

Theoretical Exploration of Business Processes in Insurance with Focus on Universal Principles and Unique Aspects

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Abstract:

The components of business processes include the creation of new products, sales, services, forecasting, human resource management and other activities aimed at improving operational efficiency.

Keywords: insurance, business, insurance activity, insurance market, professional participants, insurance intermediaries, reengineering business processes.

In the context of innovative development of the economy, Uzbekistan is experiencing rapid development of the insurance market. It should be noted that increasing the competitiveness of the national economy through the modernization and diversification of the insurance industry will significantly increase the perception of insurance relations as an important means of reducing losses, both in the field of production relations and among the population.

The effectiveness of a business process system in insurance activity is measured by its effectiveness for the client.

Business process management is carried out in a systematic way according to an integrated goal. It is based on the number of employees, turnover, customer type or market geography. Any action, document, event, or business task is interconnected and intended to achieve a goal set during business processes.

The effectiveness of subsequent work on business process management depends on how clearly and accurately the boundaries are defined.

If the boundaries are not set correctly, the following:

- Lack of detailed description of business processes;

- incorrect analysis of business process efficiency;
- Inaccurate assessment of the resources spent on the process and its duration;
- ineffective division of responsibilities due to incorrect identification of subjects and participants in the process;
- Improper identification of business processes can lead to a number of unexpected problems due to the detection of errors in service technologies.

There are two ways to define business process management boundaries - simple and automatic. Forming a database in an information system for automatic detection involves the introduction of a number of processes. Such an information system is not designed for everyone, so the boundaries of business processes have to be defined in a simple way.

The end of one process always realized the beginning of another. Every business process is focused on the production of one or more products, the provision of services. They are often referred to as exit points in the process. Defining process boundaries involves solving a number of problems. One is to determine the duration of the process and whether it is complete.

Obtaining the information needed to produce an insurance product means that the business process has begun. For example, a customer's call, an unsolicited email address, an order received, the start of a business day, and so on.

The initiation event may or may not be technologically consistent with the concept of access. Any process is one or more start (input) and end (output) events observation indicates interruptions in the system.

The correct tariffing of input and technological products will be a factor in creating a single system of interconnected business processes. In this regard, business processes in insurance activities are stable and it is important to ensure a dynamic flow.

The substantive priority of business processes in insurance activities over other entities of the financial services market is explained by the fact that the implementation of these processes is based on calculations that determine the main parameters, which ultimately contributes to market requirements.

Business process indicators are, in a systematic way, a set of general quantities and qualities that characterize the outcome of each process (s).

The organizational structure of business processes in insurance is as follows (Figure 1):

a) according to the hierarchy of activities:

- individual horizontal processes (separate results of activities carried out by each division or employee of a particular division);
- functional horizontal processes (the result of integrated generalized activities of organizational units);
- vertical processes (the result of activities that reflect the interaction of employees (units of the organization));
- integrated processes (results of vertical and horizontal interaction of subjects).

b) according to the level of complexity of activity:

- mono processes;
- internal processes;
- specific processes.

c) according to the purpose of activity:

- basic business processes;
- specific operational processes (product creation and delivery to the customer);
- value creation processes (direct impact on the product);
- business support and management processes.

g) according to their place in the hierarchy of organizational goals:

- high-level business processes (realization of strategic goals);
- intermediate business processes (realization of tactical goals);
- low-level business processes (realization of operational goals).

d) according to the use of the database:

- related to macro processes;

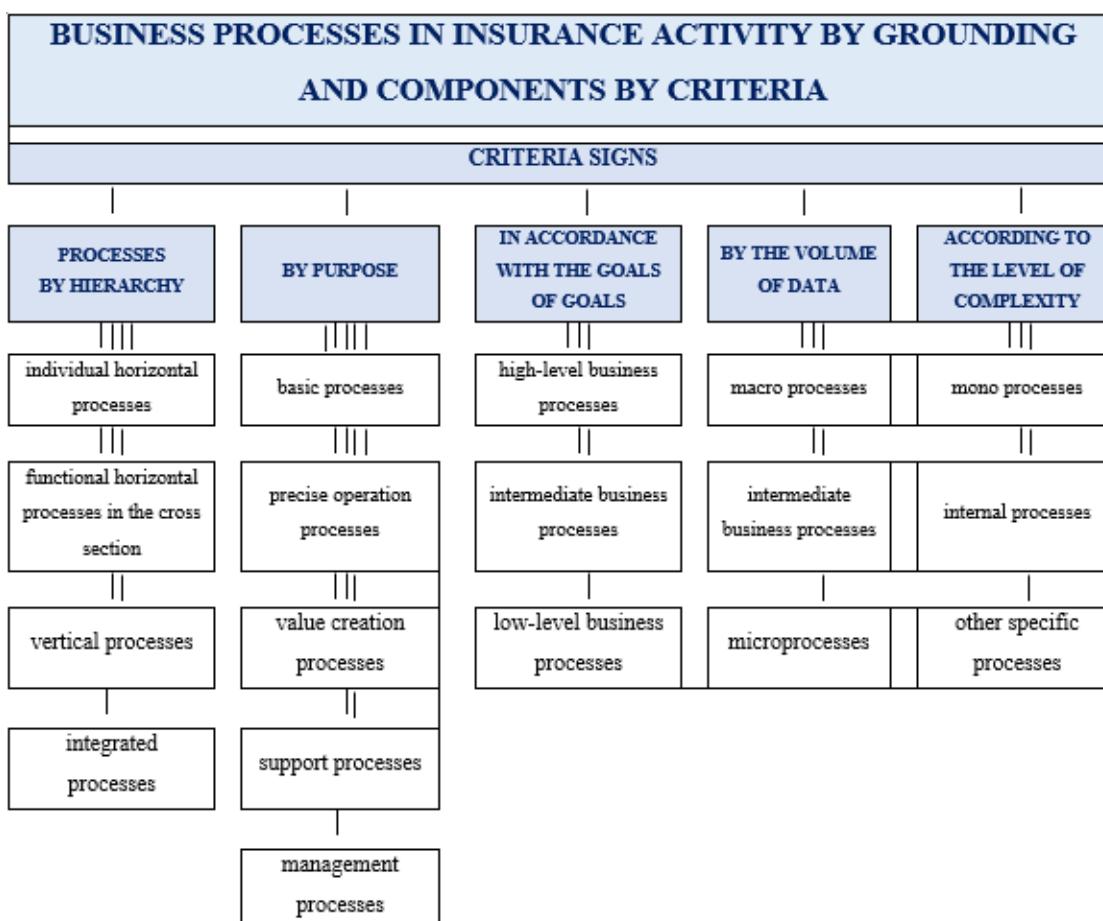


Figure 1. Grouping and components of business processes in insurance activities according to criteria¹

- ✓ related to medium-level business processes;
- ✓ can be divided into components related to micro-processes.

¹Developed by a researcher.

Today in insurance business there is a need to clarify the nature of business process problems and develop solutions, in particular, the priority is to adapt business processes to changes in external and internal environmental parameters.

Business processes in insurance activities are directly related to this activity, for example, the activities of professional participants in the insurance market and insurance intermediaries, the study of the nature of entrepreneurship and business, and other systematic measures, including insurance contracts, risk mitigation warnings, etc. It includes a wide range of activities (operations), such as the formation and use of trust funds, which are directed to the implementation of complex measures, the investment of idle resources.

In insurance activities, business processes are directly linked to the identification, assessment and management of risks. It should be noted that the presence of risk is a prerequisite for the insurance business.

The functions of business processes in insurance activities are as follows (Figure 2):

- ✓ Establishment of an insurance fund;
- ✓ use of the insurance fund;
- ✓ investment;
- ✓ Carrying out other activities aimed at earning income;
- ✓ monitoring and control;
- ✓ reengineering (restructuring of activities).

The presence of these functions of business processes in insurance activity means that the scope of the research object is extremely wide. Therefore, this study focused on the structural and organizational aspects of business processes and improving their management.

Business processes in insurance activity are a set of interrelated activities (operations) aimed at the production of insurance products or the provision of insurance services. The purpose of managing these processes is to ensure quality customer service. At the same time, the management of these processes should be considered as an interconnected systemic relationship in the integrity of material, financial and information flows.

A necessary condition for its improvement is to take into account the fact that the specifics of insurance activity are reflected in the implementation of certain individual activities (operations) and in the integrated system of business processes.

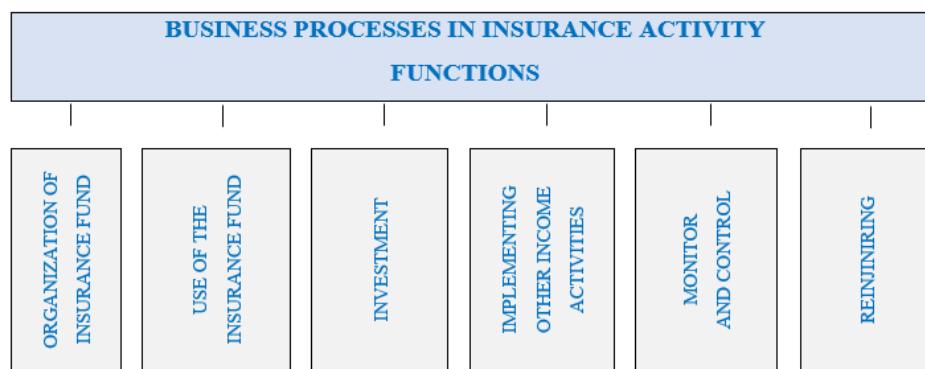


Figure 2. Business processes in insurance activities functions²

² Developed by a researcher.

Insurance business processes are an interconnected complex aimed at overcoming the problems that arise in the implementation of a particular activity, and are a coherent, targeted and regulated activity consisting of the entry, maintenance and exit of processes.

(operations) system.

The processes of development and implementation of insurance services (products, programs) are as follows:

- ✓ Carrying out marketing research based on demand and supply;
- ✓ creation of the product (s);
- ✓ Development of action strategies and tactics and based on them to make certain decisions;
- ✓ monitoring and control;
- ✓ consists of stages such as activity reengineering.

Typically, the following functional business processes are observed in insurance activities:

- ✓ basic (strategic) processes;
- ✓ tactical processes;
- ✓ development process;
- ✓ management process.

The goal of any business process is to meet customer needs. Conversely, business processes cannot exist without the presence of a customer. In this case, it is effective that the logical sequence of all systemic activities (operations) described in business processes is focused on a specific goal in the context of a specific industry mission.

However, it should be noted that the fact that the processes of any activity (operations) are not perfect does not lead to the absolute expected result. Therefore, adjustments are also required in the implementation of these processes. Of course, modernizing business processes requires certain resources.

Insurance companies - as a business entity, carry out insurance business processes in risky conditions. This evidence is reflected in the fact that insurance activity differs from the activities of other sectors of the economy and the main results of this activity are inextricably linked with the probability of occurrence of an event.

The economic nature of insurance determines the characteristics of the business process system of this activity. In this sense, business processes are necessary measures that effectively reflect the entry point (start of processes) and the exit point (end result), ie the end of processes.

In this case, the results are achieved through the quality and quantity of resources expended, that is, the processes involved in the cross-cutting functionality of accounting, control and management, which contributes to the expected result of the activities (operations) necessary to achieve the specified goal (s). Accordingly, insurance business processes consist of a number of sub-processes, and the performance of certain functions, each of which is a factor in achieving tangible results.

In this case, the end result of the processes may differ / not differ from the expected. In particular, the achievement of different results in the functionality of business processes is explained by the fact that they are exposed to different risks. For example, such a source of influence may have occurred at the expense of the external environment.

The efficiency of business processes in insurance activities is determined by the degree of correlation between the planned parameters and the results obtained. It is advisable to determine the effectiveness of financial and economic activities in terms of business processes.

Insurance activity as an integrated system of a number of interrelated processes is as follows:

- ✓ risk transfer;
- ✓ risk transformation;
- ✓ investment;
- ✓ in other areas related to the activity.

The main business processes of technological insurance are as follows:

- ✓ tariff policy;
- ✓ conclusion, execution and management of insurance contracts;
- ✓ The calculation of insurance reserves, etc.

Investment activities (operations) of insurance entities are processes that are associated with its objects and are a source of additional income through direct insurance reserves and the effective placement of their funds in certain areas. Such activities also require risk minimization.

Reimbursement of losses (losses) that may occur as a result of investment risks is made at the expense of insurance reserves or the insurer's own funds. Investment risks can also be observed due to changes in legislation, market instability, credit risk.

The processes of investment risks in insurance activities are reflected in the accounting and reporting system.

The formation of the insurance portfolio, reserve system and financial results in the accounting system of insurance activities is the basis for each risk analysis of the stages of the process. In particular, the processes of formation of the insurance portfolio include tariff policy, collection of premiums under the insurance contract, as well as reinsurance operations.

The formation of the insurance portfolio is based on the collection of insurance, mutual insurance and reinsurance premiums, cash flows and fund accounts.

Insurance tariffs can be significantly differentiated and stratified due to the specific characteristics of life insurance and general insurance networks. It should be noted that in order for insurance tariffs to be formed in the most optimal way, their accounting system must have a quality database.

Insurance risk management includes processes such as risk identification, identification, assessment, decision-making on its transfer, determination of contract terms, insurance coding.

In insurance business, business processes in a complex and functional way consist of the provision of insurance services that meet the needs of the client, the execution and maintenance of contracts, underwriting, expansion of services, the provision of claims. In practice, these business processes are constantly repeated.

As an entity of business processes, an insurance company often faces internal organizational and technological challenges that reduce efficiency:

- ✓ unreasonable periodicity of the decision-making process;
- ✓ incompatibility of the organizational structure with business processes;
- ✓ non-transparency of business process functions for managers and executors;
- ✓ normative documents, instructions and rules are not developed at the required level;

- ✓ duplication of control system components in terms of functions;
- ✓ lack of management skills.

These problems make it necessary to modernize the insurance business due to the special importance of internal business processes. An important factor in ensuring the financial stability of an insurance company is the achievement of its own interests and customer confidence in terms of its relationship with its customers.

Using the strengths of the Porter model, eight and more process models, as well as the activities of insurance companies regulatory requirements and the specifics of business processes feature description developed (Figure 3)³.

SUCCESS DESCRIBED IN SYSTEMATIC BUSINESS PROCESSES	
FACTORS	INDICATORS
DESCRIPTORICAL INDICATORS OF CUSTOMER RELATIONS	
Customer base.	Indicators of expanding customer base coverage
Customer engagement rate	
Quality improvement	Customer Service and Satisfaction Index
Interregional attractiveness	Customer performance
EFFICIENCY OF CUSTOMER ACTIVITIES (BY REGIONS)	
Availability of activities (operations)	Market position and share in it
Sale of insurance products	The amount of insurance premiums collected
Profit / gain	Efficiency level indicator
Investment activity	Investment efficiency indicator
INDICATORS OF INTERNAL PROCESSES	
Types of services	Process efficiency
Service expenses	
Scope of activity (operations)	Creating and selling new products
Sales volume	The effectiveness of the contract
Fees paid to an agent	Targeted development of activities (operations)
INDICATORS FOR TRAINING AND DEVELOPMENT OF PERSONNEL AND INFORMATION SYSTEMS	
Application of digital technologies in key processes	Technological improvement and support in the sale of services
Service of insurance contracts	Digital Technology Application Index Information Retention
Coverage of claims on the insured event	Staff turnover

Figure 3. Described in systemic business processes success factors and indicators⁴

³Yagunova, N. A. Assessment of the competitive environment of an enterprise using the five forces model of Michael Porter. / N. A.- Режим доступа: <http://cyberleninka.ru/article/n/otsenka-konkurentnogo-okruzheniya-predpriyatiya-s-ispolzovaniemmodeli-pyat-sil-maykla-portera>.

⁴Five Competitive Forces Analysis Model by Michael Porter. [Electronic resource] / Access mode: <http://powerbranding.ru/biznes-analiz/porter-model/>.

The need for business process optimization occurs not only when process inefficiencies are identified, but also when:

- ✓ changes in the organization's strategy, for example, revision of insurance priorities;
- ✓ structural changes in the organization;
- ✓ change of management, leadership or founder (affiliation);
- ✓ introduction of digital technologies;
- ✓ introduction of a system of transparency in the processes of activities (operations).

Once the cause of the difference between the expected quality (result) and the existing quality in the development of business processes is determined, it is necessary to create a mechanism to ensure that its factors are eliminated.

For this purpose, business processes are as follows:

- ✓ Reconstruction of business processes with a principled approach (create);
- ✓ through the improvement and redesign of existing business processes. Development of business processes in insurance business is as follows:
 - a) ensuring a logical sequence of practical activities (operations):
 - ✓ decision making;
 - ✓ execution of decisions;
 - ✓ Reflection of the results of the implementation of decisions in documents and databases.
 - b) creation of instructions on the stages of certain activities (operations):
 - ✓ Development of a normative document on the procedure for carrying out activities;
 - ✓ normative document related to ensuring transparency of management creation;
 - ✓ Development of guidelines for system functionality.
 - c) division of labor:
 - ✓ on the activities of managers (general, strategic decision-making and division of labor in process management);
 - ✓ on the activities of specialists (employees) (to ensure the implementation of existing decisions);
 - ✓ on the activities of technical staff (secretariat, office).
 - g) special division of labor:
 - ✓ mutual generalization of the same activity;
 - ✓ mobilization of specialized resources for the implementation of the same activity;
 - ✓ not to involve highly qualified specialists (employees) in technical work;
 - d) capacity exploration and process optimization.
 - e) description of activities (operations) in business processes.
 - j) identification and elimination of process problems.
 - h) overcoming problems between certain units in the process.
 - i) inter-departmental information exchange (engagement - service - accounting - support) on the fulfillment of potential customer requirements and consideration of the impact of internal and external environment should be carried out under the auspices of the task force.

To increase the efficiency of insurance services:

- ✓ Attracting customers (promotion, sales of services);
- ✓ underwriting and reinsurance, ensuring the satisfaction of claims;
- ✓ Improving the accounting system is required.

Based on this requirement, each of them should be considered as a separate business process, approached from the point of view of efficiency, which, in turn, serves to ensure the efficiency of business processes in insurance activities.