



DIGITALIZATION AND INFORMATION SOCIETY. SELECTED ISSUES

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DIGITALIZATION AND INFORMATION SOCIETY. SELECTED ISSUES

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3.4. TRENDS IN DIGITALIZATION IN THE INSURANCE MARKET OF UKRAINE

Modern economic conditions are impossible without the use of digital technologies, and their development is becoming increasingly important and contributes to the progress of the world economy. Recently, almost all industries are facing the need for transformation, as new technologies innovations and models of consumer behavior radically change the old, sustainable business models.

Until recently, insurance was one of those segments of the financial market that was characterized by a tendency to traditional ways of doing business and the slow pace of implementation of technological innovations and the process of informatization. However, the current challenges, determined by the COVID-19 pandemic and creating the right conditions for operation, have significantly affected the development of the insurance industry in the direction of its digitalization. Today's trends point to the high innovation activity of the insurance business and the awareness of insurance market participants of the priority of digital transformations. Currently, changes in the functioning of this sector of the economy are so rapid that they need deep reflection and appropriate study.

The introduction of digital technologies in all spheres of life and their importance for economic development have led to a great interest of scientists in the digitalization of the insurance business. Note that digital transformation (digitalization) is defined as the transformation of existing analog (sometimes electronic) products, processes and business models of the organization, which is based on the effective use of digital technologies. Various aspects of digitalization of the insurance industry are reflected in the scientific achievements of well-known domestic and foreign scientists. Despite the diversity of research on the digitalization of the insurance market, there are many issues that need further research.⁵⁵⁰

The aim of the study is to generalize the theoretical and practical principles of digital transformation of insurance, as well as to substantiate the prospects for the use of digital technologies to optimize the management of insurance risks in today's challenges.

Throughout its history, insurance has undergone several fundamental technological innovations, including the introduction of actuarial calculations, which has become the basis of modern insurance business; use of labor of insurance agents, which became the basis of mass insurance; the use of computers and information technology, simplify the implementation of many business processes in insurance and more.

In today's reality, in order to maintain the stable operation of insurance companies, the issue of developing new and improving existing sales channels of insurance products is acute. Serious help in expanding the insurance market today is the use of the potential of information and computer technologies and information networks.

It should be noted that in this direction is important digital transformation, which involves the introduction of modern technologies in business projects of economic entities. This approach is as follows:

- use of modern equipment and software;
- fundamental changes in management;
- improving the efficiency of corporate culture and external communications.

As a result of the above actions, there is an increase in productivity of each employee, as a result, increases the level of customer satisfaction, and the insurance company gains a reputation as a progressive and modern organization.

In the era of digital transformation, traditional office companies are being replaced by platform companies, and approaches to building business processes are being formed. Mobile technologies, social networks, cloud services, integrated devices, big data and various analytical tools affect the potential of human capital. Companies use digital innovations to radically review their performance and competitive advantages, increase productivity, customer benefits, and

⁵⁵⁰ Bazylevych V. D., Prykazyuk N. V., Lobova O. M. (2020) Digitalization in ensuring the competitive advantages of insurance companies. P. 15.

increase profits. Many companies come up with innovative initiatives. However, most of them are not able to implement the necessary transformation that modern business needs. Insurance companies are interested in the basic innovations of the digital economy. In order to simplify processes and mechanisms, they actively use technologies such as automation, chatbots, cloud data processing, technologies with elements of artificial intelligence.

The current stage of development of Ukraine's economy is difficult for Ukrainian insurance companies, which in turn creates a need for effective management, forecasting, use of new methods and tools of data processing (data visualization), creating sustainable competitive advantages, creating tools to respond quickly to dynamic environmental changes. The main criterion for the effective functioning of the insurance market is the financial reliability of its participants – insurers, and assessing the level of financial security of insurance companies and the use of levers is one of the most important tasks for their long life and stable operation.

The developed countries of the world have a well-established insurance business, which is financially profitable for both the insurer and the insured. The level of profitability in this area is much higher than the economic average. Therefore, in recent years there has been a process of rapid development of the insurance horizon. For the countries of Western Europe, the USA, Canada, Japan and many other countries it is natural that 85-95% of objects are insured. In contrast to the situation on the Ukrainian insurance market, insurers (families) of developed countries have several insurance policies that cover the risks of property insurance, motor transport, health insurance, and investors who want to invest in a new project, primarily think about protecting them in case various risks.

The Ukrainian insurance market is at the stage of formation and transformation in the direction of forming a perfect and financially stable insurance market. Insurance companies should play a significant role in the accumulation of free funds, active investment policy. To perform these tasks, it is necessary, first of all, to ensure the appropriate level of financial security of the domestic insurance market.

There are the following range of reasons for ensuring the financial security of the insurance market:

- Due to the effective functioning of the insurance market, it is impossible to create an effective system of protection of citizens, entrepreneurs, business entities, the state and support the social stability of society;
- insurance market – should be a significant source of long-term investment in the economy;
- the need for further development of the insurance market is due to the fact that the accumulated funds can become a source of funding for the budget;
- the insurance system makes it possible to reduce the burden on the state budget in terms of compensation for unforeseen losses of natural and man-made nature;
- through the system of compulsory insurance, it is possible to solve certain problems of social security due to the transfer of state social benefits from the budget to insurance benefits;
- the insurance industry can and should be used as an effective tool for pension reform.

The main criterion for assessing the effectiveness of insurance companies, government agencies in the formation and formation of the country's insurance market is the state of its security.

Most researchers note that the essence of financial security of the insurance market is manifested in ensuring the financial sustainability of insurance companies and preventing threats that affect the functioning of the insurance market in a particular period of time and taking into account the dynamics of its development.

Threats to the financial security of the insurance market, depending on the sources of their occurrence, are divided into internal and external. In most cases, internal threats in the insurance market arise due to inefficient financial management within insurance companies, in particular unbalanced tariff policy and unbalanced allocation of insurance reserves by direction and timing (Fig. 1).

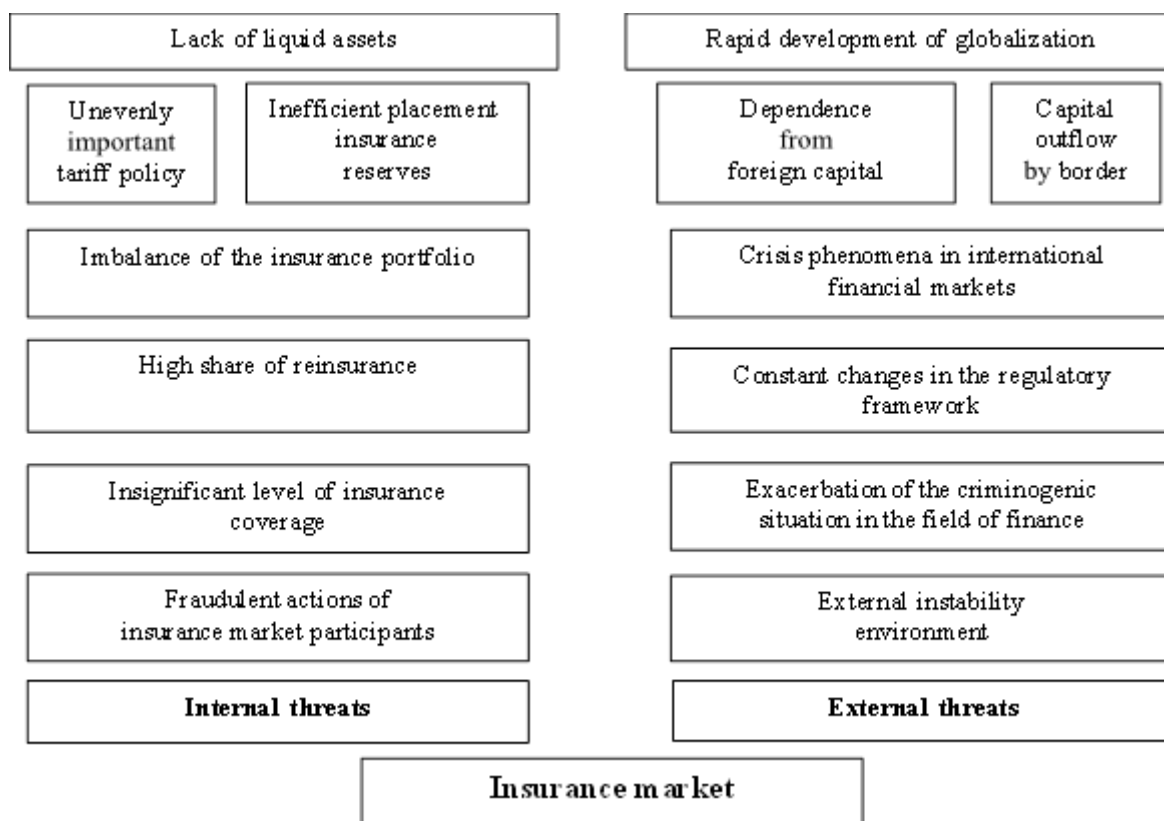


Fig. 1. Threats to the financial security of the insurance market⁵⁵¹

Thus, the security of the insurance company means – a set of interrelated indicators that determine the state of operation, performance, and prospects for the development of the insurance company.

In addition, it is worth mentioning the financial security of policyholders, intermediaries, certain segments of the insurance market and specific insurance transactions, services and products. Obviously, the issue of security of the insurance market, and consequently of any insurance company, is multifaceted and requires a comprehensive approach.

Information and technical changes in the insurance market until 2020 were minimized to the trend of benchmarks and experiments, and the risks were discussed in the context of the application of technology. At present, risk control in the insurance industry is a strategic basis for further development.

According to Gartner, as part of even partial digitization, the insurance business will "follow" on five pillars in the next few years: cost reduction, digital scaling (visualization for transparency), online growth, commerce and organizational change. It is the visualization that allows you to create digital models of each of the connected objects to get a transparent view of each current operating process. This makes it easier to visualize risks, plan costs and manage resources. According to insurance experts, with the intensive introduction and use of visualization tools, insurance companies will be able to increase their efficiency by 10%.

Currently, domestic insurance companies tend to use the following simple visualization tools (Fig. 2).

Thus, visualization in insurance is a powerful tool of the insurer's work and a direction of strong influence on the thinking of a potential insured. Therefore, incorrect, incorrect design can confuse the user. In order to orientate oneself in the field of insurance, it is necessary to consider the main indicators of the insurance market development, which give a general idea of the state of its financial security in general.

⁵⁵¹ Ibidem, p. 17.

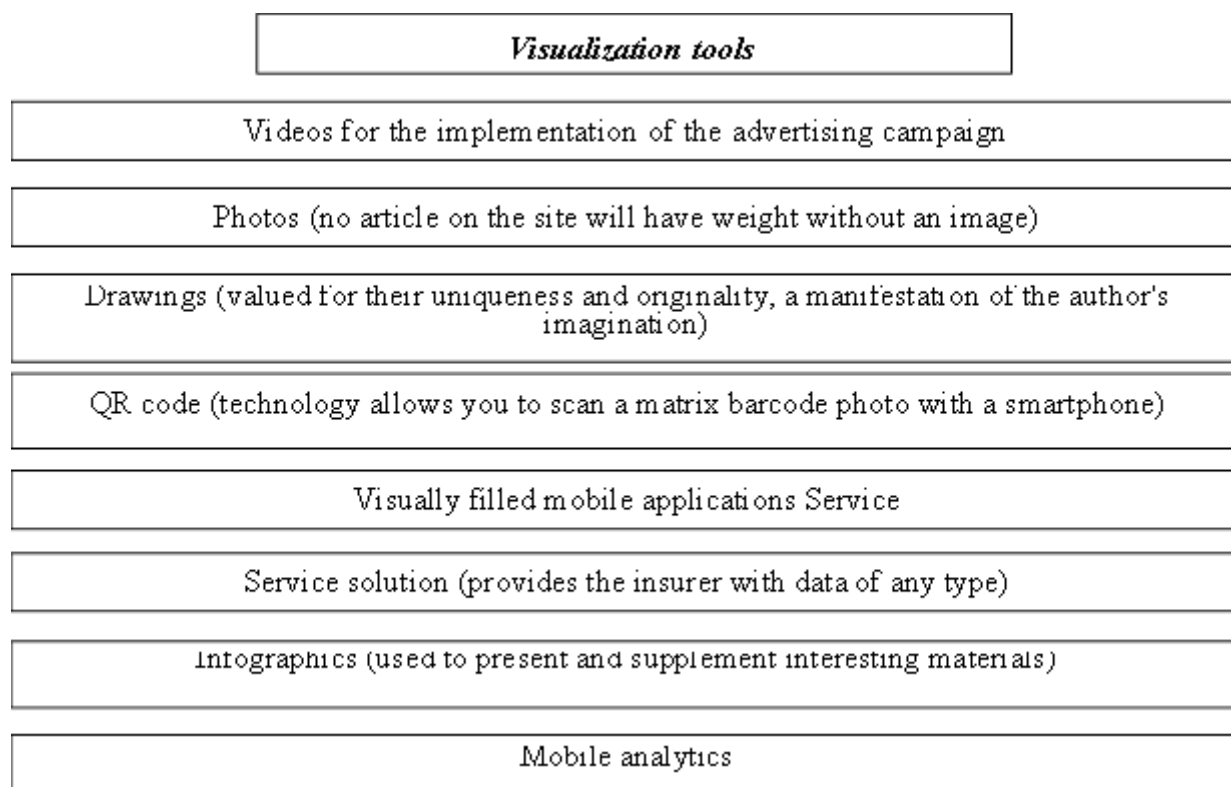


Fig. 2. Visualization tools⁵⁵²

The number of insurance companies in 2021 was 155, of which 13 were life insurance companies (Life Insurance Company) and 142 insurance companies that provided other types of insurance (Non-Life Insurance Company). The reduction in the number of insurers was primarily due to the voluntary renunciation of licenses and withdrawal from the market on their own initiative (Table 1).

Table 1. Number of insurance companies in Ukraine in 2016-2021⁵⁵³

Period	the total number of	incl. Non-life insurance company	incl. Life Insurance company
As of 31.12.2016	310	271	39
As of 31.12.2017	294	261	33
As of 31.12.2018	281	251	30
As of 31.12.2019	233	210	23
As of 31.12.2020	210	190	20
As of 31.12.2021	155	142	13

In addition, according to the NBU, in January 2022, nine more risky insurance companies left the market, there were 133, the number of life insurers has not changed.

The structure of insurance premiums has remained relatively stable in recent years. The predominant share is formed by motor insurance (CASCO and OTSPV) – 36%. Premiums on life insurance, voluntary health insurance and accident insurance account for a total of 28%. Significant amounts of premiums were also collected for property and fire risk insurance, financial risks.

The statutory funds of most Ukrainian insurance companies remain small. This indicates the low competitiveness of insurers, as, according to expert estimates, for successful competition in the global insurance market, the statutory fund should be about \$ 50 million. USA. No Ukrainian insurance company has such a statutory fund, which limits their ability to insure large risks

⁵⁵² Mandra N. G., Laktionova O. Y. (2020) The need for digital technologies in the business processes of insurers. C. 204.

⁵⁵³ Official site of the National Commission for State Regulation of Financial Services Markets.

(which is what Ukraine needs today). The low capacity of the insurance market to accept risks does not promote the use of insurance as a mechanism for financing risks and an instrument of state insurance protection.⁵⁵⁴

Most of the main indicators of financial security of the insurance market of Ukraine show a lag behind the regulatory values, which in turn indicates the low financial capital intensity and the existence of restraining factors in the development of the insurance market of Ukraine. Such factors include the lack of visualization and clarity of data of domestic insurance companies, in contrast to insurers operating in the European Union.

Radical changes in technology, especially in the Internet, digital, mobile and social platforms, lead to significant changes in customer requirements, patterns of behavior and decision-making. This is facilitated by a significant increase in the number of users of the global Internet and an increase in the market for Internet services. According to the International Telecommunication Union, at the end of 2021, 63% of the world's population, or 4.9 billion people, are Internet users. The level of this indicator compared to 2005 increased by 44. n., indicating a growing interest in the Internet environment. Increasing the sales of Internet access media, the capabilities of Internet providers, increasing the speed of the Internet, stabilizing traffic are the main factors expanding the audience of Internet users.

For policyholders, the ability to conduct online transactions allows you to perform the necessary actions to purchase an insurance product without leaving home. At the same time, insurers have the opportunity to increase sales and insurance revenues, as well as reduce their costs. The latter is achieved by reducing transaction costs by simplifying the insurance procedure, saving on fees to agents, brokers or intermediaries, which leads to lower product prices, higher profits and increased competitiveness of the insurer. As world practice shows, as a result of the introduction of online policy sales, insurers can reduce their costs by about 9-12%.

It should be noted that in recent years, insurance is a sector of Ukraine's economy, which is characterized by a stable annual increase in the volume of services provided. However, despite the nominal growth of the insurance market, the industry currently provides a redistribution of too little of the gross domestic product. Experts of the National Bank of Ukraine, which since July 2020 has been the regulator of the non-banking financial services market, define the level of insurance in Ukraine in comparison with other countries as extremely low. For example, the value of this indicator in Europe is 5.0%, and the world average is 6.1%. Undoubtedly, this situation is primarily due to economic instability in the country, which is due to both the financial crisis against the background of the annexation of Crimea and the war in the east, and the crown crisis. In addition, the country does not pay enough attention to the social component of economic development, which leads to lower living standards, and insufficient solvency of the population – to reduce demand for insurance products.

As world experience and domestic practice show, digital transformation changes the depth of the basis of interaction between insurers and policyholders. Digitization trends include a significant change in the traditional business processes of the insurer due to the electronic transformation of insurance products, expanding the use of online services, the use of data "connecting things", the real use of "big data", the use of bots in ongoing insurance contracts.

Radical changes in technology, especially in the Internet, digital, mobile and social platforms, lead to significant changes in customer preferences, their patterns of behavior and decision-making. Thanks to the rapid development of digital technologies in the last decade, consumers have found themselves in a more favorable position, as they have learned to use large amounts of information, find the necessary data and more. Therefore, more and more potential customers have the opportunity to purchase insurance policies on the websites of insurance companies.

There is a common perception of online insurance as the sale of insurance policies online. But, in our opinion, online insurance is a system of economic relations, including a set of forms and methods of interaction between the insured, the insurer and other professional participants

⁵⁵⁴ Official site of the League of Insurance Organizations of Ukraine.

in the insurance market, aimed at meeting the needs of the insured in insurance protection via the Internet.

The transfer of some organizational aspects of the insurance business to the Internet provides potential and real customers of the insurance company new opportunities, namely:

- staying at home to get a general idea of the insurance market, the insurer and its services;
- using the insurance calculator to calculate tariffs independently;
- get online advice on various insurance issues;
- assess the risk in relation to the potential object of insurance;
- submit an application for concluding an insurance contract, conclude a contract and pay an insurance premium;
- notify the insurance company about the occurrence of the insured event, etc.

Both insurers and insureds benefit from the development of the online insurance market. As world practice shows, because of the introduction of policy sales via the Internet, insurers can reduce their costs by about 9-12%.⁵⁵⁵ This effect is achieved by reducing transaction costs by simplifying the insurance procedure, saving on the reward of the agent, broker or intermediary, which will reduce the price of the product, increase profits and increase the competitiveness of the insurer.

Analyzing the European insurance market, we can identify the following approaches to the sale of insurance products:

- traditional personal or individual approach, which includes a full range of premium brand services. Here the attention is paid to the "quality" of top management, fair tariffs and quality customer service, thanks to which the maximum effect is achieved;
- direct sales based on a low and fair price take into account the wishes of those customers for whom the price of the product is a decisive factor. This approach includes offering standardized products, as well as a fast and convenient way to obtain a service (often on your own) provided via the Internet or telephone.

Both approaches have potential for development, especially direct sales in the "low cost" segment, which show high growth rates in all sectors of the economy. In today's world, almost all insurance companies represented on the Internet provide the full range of services needed to purchase and maintain an insurance policy, but in different countries there are some differences in the structure of sales. In Germany, for example, there are many more life insurance policies than risk insurance policies, while in the Netherlands, on the other hand, the majority of insurance services are provided in the health insurance segment. It should be noted that in many developed countries there are a large number of insurance brokers on the Internet, which offer the client possible options for companies and their products.

In recent years, the Ukrainian insurance market and, in particular, online insurance has gained some momentum. This was influenced by the adoption of the Laws "On e-commerce" and "On electronic trust services", which led to the convenient conclusion of insurance policies.⁵⁵⁶

The most common platform for direct insurance is the official websites of insurance companies, which are used by all insurance companies. Mobile applications are being developed for online sales

The use of modern technologies is a matter of success and victory in the fiercest competition. Already today, the company that offers different categories of consumers the following is preferred:

- customer-oriented set of services;
- optimal time of realization of these services;
- the most convenient form of policy and the most affordable price.

The main directions of digitalization of the insurance market today are several phenomena: internetization, individualization and digitalization of insurance activities (Table 2).

⁵⁵⁵ Official site of the League of Insurance Organizations of Ukraine.

⁵⁵⁶ The Verkhovna Rada of Ukraine (2017), The Law of Ukraine "On electronic trust services".

*Table 2. Characteristics of the main directions of digitalization of the insurance market*⁵⁵⁷

Direction	Characteristic
Internetization	Use of the Internet, new production technologies, wireless communication technologies and cloud technologies in the business processes of the insurance company both with the external audience - policyholders, and with employees and insurance agents
Individualization	Development of an individual insurance proposal (for tariffs, risks and other conditions) using large databases, new production technologies and wireless communication technologies based on obtaining the widest possible set of data about the insured (including potential) and the object of insurance
Digitization	The use of digital technologies (digitization) in the internal and external business processes of the insurance company

Internetization as a direction of digitalization of the insurance market is carried out through the use of the Internet, new production technologies, wireless technologies and cloud technologies in the insurance company's business processes with external audiences – policyholders and employees and insurance agents. The most common term today is "Internet insurance", which has a narrower meaning and implies the sale of insurance services over the Internet.

Internetization of insurance activities is implemented in insurance companies through not only the Internet sale of insurance services, but also the collection of information about policyholders via the Internet, as well as the settlement of insurance cases via the Internet.

Factors contributing to the development of the internetization of the insurance market are:

- increase in the number of Internet users and persons engaged in Internet commerce operations;
- the emergence of legislation governing the interaction of the insurer and the insured via the Internet;
- higher profitability of Internet sales of insurance services and settlement of insurance cases via the Internet;
- more active use by insurers of Big Data technologies aimed at personalization of insurance services, their offer and settlement of losses.

The individualization of economic relations (Table 3), the departure from mass standardized products in the insurance market, is manifested in the development of individual insurance proposals (tariffs, risks and other conditions) through the use of large databases, new production technologies and wireless technologies. based on obtaining the widest possible set of data about the insured (including potential) and the object of insurance.

Individualization of the insurance proposal implies an individual risk assessment by increasing the amount of information collected about the insured and the object of insurance, as well as the preparation of an individual proposal for insurance at the request of the insured.

Various automated devices for collecting information about the insured (insured) or the object of insurance, such as telematics and telemedicine, allow to obtain an extended list of indicators required for pre-contractual risk assessment. After receiving the necessary indicators, the insurer has the opportunity to create individual conditions for the insurance program.

Digitalization in the insurance market refers to the use of digital technologies (digitization) in the internal and external business processes of the insurance company. Along with this concept, the term "digitization of business processes" can be used. New production and wireless technologies can be used most often in the process of digitalization. Currently, business processes such as accounting and reporting, risk assessment of the insured in the process of pre-insurance discipline, sale of insurance services and dispute resolution are prone to digitalization in insurance companies (Table 3).

In many respects, the interest of insurance companies in the digitalization of the insurance business will be determined by the degree of development of blockchain technologies and the possibility of their use in various business processes.

⁵⁵⁷ Mandra N. G., Laktionova O. Y. (2020) The need for digital technologies in the business processes of insurers. C. 205.

Table 3. Technologies of individualization of the insurance offer⁵⁵⁸

Technology of individualization	Description of technology and its application
Big Data	Technology of processing large data sets for the purpose of collection, analysis, systematization and use for development of individual offers to policyholders
Internet devices	Collection of additional information about devices that have access to the Internet and are potential objects of insurance, to create the safest living conditions for the insured
Indicator collection devices (telematics, remote collection of life and health indicators)	Purposeful remote collection of additional information about the objects of insurance to minimize the risk during insurance
Wireless technologies	Using the online positioning system to obtain additional information about the insured (insured) to provide the highest quality services in the field of insurance
Gathering information in virtual reality	Analysis of the information that the insured (insured) places on the Internet and social networks, in order to identify potential threats to the provision of the highest quality insurance services

Distributive databases in combination with smart contracts ("digital" contracts in computer execution) can be used by insurers at the stage of concluding insurance contracts, including the sale of policies related to other insurance services, as well as at the stage settlement of the insured event.

Table 4. Digitalization of business processes in insurance companies⁵⁵⁹

Business process	Realization
Accounting	Accounting automation programs through the use of new production technologies
Tax and accounting reporting	Reporting without submitting paper reporting forms to the relevant authorities using new production and wireless technologies
Insurer risk assessment	Use of telematics (preliminary assessment of driving style), health sensors (preliminary assessment of blood pressure, heart rate and other indicators) through the use of new production technologies and wireless communication technologies
Sales	Application of blockchain (inclusion of insurance services in complex programs developed on the basis of blockchain technology); smart contracts (contracts concluded using wireless technologies); blockchain connection to microinsurance and / or mutual insurance systems; mobile applications for smartphones based on the use of new production technologies
Settlement of disputes	Use of mobile applications for smartphones to apply for an insured event, photo damage, photo documents, etc.; creating a settlement history based on blockchain technology; technological online communications with related markets to confirm insured events; settlement of insurance cases with the use of digital technologies
Document flow	Protection of personal information by blockchain technology; creation of a client profile for further transactions on blockchain technology; translation of documents, including with the insured, into electronic form; remote access of insurance agents

However, digitalization has some problems, namely:

- limitations and difficulties with the scale of the use of digital technologies in connection with the need to bear the costs of re-equipment of IT-insurance and retraining of employees;
- security, including access to personal data;
- competition of digital channels with other channels of services of insurance companies;
- the need to restructure the internal business processes of the insurance company;
- insufficient number of qualified specialists.

It should be noted that there is the Insurance Governance Leadership Network (IGLN) – a global organization that brings together non-executive directors of some of the largest insurance companies in Europe, North America and Asia. Thanks to this Network, managers of insurance companies around the world have the opportunity to discuss the most important issues facing the industry. The target users of the Network are non-executive directors, but it also includes senior

⁵⁵⁸ Ibidem, p. 206.

⁵⁵⁹ Ibidem.

management of companies (especially managers responsible for risk management) and representatives of regulatory bodies that manage and supervise the establishment of reliable insurance institutions.

That is, Ukrainian insurance companies are in the process of digital transformation, which includes: electronic insurance, Internet and direct sales of insurance services, Cybersecurity, mobile services and on-line services, automation of the payment process, Blockchain technology, transformation of the insurance company's website into a tool for communications and sales. There is a transition to on-line reporting to the regulator National Commission for State Regulation of Financial Services Markets and in the future the National Bank of Ukraine.

The reorientation of the insurance business to a remote electronic format became especially important during the period of quarantine and restrictive measures related to the spread of COVID-19. At the same time, the methods of offering and selling insurance products have changed significantly, while, in fact, the products themselves have not changed for the most part. Consumers are increasingly moving to online interaction and expect any service to be available digitally.

Currently, the online insurance system used by insurers as an alternative to personal meetings with potential customers covers a range of technologies, including: insurance calculator, online payment for insurance contracts, ordering and purchasing insurance contracts online, online consultation, video consultation-modes and others.

Systemic digital transformation has become a determinant of positive developments in various areas of insurance. However, research shows that insurance companies that provide risky types of insurance have a higher level of digitalization. This is due to both the complexity of life insurance products and the need for advice from potential policyholders from insurance company specialists, insurance agents or brokers. Buyers of insurance services, especially older people, still want to have direct (face-to-face) contact with other people, making their choices and not having the appropriate digital skills.

Currently, the leading position in the field of digitalization is confidently held by motor insurance (land transport insurance and compulsory insurance of civil liability of vehicle owners). The process of digitalization of motor transport risk insurance was launched by the Motor (Transport) Insurance Bureau of Ukraine (MTIBU) in February 2018 with the introduction of the "electronic policy" system. This innovation provided the opportunity to conclude internal contracts of compulsory insurance of civil liability of owners of land vehicles (those that operate exclusively in Ukraine) in electronic form. The dynamics of concluding electronic contracts shows that this is a convenient and necessary service for car owners. In 2020, more than a third of contracts of compulsory civil liability insurance of owners of land vehicles (37% of the total) are concluded in electronic form. Note that the share of such agreements in 2019 was 15%, and in 2018 – only about 2%. In general, in 2020 the number of electronic contracts of compulsory insurance of civil liability of owners of land vehicles amounted to 3.05 million units, which is 2.5 times more than in 2019. The amount of insurance payments under such contracts is 2.6 billion, which is 1.76 times more than the previous year.

The information system "Electronic European protocol" introduced in October 2017 at the MTIBU is becoming more and more popular among insurers. This service has opened opportunities for participants in road accidents (accidents), without calling the traffic police, to register insurance events in electronic form. According to official data, during 2019-2020 the indicators of the use of the electronic European protocol showed a clear positive trend, increasing in number by 2.8 times (in 2019, 1620 electronic European protocols were issued, and in 2020 – already 4627 units).⁵⁶⁰

It should be noted that now the participants of the accident have the opportunity to draw up an electronic European protocol not only through the MTIBU website, but also through the mobile application "My Policy", which increased the availability and convenience of the service.

⁵⁶⁰ Official site of the National Commission for State Regulation of Financial Services Markets.

Continuing to support breakthrough innovations in the field of civil liability insurance of land vehicle owners is identified as a priority of the MTIBU. At the same time, the association of insurers that carry out compulsory insurance of civil liability of owners of land vehicles for damage caused to third parties, primarily plans to introduce electronic contracts of international insurance "Green Card". The task of the MTIBU, which needs an urgent solution, is the need to integrate all digital services (those that are already working effectively, along with solutions that are just being implemented) in a single digital car insurance platform – "smartphone traffic safety".

In today's world, most insurers provide digital technology insurance coverage for car owners. In particular, all basic programs of voluntary motor insurance (CASCO insurance) have been transferred to the electronic policy format.

It should be noted that a significant obstacle to the widespread use of online insurance in Ukraine is the rather distrustful attitude of the majority of citizens to financial institutions in general and to insurers in particular. Many insurance clients, mostly the older generation, have a strong idea of caution with insurance companies. This is due to the negative experience of communicating with unscrupulous insurers, which led to distrust of partners in the entire insurance market.

Based on the analysis, it can be noted that the introduction and development of electronic contracts OTSPV is gaining momentum, as evidenced by the high growth rate of revenues from the sale of insurance policies online. This is due to the adoption of relevant legislation, which allows you to carry out relevant activities online.

The need to create the most comfortable conditions for customers of insurance companies at all stages – from concluding a contract and paying payments to payments and renewal of contracts – requires insurers to further digitize business processes. However, the introduction of digital technologies largely depends on the success in solving problems that hinder the digital trends of the Ukrainian economy as a whole. In particular, the experts of the Ukrainian Institute of the Future singled out a number of institutional, infrastructural, ecosystem and governmental problems of transformation of the Ukrainian economy into digital, which need a radical solution (Fig. 3).

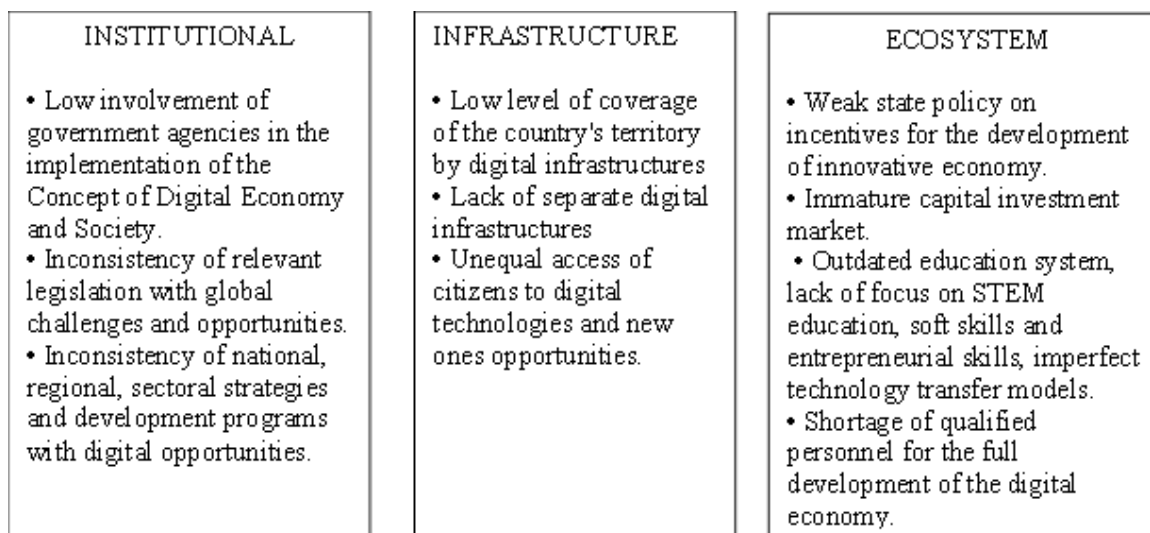


Fig. 3. Problems that hinder the development of digital trends in Ukraine and the transformation of the Ukrainian economy into digital⁵⁶¹

Digital transformations determine the broad generation of cyber risks, which highlights the need for cyber insurance. Cyber insurance is an insurance product that protects economic entities from risks related to information and communication technologies, the use of the Internet, ICT infrastructure and activities in cyberspace.

⁵⁶¹ Bazylevych V. D., Prykazyuk N. V., Lobova O. M. (2020) Digitalization in ensuring the competitive advantages of insurance companies. P. 20.

Digital insurance is understood as a way to meet the needs of policyholders in specific insurance coverage due to accidental adverse events occurring mainly in the digital economy, and the associated use of technological equipment, which is the material basis for economic relations. For insurance companies in Ukraine, the introduction of cyber risk insurance opens up new competitive opportunities in the insurance market.⁵⁶²

The question of the mobility of the modern insurance market and the companies operating in it is acute. Therefore, the key to the stable development of insurance activities in Ukraine is:

- quick response to new conditions, customer requests;
- ability to adapt, gain positive experience, analyze and correct negative moments;
- to develop harmoniously, to find a balance between the accumulation of new knowledge and their practical application.

Meeting the needs of insurers, whose expectations have changed significantly due to the digitalization of the economy, is the main goal of insurance companies. Therefore, we believe that modern consumers of insurance services need the following:

- ease of use, round-the-clock and fast access;
- clear and understandable information about the insurance service. For the insurer, this means an increase in profits in the short term, as transaction costs are reduced when promoting the product in the value structure;
- introduction of innovative insurance products, which is useful for the long-term insurance period.

Successful insurers are increasingly penetrating new areas, creating new opportunities for the implementation of insurance services on mutually beneficial agreements between them and customers.

Thus, it can be noted that the Ukrainian insurance market is in the process of transition to a qualitatively new stage of development that meets global trends, and further improvement of the regulatory framework for insurance services will have a positive impact on the creation of full online insurance.

The digitalization of the insurance industry is aimed at creating a modern insurance system that is designed to meet the interests of citizens, businesses and the state in a balanced way. The implementation of this task is complicated by the low level of digital inclusion in the country, the high cost of digital tools, software, computers and other digital equipment. The process of digital transformations in the insurance business is hampered by the lack of professional digital competencies of employees of insurance companies, inconsistency of the level of digital skills of consumers of insurance services, etc.

The economic importance of digital technologies in the insurance business and, consequently, the demand for online insurance in Ukraine will continue to grow. Continuation of the digital transformation of the insurance industry is the main direction of development of the insurance market of Ukraine in the near future.

The development of the insurance market based on the paradigms of the digital economy can be realized only if the legislative, institutional and fiscal barriers are removed; widespread use of tools to encourage innovation activities, including state support through tax and financial instruments, as well as creating conditions for the free attraction of venture capital.

Thus, insurance is not yet recognized as an urgent need by our society. It has not yet become an important financial instrument for regulating the national economy. The insurance market in Ukraine still does not play a proper role in ensuring the insurance protection of economic entities.

The main tasks of ensuring the formation of a full-fledged insurance market in Ukraine are: development and implementation of effective state policy in the field of insurance, bringing current legislation in line with EU requirements; providing conditions for the development of competition, training of insurance companies in techniques and tools for data visualization; improving state insurance supervision.

⁵⁶²Zhelizniak, R. J. Bonets'kyj, O. O. and Zhulevych, M. (2019) The World Insurance Market Development in the Conditions of Digitalization. P. 104.

The study suggests that the rapid development of digital technologies and the challenges of the modern world necessitate the digital transformation of traditional business processes in the insurance industry. The development of the digital environment in the field of insurance allows insurers to improve the mechanisms of insurance risk management, expand the range of insurance products and services, taking into account the interests of consumers and meeting their needs.

Continuation of the digital transformation of the insurance industry is the main direction of development of the insurance market of Ukraine in the near future. Digitalization of insurance business processes will be an effective lever for risk management that can meet the interests and needs of all participants in insurance relations.

The effectiveness of the introduction of digital technologies in the insurance sector is largely determined by the success of solving institutional, infrastructural, ecosystem and governmental problems that hinder the digitalization of the Ukrainian economy as a whole and require a radical solution.

Thus, the development of online insurance contributes to the entry of the insurance market into a qualitatively new stage of its development. The online age allows insurers and policyholders to take full advantage of information technology. Both subjects of insurance relations receive a positive result. For the insured, the ability to conduct online operations in the field of insurance, in the first place, provides convenience, allowing you to perform the necessary procedures without leaving home. For the insurer, the main benefit of direct insurance is an increase in sales and, as a result, an increase in financial income from the conclusion of insurance policies. It should also be noted that the effective functioning of the online sales of insurance products requires the efforts not only of insurance market participants, but also the state, which through the application of laws and regulations will regulate the conduct of insurance transactions on the Internet.

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Part 3. CURRENT PROBLEMS OF DIGITAL ECONOMY DEVELOPMENT

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