Business Processes In The Insurance System And Their Features

Kuzieva Nargiza Ramazanovna¹, Ashurova Nasiba Batirovna², Ollokolova Feruza Mansurovna³
¹Tashkent Financial Institute
²Navoi State Mining Institute
³Termez State University

Annotation

The article discusses the need to implement business processes in the insurance system and its implementation in insurance companies. The theoretical and practical aspects of business processes in insurance companies are considered, and the methodology of business processes is described.

Keywords: insurance system, business processes, innovation, reengineering.

1 Introduction:

Insurance companies that are rapidly developing in an innovative economy face problems that traditional classical knowledge and paradigm cannot solve. Therefore, the owner and the employee-manager use different ways to achieve competitive advantages, one of which is to formalize business processes within the organizational structure.

The Strategy of Action on five priority areas of development of the country in 2017 - 2021 noted: "expansion of insurance, leasing and other types of financial services due to the introduction of their new types and improvement of quality, as well as development of the stock market as an alternative source of attraction of capital and placement of free resources of enterprises, financial institutions, and the population." This shows that the State pays special attention to the insurance system and its development. Business processes, as foreign experience shows, are of great importance to the development of the insurance system.

The business processes of the insurance company are formalized for the following reasons:

First, insurance companies operate under the conditions typical of the "buyer's market." Clients form their requirements regarding the goods and services offered to them in the sphere of insurance. On the one hand, the individualization of consumption results in each insurance product (service) having to meet the specific needs of a particular customer.

Also, requirements are growing not only for the product itself but also for its service system. For example, in road transport insurance, the consumer of services no longer just wants insurance protection in case of damage to the vehicle, but also a full service to settle losses. The insured wishes that the insurance conditions provide for evacuation, repair of the damaged vehicle, and, if necessary, replacement of it for the duration of the repair.

Secondly, as the insurance market develops and the number of clients of insurance companies is limited, the "principle of scalability" applies when the market, due to objective development conditions, has a boundary number of consumers, thus increasing competition between insurance companies. In the beginning, this is evident in the decline in prices for insurance services, especially in car insurance, property insurance, as well as the offer of new insurance products, the situation is typical for the "buyer
'smarket.” However, the decline in prices is not unlimited. Therefore, the fight for the client will inevitably pass and already move into the sphere of operational service and quality of insurance products.

Third, the very nature of change is changing today. Insurance companies have to operate in a synergistic environment, that is, a constantly chaotic changing environment. For example, not long ago, national insurance companies offered a limited range of life insurance services: savings insurance or death insurance. Today they offer a constantly changing list of services, including pension insurance, critical disease insurance, renters insurance, etc.

Fourth, the nature of production relations is changing, where the main object is processed, not their individual parts or operations. An insurance company is a large-scale financial structure, with large flows of information and a large branched network of structural divisions and subsidiaries. If we take into account multinational insurance companies, then there is still branching across different countries and continents, and centralized management of the activities of remote companies is added to this.

2 Literature review

The study of the economic nature of the structural elements of the insurance system originates in the works of representatives of various areas of economic theory: The questions of insurance research were raised by scientific economists at various stages of the development of economic theory.

At the stage of the formation of the classical theory in his fundamental work “Research on the nature and causes of the wealth of peoples” A. Smith noted that so many people rush to risky enterprises that are attractive for some people to receive large profits that their average incomes are lower than in an industry where there is no risk. “ The concept of “risk insurance” is mentioned by the scientist in the aspect of dangerous, but associated with a high level of profitability of measures, as well as the influence of the degree of risk on the level of profitability of economic activity, and does not have a detailed analysis of this category.

A more detailed analysis of the risk category in conjunction with insurance is presented in the work of the representative of the neoclassical economic school Alfred Marshall, "Principles of Economic Science." A. Marshall considered “enterprise insurance against risk” in the aspect of the relation “to the offer price for a separate manufactured product”. In other words, A. Marshall focused the study on the procedure for including insurance costs in “core costs”, to determine the total cost of goods produced. In the work of A. Marshall, there are the concepts of “entrepreneurial risk”, “insurance company”, “insurance premiums”, “insurance fund”, a description of preventive measures aimed at reducing the risk of an insured event occurs, the author also shares two concepts: risk and uncertainty. Thus, in the economic theory of the early neoclassical period, the foundation is laid for theoretical studies of the insurance category, the concept of risk.

Insufficient analysis of the market infrastructure of the insurance system. Consideration of issues of the insurance company is reduced to an analysis of its structure and legal form. The formalization of the processes of an insurance company is a dynamically developing market is not adequately covered.

3 Research methodology

The theoretical and methodological basis of the study is the scientific work of domestic and foreign scientists in the field of insurance research, accumulation and investment, institutional theory, engineering of business processes of economic entities. The laws of the Republic of Uzbekistan, resolutions of the
Cabinet of Ministers, decrees of the President of the Republic of Uzbekistan, data from the State Supervision of Insurance Activities of the Republic of Uzbekistan, statistical reference books, data from the Association of Insurers of Uzbekistan, data from the European Association of Insurance Companies CEA (ComitéEuropéen des Assurances) were used as the information base for the study.

The methodological basis of the study is the structural and functional analysis, with the help of which a model of the conceptual insurance system in the conditions of an innovative economy is developed. To form theoretical propositions and results, an abstract logical method and an observation method were used. For the analysis of the state of the insurance system in developed countries - methods of comparison, analysis, and synthesis, historical and logical approach, graphic methods, and methods. For the design of the business processes of the main activities of the insurance company, modern software products were used.

4 Discussions

The need to describe the business processes of the insurance company is determined by the following provisions.

The first position is that customers - individuals and companies - are in demand for goods and services created for their specific, unique needs. The mass market has split into many parts, down to one single customer. Individual clients - whether individuals or industrial firms - require an individual approach. They expect the product to be designed according to their needs, delivery planned according to their production schedule or work schedule, and payment terms are convenient.

The second position is that the subjects of insurance relations operate in conditions of fierce competition. Companies competing for market niches have changed the face of almost every market. The same goods are sold in different markets on completely different competitive bases: in one market - based on price, on the other - on the basis of consumer choice, somewhere - on the basis of quality, and on the rest - on the basis of service before, during and after the sale. With the fall of trade barriers, any national territory of any company becomes less protected from foreign competitors.

The third position is that the processes of globalization affect the activities of subjects of insurance relations. The tendency for changes like customers and competition remains, the same thing happens with the nature of the changes themselves. The fundamental changes include globalization processes in the economy. As a result of the globalization of the economy, companies are faced with an increased number of competitors, each of which can enter the market with a fundamentally new product or service. The swiftness of technological progress also fosters innovation.

The main idea of describing business processes is that the company’s activities are described in the form of logical schemes that reflect the general structure of the company’s activities. Formalization of business processes is aimed at solving enlarged process operations and saving costs within the organization.

Thus, the sharply changed external and internal conditions for doing business, which was mentioned, dictate new "rules of the game" in the market. Those companies that are flexible, quickly, and adequately respond to changes in the external environment, have well-functioning, interdependent processes for the development, production, sale of their products, and customer service win the competition.

The purpose of reengineering is a systematic restructuring of material, financial and information flows aimed at simplifying the organizational structure, redistributing and minimizing the use of various
resources, reducing the timeframe for realizing customer needs, and improving the quality of their service.

For insurance companies, which are characterized by a high degree of business diversification, a variety of partnerships, reengineering of business processes provides the following tasks:

- determination of the optimal sequence of functions performed, which leads to a reduction in the long cycle of preparation and sale of services, customer service, the result of which is an increase in capital turnover and the growth of all economic indicators of the company;

- optimization of the use of resources in various business processes, as a result of which costs are minimized and an optimal combination of various types of activities is ensured;

- the construction of adaptive business processes aimed at quickly adapting to changing needs of end-users of products, sales technologies, competitors' behavior in the market and, as a result, improving the quality of customer service in a dynamic environment;

- determination of rational schemes of interaction with partners and customers, and, as a result, profit growth, optimization of financial flows;

- synchronization and coordination of simultaneously performed processes.

The purpose of describing the business processes of an insurance company is to improve the quality of company manageability by building a business model of the insurance company as a holistic structure, introducing information technologies, reducing the role of the human factor, and thereby improving the quality of customer service.

Business process reengineering, carried out with a certain periodicity, for example, once every five to seven years, is subsequently aimed at business process engineering, the constant adaptation of business processes to a changing external environment.

5 Conclusion and recommendations

Application of methodological approaches to the formalization of business processes of an insurance company will allow:

1) identify the main processes of the insurance company;

2) to improve the business structure of the company and make it transparent and accessible to understanding the principal;

3) adjust the economic result of the insurance company at intermediate stages, which, in turn, will achieve the strategic and tactical goals set for the company;

4) reduce the costs of organizing and conducting the business of the insurance company;

5) promptly receive information about the activities of the insurance company as a whole and its structural divisions in particular;
6) reduce the level of opportunistic costs, because the presence of such costs will be manifested in the violation or delay in conducting business processes at each of the stages of the insurance company.

The modern insurance industry is in urgent need of using the means of business intelligence - tools to more accurately develop the business structure, accurately assess the real level of risks, and appropriately set prices for these risks. Business intelligence plays a critical role in almost all of its elements. Business intelligence tools allow you to identify suitable customers as part of targeted marketing, as well as analyze the reasons for the reduction in the number of clients (customer relationship management). Using such tools, the insurer manages to better coordinate the work of agents and sellers and thereby increase the effectiveness of actuarial (risk modeling, reinsurance, profitability analysis) and underwriting operations (premium analysis, loss analysis). Business intelligence is an indispensable method of evaluating claims and finding out fraud. As for asset management, with the help of analytical tools, the insurer's risk can be significantly reduced by generating complex risk models. And most importantly, BI tools help insurance companies provide the necessary information for corporate clients (dashboard reports, regulatory reporting, customer information service), and therefore strengthen cooperation.

The modern stage of management automation is business intelligence. During the crisis, which covered almost all computer technologies, the BI area remains promising and rapidly developing.

It should be noted that the design of business processes is one of the first steps to building the information system of the insurance company, as well as the subsequent automation of the insurance company. Comprehensive automation of the insurance company’s activities not only increases the competitive advantage of the insurance company in the market but also allows owners to evaluate the economic growth of the insurance company and determine new development priorities.

List of References

