Insurance Activities in the Digital Economy of Russia

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Abstract. The article examines the impact of digital technologies on the insurance market in the conditions of internetization, digitalization and individualization of the insurance business. The purpose of the study was to analyze the concept of digital insurance and the process of digitalization of the insurance market based on the practice of Russian and foreign insurers in promoting digital technologies, using general scientific approaches and research methods. Among the results of this research, the problems and prospects of further use of digital technologies in the insurance market were formulated. The authors conclude that the application of new technologies in the digital economy affects the insurance technology without changing its economic essence. In addition, the digitalization of insurance activities is followed by significant innovations that increase the efficiency of the former and the development of a new insurance programs.

Keywords: Digital insurance · Digital technologies · Digitalization · Insurance market

1 Introduction

Digital technologies play an important role in the development of relations in the field of production, in the structure of professional education and the economy, and determine new prospects for the development of communications, computing power, services and systems in the field of information. The digitalization of the economy also affects the insurance industry. However, insurance around the world, including in Russia, is still one of the most inertial sectors, it is quite slow to change, and innovations do not always take root there. But, nevertheless, insurers, taking into account the advantages of innovations, continue to gradually bring modern FinTech solutions into action in the framework of their business processes. This leads to the improvement of insurance products and their effectiveness. With increasing awareness of the potential for innovation provided by digital technologies, insurance companies are increasingly using digital programs in their business activities. In this article, the authors explore the relationship between the expression of the digital agenda in annual reports and the performance of 41 publicly traded European insurance companies for the period from 2007 to 2017. Our results show a positive relationship, which is particularly strong when companies use an integrated approach using digital technologies both in the context of...
internal activities within their own organization, and in external activities dealing with customers and business partners.

The insurance business is associated with socio-economic changes in different ways. On the one hand, new trends in society and the economy affect the demand for insurance services. Megatrends such as urbanization, individualization, and aging societies create dynamics in insurance companies’ client markets; climate change, economic instability, and political instability require a change in the way risk is calculated. On the other hand, insurance companies themselves are part of larger socio-economic structures that affect their day-to-day operations. They need qualified personnel, use modern information and communication technologies, and depend on financial products to generate savings. Thus, socio-economic changes also affect how insurance companies operate. In this sense, we can talk about external relations and internal relations of the insurance business with socio-economic changes. While the first concerns markets, customers, and offers, the second concerns business operations, management, and control aspects [3].

2 Methodology

In the scientific literature, the study of the insurance market development in the digital economy is still episodic. Foreign analytical literature describes results of regular market research and practical conclusions. Published research prepared by the largest audit companies [5, 6, 8, 10–12] shows some problems and prospects of digitalization of insurance business in developed countries, highlights the main trends, risks and threats to the traditional insurance business, changes in the labor market in the insurance sector. It seems appropriate to conduct similar research for Russia and analyze the data from a market survey of representatives of leading Russian insurance companies. In the works of Russian researchers [1, 14], attempts are taken to rethink the role and development of insurance under conditions of digital economy implementation. The paper considers results of a market research of the insurance industry on the issues of digitalization of the insurance market, aimed at identifying problems and prospects of this process in Russia.

3 Results

Changes in the economic situation caused by the introduction of restrictive measures to combat the spread of coronavirus in Russia and other countries negatively affect the dynamics and development of the insurance market in 2020. The impact of the current decline in economic activity on the insurance market will differ from what was observed in 2014–2015, due to the noticeable change in the structure of the insurance market over the past five years and the unique nature of the economic shock faced by the Russian and global economy. The current financial position of the insurance industry is noticeably better than in 2014. The accumulated margin of safety will help to minimize consequences for insurers from possible deterioration of the financial result. At the same time, the current conditions will probably speed up the process of
digitalization of insurance services (both at the sales stage and when settling losses). In addition, new products may appear on the market. For example, with coverage of pandemic risks and with options to pay for insurance protection in proportion to the time it is used for. At the beginning of 2020, the Russian economy faced a significant change in the economic situation because of the coronavirus pandemic, as well as falling oil prices. Reduced external demand and restrictive measures have led to a significant decline in the economic activity. According to forecasts of the World Bank, by the end of 2020, GDP will decrease by 4–6% [7].

The slowdown in the economic activity will have a negative impact on the Russian insurance market – the dynamics of insurance premiums generally follows the dynamics of GDP as part of a long-term trend to increase the share of the insurance market in GDP. This is due to the dependence of the insurance market on the state of the economy, the activity of enterprises and the income of the population. However, during periods of rapid development of certain segments of the insurance market, the growth rate of the insurance market as a whole significantly deviated from the dynamics of GDP. So, in 2012–2013, during the period of active growth in lending to individuals and related types of insurance (life and health insurance of borrowers, auto insurance), the growth rate of the Russian insurance market was more than one and a half times faster than the growth rate of the economy as a whole. In 2016, the rapid growth of the investment life insurance segment accelerated the growth of the insurance market in the background of a slowdown in the nominal GDP growth.

The active use of digital technologies in sales of insurance products is fully explained by the requirements of the Bank of Russia for mandatory sales of Mandatory Motor Vehicle Liability Insurance (MMVLI) via the Internet, as well as the need to maintain the competitiveness. The introduction of Internet sales was considered as a brand management measure which is necessary for the future development. In addition, it is quite easy to calculate costs of implementing new technologies and evaluate their effect of implementation in the sales process. The introduction of basic standards of insurers’ unions and regulatory requirements for the protection of the consumers’ rights (consumers of insurance services) made it mandatory to invest in electronic communications with policyholders/insured persons. To more accurately characterize the digitalization of the insurance market, it is proposed to use an indicator of the penetration level of new digital technologies (the digitalization level), which shows the ratio of business processes using new digital technologies to the total number of business processes in the insurance company.

As positive consequences of the current economic shock for the insurance industry (and the financial market as a whole), we can highlight the acceleration of digitalization of processes. Thus, in the conditions of limited operation of offices and movement of citizens, the need for remote services increases. At the same time, in addition to the development of electronic sales (including the expansion of the possibility of pre-insurance inspection of property using mobile applications), the rapid development of remote loss settlement and telemedicine services is also expected. There may be an increase in the popularity of pay-as-you-go policies that involve paying for insurance coverage in proportion to the time it is used for.

The current situation, the development of which was difficult to predict, put organizations around the world in a strict framework – to preserve their activities,
companies needed to transform their processes for the online mode without losing their quality. The insurance industry is consistently implementing new technological tools in its management model and processes, and the industry is therefore prepared for the new realities that the pandemic determines. Product development and adaptation, testing of new scoring models, interaction with internal and external audiences – all these processes are based on the use of digital tools.

4 Discussion

A number of scientific works investigate specific features of applying certain digital technologies in various business processes of insurance companies. For example, Nikulina, Berezina, and Shashkina assess possibilities of using digital technologies in the marketing of insurers [9]. Boldyrev finds application of telemedicine technologies in the process of underwriting when concluding insurance contracts [4]. Separate works are devoted to the analysis of specific cases of using digital technologies: telematics in the segment of voluntary auto insurance [13], specifics of bank risk insurance in the digital economy [2].

The development of digital insurance in terms of insurance of specific risks of the digital economy will be determined by:

– the implementation level of digital technologies in the Russian economy;
– the development and complexity of digital technologies, especially Artificial Intelligence and the Internet of Things, in the industrial production;
– the readiness of Russian legislation to insure cyber risks and other risks of the digital economy;
– the development of digital risk insurance infrastructure aimed primarily at pre-insurance audit and assessment of the causes of an insured event;
– the level of protection systems against the digital risks.

To a large extent, the success and speed of digitalization of insurance business in Russia as an infrastructure institution will be determined by the digitalization pace of the social-economic sphere, while the development of the insurance culture of Russian citizens and the effectiveness of the use of insurance mechanisms in corporate risk and financial management systems will have a significant impact on further development of this sphere. It is obvious that the forced experiment with the transfer to remote work and servicing of Russian residents will strengthen the growth trend of Internet services in many traditional activities, including in the insurance business. Today, this should be considered in insurance companies, where in this regard, the need for office workers and insurance agents will decrease, but the demand for specialists who are ready to combine insurance competencies with digital knowledge and skills will increase. Research in 2018–2019 showed that the main constraints to the introduction of digital insurance in Russia were the high cost of technology and the lack of widespread demand for digital insurance programs and products. However, the technologies necessary for the transition of a significant part of insurance business processes “to digital” were almost ready in the 2010s, and some of them – since the 1990s, so if there is a request for this transition supported by funds, the technologies can be applied quickly and effectively.
5 Conclusion

Insurance is a conservative field that carefully accepts innovations. However, interest in digital technologies is also growing in this sector. The reasons for the lack of penetration of new digital technologies in this sphere should be found outside the insurance market. The lack of demand for digitized insurance programs may be determined not only by the low level of insurance penetration into the economy of our country, but also by the low level of digitalization of the Russian economy, as it increases, we can expect an increase in demand for insurance programs offered on the Internet. The lack of adaptation of digital technologies for insurance services is partly determined by the lack of qualified personnel in the field of new digital technologies and the insurance business. The most important direction of reducing the cost of new digital technologies is the development of universal (boxed) solutions for digital technologies, which will cause a significant demand by insurance companies.

Promising areas of digitalization in the insurance market should be taken into account by IT companies in order to develop specialized programs for insurance companies. The development of the insurance market in Russia is increasingly dependent on the application of new technologies of the digital economy, which affect the technology of insurance, but do not change its economic essence. Results of the use of digital technologies in insurance activities are:

- increase in the efficiency and profitability of insurance activities;
- convergence of mutual and commercial insurance (P2P insurance);
- socialization of insurance relations;
- appearance of new insurance services and products.

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