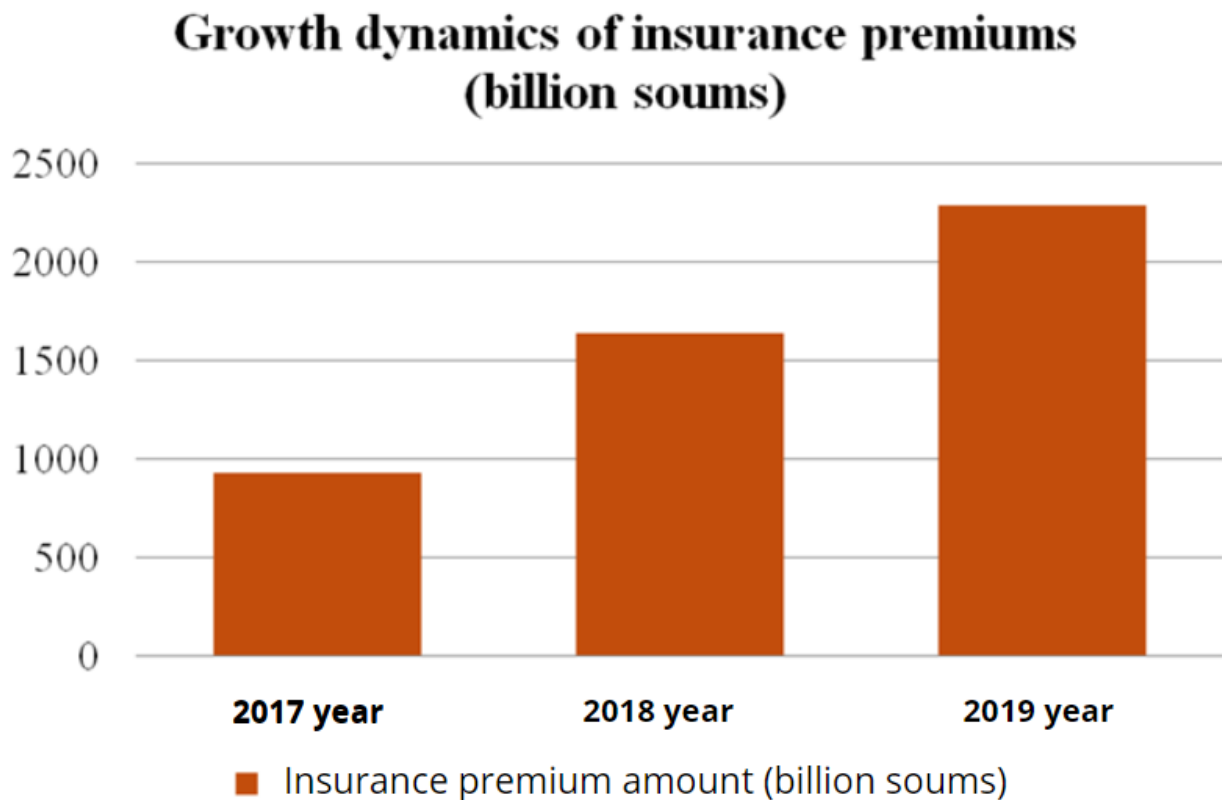


Figure 2.3. Growth dynamics of insurance premiums (billion soums)

In 2017, the total income from insurance premiums in the insurance market amounted to 927.5 billion soums. In 2018, it will amount to 1,635.2 billion soums, and in 2019 - 2,288.7 bln. soums. Total insurance premium income in 2018 increased by 176.3% compared to 2017, and in 2019 compared to 2018, there was an increase of 139.96%.

Based on the above discussed analysis, it can be seen that due to the attention paid to the comprehensive support of the insurance industry in our country, the activities of competitive insurance companies in this area, trying to meet the needs of the population, are developing. The insurance market in Uzbekistan is developing rapidly, covering all new areas of economic relations.

Based on the results of the above analysis, it can be said that the use of digital technologies and the development of new insurance products is very important for insurance companies in the implementation of modern service processes. Drawing on the world experience, insurance companies will radically reform their marketing system, gaining more customer confidence of insurance companies by providing services that take into account the needs and supply of the insurance market.

Conclusions and Recommendations

I think that the efficiency of services will increase if insurance companies improve their marketing using the experience of foreign insurers.

In foreign insurance companies, the relationship between the insurer and the insured is important and depends on the degree to which the whole set of factors is integrated. Therefore, insurers require the following measures:

Establishment of an information exchange system between the insurer and the insured, including the interaction of insurance companies with agents and their clients, as well as other communications;

development and quality control of insurance services;

development of a system of sales and incentives for the sale of insurance services;

development of methodology for product pricing;

further enhances the efficiency of the company by developing service-related services at all stages of the life cycle of insurance products, including the inspection and regulation of insurance cases.

However, the coverage of customers with a certain type of insurance in this area has its limits. The same can be said about insurance services.

Therefore, in modern conditions, the optimization of marketing activities of insurers is of particular importance, that is, it is necessary to measure the quantity and quality of insurance services based on its profitability. Fulfillment of the set tasks is not possible without proper marketing revenue analysis and level of control.

Summing up, one of the most important tasks for insurance companies is to expand the scope of services. Public confidence in insurance will increase if insurance companies expand the range of services through the effective use of innovative projects within the law. In general, one of the most important tasks of insurers is to radically reform the insurance system, which is one of the main components of the economic and social infrastructure created by the state, as well as to develop and provide new interactive insurance services to the population.

For more effective development of the domestic market of insurance services, it is necessary to accelerate the development and adoption of legislation governing the activities of mutual insurance companies. There is always a need for mutual insurance in insurance companies, no matter how high the quality of insurance services. A necessary way to increase confidence in the insurance services market is to ensure the transparency of information. Like other financial institutions, insurance companies are required to publish financial statements.

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