



Article

Digitalization of The Insurance Market: As A Factor of Increasing Competitiveness

Azmiddin Turgunmirzaev

1. Kimyo International University in Tashkent

* Correspondence: turgunimirzayev@mail.ru

Abstract: In the article, the changes occurring as a result of the digital transformation of the insurance industry, the analysis of the competitive factors of companies through the digitization of the industry are analyzed in detail.

Keywords: insurance, insurance companies, competition, competitive factors, digital transformation.

1. Introduction

Today, the financial market is characterized by increased competition between its participants. In such conditions, competitive factors have a direct positive impact on their activities. The developing processes of digital integration further accelerate these trends. The insurance services market is an integral part of the financial market of any developed country. In the context of globalization and instability of the world economy, the competitiveness of the national insurance market is the main factor in the sustainable (social, economic) development of each country. In modern economic terms, competitive advantages play a decisive role in ensuring competitiveness.

According to the results of 2024, the level of concentration in the insurance market of Uzbekistan shows a slight increase. The total market share of the four largest insurance companies in the market is 53.57%, which indicates a significant increase compared to previous years. This indicates that the leading market participants have further strengthened their competitive position and their share in the total volume of insurance premiums is increasing. At the same time, the Herfindahl-Hirschman index (HHI) is 1706.59 points, which allows us to assess the market as moderately concentrated. The HHI index between 1500 and 2500 indicates that the competitive environment of the market is balanced and many players are still present in the market. Thus, although the market is still dominated by a few large companies, small and medium-sized companies are maintaining their competitive position and increasing their market share.

This situation indicates that there are opportunities for improving the competitive environment and diversifying the insurance market. According to the current trend, leading insurance companies in the market are paying more attention to digitalization of service processes, along with effective marketing, improving the quality of services and providing innovative products to increase market share. It is also observed that small and medium-sized companies are striving to strengthen their position by offering customers personalized insurance services, increasing competitiveness and attracting new segments.

Citation: Turgunmirzaev, A. Digitalization of The Insurance Market: As A Factor of Increasing Competitiveness. American Journal of Economics and Business Management 2025, 8(7), 3040-3046

Received: 03th May 2025

Revised: 21th May 2025

Accepted: 14th June 2025

Published: 03th July 2025



Copyright: © 2025 by the authors. Submitted for open access publication under the terms and conditions of the Creative Commons Attribution (CC BY) license (<https://creativecommons.org/licenses/by/4.0/>)

However, along with achieving high market concentration, there may be a risk of reduced competition and monopolization. Therefore, it is important for government agencies and regulators to conduct effective policies to maintain a level playing field in the market and promote the development of small and medium-sized businesses. Measures that stimulate competition will help improve the price and quality of insurance products, as well as open up new opportunities in the application of services to customers.

According to Mokronosov (2014), currently in the economic literature, low-level competitive advantages (associated with the availability of cheap resources: labor, materials (raw materials), energy) and high-level competitive advantages (modern products and technologies, optimal marketing structure, organization of production and quality of service, company reputation) are distinguished. It is high-level competitive advantages that ensure the sustainable development of the industry in the long term. If until recently, the digitization of business was considered one of the sources of competitiveness, then modern realities arising from the digital transformation of the economy show that these digital technologies, ensuring the integrity of systems, creating a cloud infrastructure in financial markets are becoming the main source of economic growth and successful management of the insurance business. The digital economy is disrupting traditional models of industry markets and increasing the competitiveness of their participants. Thus, digitization determines the development prospects of companies, industries and the national economy in general.

Literature review

According to Kozlov (2010), as a result of the development of new Internet technologies in the insurance market, insurance companies and customers will benefit equally. World experience shows that as a result of the online provision of insurance services, insurance companies can reduce their costs by 9-12 percent. This is achieved by reducing transaction costs for insurance, that is, by reducing the commissions of insurance agents, brokers and other sales intermediaries, which in turn leads to a decrease in the price of insurance products, which in turn leads to higher profits and increased competitiveness of insurance companies.

Dmitrieva (2015) emphasizes that in order to win the competition in the conditions of globalization and integration, it is necessary to improve business processes. Using the capabilities of information technologies, it becomes possible to process and analyze large volumes of data, which significantly simplifies the business process and creates the basis for making management decisions that are beneficial to business owners based on the analysis.

Trofimova (2018) emphasizes in her research that the global insurance market is undergoing fundamental changes with the introduction of new technologies. The use of information resources in the insurance sector is becoming an objective need for insurance companies to reduce losses and increase their competitiveness.

Competition in the insurance sector is understood as a set of factors that determine the choice of insurance products or services for policyholders and potential customers of an insurance company, as well as competition that determines the choice of customers. From the point of view of insurance products and services, traditional competition is carried out based on the price of insurance products (tariff rate) and non-price factors. The insurance tariff or the price of an insurance product with identical conditions serves as a price factor for its competitiveness (Danisov (2014), Vasilenko (2011)).

According to Platonova (2023), competition is a process that occurs between providers of insurance services for the consumer on a number of parameters: speed of service, price, quality of service. This process, depending on the established rules of the market, can work both to the benefit and to the detriment of the market. In some cases, competition can lead to "price wars", increased reputational risk, or the adoption of risk-taking strategies by participants to maintain their customer base and profitability. Researchers

Tsyganov and Bryzgalov (2014) in their study show that the specific features of the current development of the modern insurance market, the convergence of financial services, incomprehensible consumer behavior, a high share of sales through intermediaries, and imperfect regulation of financial markets lead to the emergence of new types of competition. They argue that in the absence of traditional tariffs and prices in the insurance market, competition is becoming more and more intense, creating the basis for the emergence and intensification of inter-industry, sales channel and inter-type competition. Also, researcher Abdurakhmonov (2018-2024) conducted research on the digitalization of the insurance industry, expansion of sales channels, regulation of the industry, development of competition, development of modern insurance products, and the positive impact of innovative insurance products on the insurance market and the industry.

2. Materials and Methods

During the research, the reasons for the emergence of new types of competition in the development of the insurance industry, their theoretical and practical foundations, and scientific literature were studied. Logical thinking, scientific observation, and a systematic approach were widely used, and conclusions were drawn based on empirical research on the topic.

3. Results and Discussion

In the existing economic literature, researchers divide competitiveness into three main levels. They are as follows:

1. Macro level - this level determines the factors for strengthening and developing the national production base, while ensuring the country's long-term advantages in the world economy.
2. Meso level - includes a set of conditions and factors necessary for industries or groups of enterprises to ensure sustainable production and supply of competitive goods in domestic and foreign markets.
3. Micro level - refers to the goods (specific types of products and services) produced by competitive entities.

Taking into account the above levels, many competitive advantages are formed mainly at the meso level. It is also important to take into account the specific characteristics of each industry when determining the competitive advantages of companies in different industries. Therefore, analyzing the activities of an insurance company using general approaches may not always yield effective results.

In this regard, it is advisable to analyze the competitiveness of an insurance company through its financial role in managing risks and minimizing their negative consequences. When determining the competitiveness factors of insurance companies, it is necessary to take into account the specific characteristics of their insurance activities and financial resources. When determining the competitiveness factors of insurance companies, it is necessary to take into account the characteristics of insurance activities, the specific characteristics of their financial resources and, accordingly, form a system of specific factors. In order to determine the competitive advantages of insurance companies and form their potential, we consider it advisable to identify the factors affecting the competitiveness of an insurance company and divide them into three groups. They consist of the following, namely, the main factors (reliability factors), supporting factors and stress factors. The structural model defining the relationship between the factors affecting the competitiveness of insurance companies is presented in Table 1.

The first subgroup of key factors includes financial and economic factors, the main of which is, of course, capital. The ability of an insurance company to adapt to constantly changing conditions in global markets can affect the ratings assigned to the company and, ultimately, its competitiveness. Insurance companies that operate with high risk-adjusted capital adequacy ratios and are able to respond quickly to changing market conditions can have a competitive advantage even in the current market conditions. In addition, these

companies have good opportunities to succeed and improve their ratings during changes in the market cycle.

Table 1. Classification of factors affecting the competitiveness of insurance companies

Key Factors (Reliability Factors)				Supporting factors	Stress factors
Financial and economic	Insurance and reinsurance activities	External	Digitization	- support of founders; - state support	- negative influence of owners; - regulatory and control risks; - specialization in understudied risk insurance
- capital; - liquidity and solvency; - solvency and profitability; - investment activities	- insurance and reinsurance portfolio; - customer base; - reinsurance programs; - underwriting activity; - claim settlement policy; - security policy	- brand (status) factor; - market position; - corporate management; - geography of activity; - transparency of the controller	- single digital integration; - digitalization of the insurance system and business processes; - intellectual level of process and decision management; - information management; - cloud infrastructure; - integration and security		

Liquidity and solvency usually imply an analysis of the adequacy of highly liquid assets (primarily assets that provide insurance reserves), their quality and solvency. Financial analysis includes quantitatively measurable indicators, which are conventionally divided into absolute and relative indicators. Investment activity is an integral part of the insurance company's activities to generate additional income and a necessary condition for ensuring the sufficiency of the insurance fund.

The second subgroup of key factors includes the analysis of insurance and reinsurance activities, within which the following can be cited:

1. Insurance and reinsurance portfolio. The main direction of optimizing the insurance and reinsurance portfolio is the search for the optimal combination of portfolio products, since different types and forms of insurance and reinsurance give different financial results. In addition, depending on the financial condition of the reinsurer, optimization of the reinsurance portfolio can be carried out in two main directions: optimization of the incoming (active) reinsurance portfolio and optimization of the outgoing (passive) reinsurance portfolio.
2. Customer base. Due to its specific nature, insurance conducts various types of cooperation with many reinsurers and insurance companies in domestic and international markets. Therefore, a fair and open policy leads to an increase in the number of permanent, reliable and financially stable partners in the field of insurance and reinsurance.
3. The reinsurance program provides for the careful preparation of the structure of each reinsurance protection, taking into account the specifics of reinsurance contracts. The presence of high-quality mandatory protection of the reinsurer's portfolio is a guarantee of its financial stability in the event of any events and, accordingly, the ability to strictly fulfill its obligations.
4. Underwriting activity, which reflects the insurer's risk approach, through which the company considers new proposals and comes to a conclusion on their acceptance or rejection. Optimal underwriting activity is evidenced by the presence of actuaries in the company, continuous improvement of staff qualifications, and many other factors, which indicate a high level of professionalism of specialists.

5. Having an optimal claims policy reflects the insurance company's adherence to certain rules for resolving controversial or complex issues that cause problems with numerous compensation payments. It is important for an insurance company to have such a policy, in addition, in this activity it is important to provide statistical data on insurance payments made by the insurer, the period of their implementation, as well as the number of legal disputes.
6. The presence of a security policy indicates the readiness of insurance companies to act in critical situations. This implies the presence of an appropriate action program, a data storage system, as well as their own security service.

The third subgroup is external factors of stability and corporate governance, which include the following, including:

1. The brand (status) factor - one of the main factors for an insurance company: brand recognition, effectiveness of marketing policy, etc.;
2. Market position - determined by the presence of an international rating. Having a satisfactory international rating is often one of the main conditions for entering certain regional insurance markets. We must also remember that the rating does not always adequately reflect the financial stability of the company;
3. Corporate governance implies the existence of risk management policies and procedures and a risk management department;
4. The geography of insurance and especially reinsurance activities is an important factor, since reinsurance activities are international in nature. In order for insurance companies to take advantage of existing opportunities, they need to have good market positions in several geographical regions. Expanding the geography of activities requires a balanced approach. To understand and effectively manage risks, companies need to constantly invest in improving the skills of their employees, introducing models and information technologies, implementing the necessary controls and ensuring protection against retroactivity;
5. The availability of financial statements in accordance with IFRS, transparency of control and international auditing.

The fourth subgroup of key factors includes business digitization factors. The importance of this subgroup has been increasing in recent years, since at the current stage of development of digital technologies and in the conditions of the digital transformation of the economy, they are increasingly affecting the competitiveness of the insurance company. At the same time, in the conditions of digital integration in the near future, the importance of these factors will increase even more.

Also, important factors of the competitiveness of an insurance company are supporting and stress factors. They reflect the presence or absence of risks in the organization's relations with the external environment and conflicts within the organization.

The analysis of the classification of factors allows us to identify the competitive advantages of the insurance company. Thus, among the presented competitiveness factors, the group of business digitization factors deserves special attention. A distinctive feature of the proposed classification of the factors of the insurer's competitiveness is their systematic nature. In addition, this classification was formed taking into account the digital transformation of the economy. The digitization of business and management processes is the most important factor in the activities of market entities, and digital transformation is penetrating all levels, sectors and industries of the economy. The transition to a digital economy determines the transition of competition to the field of digital technologies and the development of new competitive business strategies. The digital economy implies activities directly related to the development of digital computer technologies, including various services for the provision of online services, crowdfunding, online trading, electronic payments, etc. "Digital transformation of the economy" is usually understood as a change in the economic structure, changes in public administration associated with the penetration of digital technologies into traditional markets, social relations and them; changing the structural structure of the economy

through the formation of more efficient economic processes supported by digital infrastructure; the transition of the leading mechanisms and functions of economic development to institutions based on digital models and processes.

Digitization is becoming a decisive factor in the growth of companies, industries and the national economy as a whole, since delays in obtaining and processing relevant information and the inability to use digital resources are accompanied by the loss of existing market positions. Competitiveness in the digital economy reflects the dynamic ability of an enterprise to successfully conduct economic activity in the market in competitive conditions, correctly using its intellectual and human resources to process and use information and knowledge in its activities in conditions of information asymmetry.

It is impossible to develop the insurance market without using digital technologies, as they create new opportunities for its development. International integration, transformation of consumer behavior, mobility and work with big data have become the requirements of this era. Digital technologies open up new competitive advantages for insurance companies: the introduction of innovative technologies into their activities, the formation of statistical databases (analytical reporting, corporate content, online reporting, etc.), digital services based on the insurance offer, complex functional integration of management processes (pricing mechanism, rating, machine learning), a systemic transformation of customer relationships and mobile communication technologies.

Thus, digitalization allows the insurance company to optimize processes such as customer relations and insurance system management, information management, etc. Digital technologies take over the performance of simple repetitive operations, which reduces the share of human labor and makes it possible to move to fully autonomous digital production cycles. Digitalization closely helps insurance companies to effectively organize business processes, including:

1. Digital technologies that allow changing existing business strategies and expanding the customer base, ensuring consumer loyalty;
2. Digital technologies that allow forming the insurer's business image among competitors;
3. Digital technologies that ensure financial guarantees for the insurer's internal stability and financial stability, an optimal management structure and effective operation of business processes.

Implementing these business principles is a complex task, requiring both changing existing business processes and creating new ones, resulting in the formation of digital capabilities, which will determine the level of profitability, costs, organizational and financial efficiency, as well as the market prospects for the company's development.

4. Conclusion

In conclusion, the digital transformation of the insurance market requires a comprehensive study, taking into account the specifics of insurance. This process will not only increase efficiency by automating business processes within companies, optimizing costs and simplifying insurance operations, but will also allow raising the competitiveness of the entire insurance industry to a new level.

The sustainable development of the national insurance market depends on the effective introduction of digital economy technologies into the insurance industry, while ensuring that these technologies do not harm the economic essence of insurance. The introduction of digital technologies will increase the efficiency and profitability of insurance activities, stimulate the processes of mutual integration of non-commercial and commercial insurance (for example, P2P insurance), ensure the socialization of insurance relations, allow the creation of new insurance services and products, and modernize labor relations in the insurance industry - especially the activities of lower and middle managers and agents - by transferring them to automated management systems.

Modern digital technologies provide an opportunity to digitize even the conservative insurance network. However, it is important to note that the success of the digitization

process depends not only on the rapid and complete implementation of technologies, but also on the harmonization of the legislative and regulatory environment governing the insurance market.

REFERENCES

- [1] G. Mokronosov and I. N. Mavrina, *Competition and Competitiveness: A Textbook*, Yekaterinburg: Ural University Publishing, 2014, 194 p.
- [2] A. V. Kozlov, "Internet Insurance in Russia," *Modern Problems of Science and Education*, no. 4, pp. 127–131, 2010.
- [3] Y. Y. Dmitrieva, "IT Solutions for Insurance Companies," *Scientific Notes of Young Researchers*, no. 6, pp. 30–35, 2015.
- [4] Y. V. Trofimova, "Modern Loss Minimization Technologies in the Digital Economy," *UGNTU Bulletin. Science, Education, Economy. Series: Economics*, no. 2(24), pp. 40–45, 2018.
- [5] S. L. Denisov, "Dumping in Insurance," *Bulletin of the Maykop State Technological University*, no. 4, pp. 63–66, 2014.
- [6] E. Vasilenko, "Features of Analyzing the Competitiveness of Insurance Products and Services for Competitive Strategy Formation," *RISK: Resources, Information, Supply, Competition*, no. –, pp. 212–215, 2011.
- [7] E. Platonova, "Competition in the Insurance Market: Factors and Trends," *CST*, no. 4(99), pp. 37–41, 2023.
- [8] A. A. Tsyganov and D. V. Bryzgalov, "New Forms of Competition in the Russian Insurance Market," *Scientific Research Financial Institute – Financial Journal*, no. 3(21), pp. 141–149, 2014.
- [9] I. Abdurakhmonov, "Regulation of the Insurance Market and Implementation of Effective Mechanisms of Prudential Control," *International Finance and Accounting*, vol. 2020, no. 2, Article 10. [Online]. Available: <https://uzjournals.edu.uz/interfinance/vol2020/iss2/10>
- [10] I. Abdurakhmonov, "Methods and Approaches to Evaluating the Insurance Industry Efficiency," *International Finance and Accounting*, no. 3, p. 7, 2020.
- [11] I. Abdurakhmonov, "Impact of Insurance Services on the Development of Real Sector Enterprises," *International Finance and Accounting*, no. 6, p. 7, 2020.
- [12] I. Abdurakhmonov, "Prospects for the Application of Digital Technologies in the Insurance Sector," *Finance and Banking*, vol. 8, no. 1, pp. 95–99, 2022. [Online]. Available: <https://journal.bfa.uz/index.php/bfaj/article/view/82>
- [13] I. Abduraxmonov, "Formation Trends of the Insurance Sectors," *Finance and Banking*, vol. 8, no. 3, pp. 60–67, 2022.
- [14] I. Abdurahmonov, "Efficiency of Organizing the Activities of Insurance Intermediaries in the Development of Insurance Sector," *International Finance and Accounting*, no. 1, p. 5, 2020.
- [15] I. Kh. Abdurakhmonov, *Conceptual Foundations for the Development of Insurance Sectors in the Republic of Uzbekistan*, PhD Abstract, 2023, 78 p.
- [16] I. Abdurakhmonov, "Regulation of the Insurance Market and Implementation of Effective Mechanisms of Prudential Supervision," *International Finance and Accounting*, no. 2, 2020.
- [17] I. Kh. Abdurakhmonov, *Theory and Practice of Insurance*, Textbook, Tashkent: Iqtisod-Moliya, 2019, pp. 353–354.
- [18] I. Kh. Abdurakhmonov, "New Forms of Competition in the Insurance Sector: Theoretical Basis and Economic Analysis," *Finance and Banking*, no. 2, pp. 145–150, 2022.
- [19] I. Kh. Abdurakhmonov, "Prospects for Applying New Marketing Technologies in the Insurance Sector," *International Finance and Accounting*, no. 4, pp. 1–10, 2020.
- [20] I. Abdurakhmonov, "Insurance Market: Current State and Development Trends," *Economic Development and Analysis*, vol. 2, no. 4, pp. 309–319, 2024.
- [21] I. Kh. Abdurakhmonov, "Assessment of the Efficiency of the Insurance Sector," *TADQIQOTLAR.UZ*, vol. 37, no. 6, pp. 161–167, 2024.
- [22] I. Abdurakhmonov, "Prospects for the Development of the Insurance Sector," *Nashrlar*, vol. 2(D), pp. 12–15, 2024. doi: 10.60078/2024-vol2-issD-pp12-15
- [23] I. Abdurakhmonov, "Unknown Risks of the Digital Economy," *Economic Development and Analysis*, vol. 2, no. 7, pp. 230–239, 2024. doi: 10.60078/2992-877X-2024-vol2-iss7-pp230-239