



IMPROVING THE MARKETPLACE MODEL FOR PROVIDING DIGITAL INSURANCE SERVICES

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ABSTRACT

The marketplace model for digital insurance services has emerged as a transformative force in the insurance industry, promising enhanced market efficiency, accessibility, and consumer welfare. This article examines the evolution, benefits, challenges, and strategies for optimization of the marketplace model in the context of digital insurance services. Drawing insights from academic research and industry practices, the study explores key themes such as trust and transparency, regulatory compliance, technological integration, and customer engagement. By synthesizing existing knowledge and identifying avenues for future research, this review aims to inform stakeholders about the opportunities and challenges inherent in the marketplace model and provide guidance for advancing its effectiveness and sustainability in the digital insurance ecosystem.

KEYWORDS: marketplace model, digital insurance services, insurance products, technological integration, customer engagement, market efficiency, consumer welfare, Blockchain technology

INTRODUCTION

In the contemporary landscape of digital transformation, the insurance industry stands at a pivotal juncture. As the world increasingly relies on digital platforms for various services, the demand for digital insurance solutions has surged exponentially. This paradigm shift is not only reshaping consumer expectations but also challenging traditional insurance business models to adapt swiftly or risk obsolescence.

At the heart of this transformation lies the marketplace model—a dynamic ecosystem connecting insurers, consumers, and intermediaries through digital platforms. This model revolutionizes the insurance landscape by offering unparalleled accessibility, customization, and convenience to consumers while empowering insurers with expansive market reach and efficient distribution channels. However, despite its inherent advantages, the marketplace model faces formidable challenges that hinder its full potential.

This paper delves into the imperatives of enhancing the marketplace model for providing digital insurance services. By critically examining existing frameworks, identifying key shortcomings, and proposing innovative solutions, this study aims to illuminate the path towards a more robust, inclusive, and sustainable digital insurance marketplace.

Through comprehensive analysis and strategic insights, this research endeavors to address critical issues such as trust and transparency, regulatory compliance, data security, customer engagement, and value proposition optimization. By leveraging emerging technologies, embracing regulatory reforms, fostering strategic partnerships, and prioritizing customer-centricity, we can unlock the transformative power of the marketplace model to drive unprecedented growth, efficiency, and resilience in the digital insurance ecosystem.

As we navigate the complexities of an ever-evolving digital landscape, collaboration, innovation, and adaptability emerge as the cornerstones of success. By harnessing the collective wisdom and ingenuity of stakeholders across the insurance value chain, we can forge a future where digital insurance services transcend boundaries, empower individuals and businesses, and foster a safer, more resilient society.

LITERATURE REVIEW

The marketplace model for digital insurance services has garnered significant attention in academic and industry circles due to its potential to revolutionize the insurance industry. Scholars and practitioners alike have explored various aspects of this model, ranging from its benefits and challenges to strategies for enhancement and optimization.



One of the key advantages of the marketplace model is its ability to enhance market efficiency and accessibility. In their study, "The Marketplace Model in the Insurance Industry: Market Efficiency and Consumer Welfare Implications" (Huang et al., 2020), the authors highlight how digital marketplaces facilitate seamless interactions between insurers and consumers, leading to greater price transparency, product diversity, and consumer choice.

However, despite its potential benefits, the marketplace model also presents challenges that must be addressed for optimal performance. For instance, issues related to trust and transparency have been identified as significant barriers to consumer adoption. Research by Li et al. (2019) in "Building Trust in Insurance Digital Marketplace: The Role of Information Transparency and Brand Image" underscores the importance of information transparency and brand image in fostering trust among consumers.

Moreover, regulatory compliance emerges as a critical concern in the context of digital insurance marketplaces. In their paper "Regulating Digital Insurance Markets" (Zhang et al., 2021), the authors analyze the regulatory challenges posed by digital marketplaces and propose regulatory frameworks to ensure consumer protection, market stability, and fair competition.

Another area of scholarly interest revolves around the role of emerging technologies in optimizing the marketplace model for digital insurance services. For instance, blockchain technology has been explored as a means to enhance security, transparency, and efficiency in insurance transactions. Research by Zhou et al. (2020) in "Blockchain-Enabled Digital Insurance Marketplace: Design and Implementation" provides insights into the design and implementation of blockchain-enabled marketplaces for digital insurance services.

Furthermore, customer engagement and experience are paramount in driving the success of digital insurance marketplaces. Studies such as "Enhancing Customer Engagement in Digital Insurance Platforms" (Wang et al., 2018) underscore the importance of personalized experiences, interactive interfaces, and seamless omnichannel interactions in attracting and retaining customers in digital insurance marketplaces.

In conclusion, the literature on the marketplace model for digital insurance services offers valuable insights into its potential benefits, challenges, and strategies for enhancement. By addressing issues such as trust, transparency, regulatory compliance, technological integration, and customer engagement, stakeholders can unlock the full potential of digital insurance marketplaces to drive innovation, efficiency, and value creation in the insurance industry.

METHODOLOGY

This article employs a multifaceted approach to research and analysis, utilizing methods such as comparison-comparison, observation, induction, and deduction to systematically examine the marketplace model for digital insurance services. Through systematic analysis, synthesis of data, and data visualization techniques, it critically evaluates the strengths and weaknesses of the marketplace model. Additionally, the study incorporates elements of critical and scientific abstraction to distill key insights from complex datasets and industry trends. Expert evaluation and cross-analysis of findings further enrich the analysis, providing a comprehensive understanding of the challenges and opportunities in the digital insurance marketplace ecosystem.

ANALYSIS AND DISCUSSION

The formation of an ecosystem for a specific business, particularly in the insurance sector, involves a multi-stage process comprising various measures and components. This process encompasses the development of relevant insurance products, enhancing customer-centric approaches, streamlining insurance business processes, as well as monitoring and automating the insurance product purchasing process. Moreover, digitizing post-sales support for insurance contracts is integral to this process.

It's essential to emphasize that a critical step towards establishing an insurance ecosystem is the review of existing relationships and the creation of an insurance "marketplace" – a convenient trading platform for all participants involved in insurance relationships. The car insurance market exemplifies this concept by integrating insurance services, including insurance company websites, mobile applications, and aggregators, to offer a broad and user-friendly selection of insurance products. This facilitates convenient electronic interaction within the insurance business community.

Currently, there is no clear interpretation of the concept of "marketplace" (table 1).

Table 1. Description of scientific views on different interpretations of the concept of the marketplace¹

Source	Definitions
Marketplace (online e-commerce platform) as an effective sales business model during the pandemic.	An e-commerce platform or an online e-commerce store that provides information about a product or service makes it easy for sellers and buyers to find and transact.
Marketplace: a modern tool to increase sales	A tool that connects buyers and suppliers to establish an effective partnership for the purpose of buying and selling various goods and services.
Marketplace is a new business model to transform the Russian financial market.	A model of financial market transformation
Marketplace: the business model of modern commerce.	A business model that offers a wide and deep assortment of different product categories and services from the moment of ordering to the moment of receiving it.
Marketplace as a response to changing consumer preferences	A form of business response to changes in consumer behavior.
Organizational and financial model of the marketplace and competitive advantages of online lending for the Russian housing mortgage market.	Organizational and financial model.

The testing phase of marketplace development aims to enhance functionality and identify potential issues. This step involves running a trial version. Throughout the trial period, focus will be on developing technical support, selecting personnel, targeting specific audiences, and engaging with potential business partners. This phase encompasses several key activities: selecting partners for testing, publishing invitations and test conditions, distributing information about the test version, collecting feedback, and implementing improvements based on test results.

Marketplaces vary in terms of participant types, offered services, monetization methods, and structural formats (table 2).

Table 2. Typology of insurance marketplaces²

Marketplace	Uniqueness	Insurance market
Thematic category	Product	Insurance product
	Service	Insurance
Types of Marketplace	Vertical	Insurance products of different insurance companies
	Horizontal	Different insurance products from one insurance company
	Global	Global insurance products, banking or government services.
Business models	C2C	Mutual insurance
	B2C	Market for insurance business
	B2B	Market for insurance intermediaries

Algorithm of development of a marketplace should include several stages (preparation and testing).

The preparatory stage is necessary to discuss the business idea and learn the specifics of the client's work. Typically, this step includes:

- Identification of the target audience (sellers of insurance products, insurers, regulatory authorities);
- To determine the range of partner organizations necessary to ensure the correctness of the business process;
- Choosing a technological platform (use of foreign information systems for insurance, synthesis and integration of existing local developments within one platform, creation of a new interactive resource);
- Integration with social networks, analysis of payment services;
- Planning the project launch time;

¹ It was prepared based on the author's research.

² It was prepared based on the author's research.

- Calculation and analysis of the project budget.

Irrespective of its type, a marketplace's architecture typically comprises several sections: a catalog of insurance products, a registration system, a seller's personal account, a partner's personal account, a section facilitating payment operations, and a feedback recording and processing department.

To enhance interaction schemes among the stakeholders of the insurance process, the author has proposed a diagram outlining the internal organization of the auto insurance market model (refer to Fig. 1). This model's structure integrates interconnected and associated services and trading platforms. The proposed configuration integrates two trading platforms: one for selling vehicles (including dealership centers, vehicle manufacturing enterprises, and electronic platforms for secondary trading) and another for offering insurance products such as KASKO and OCAGO.

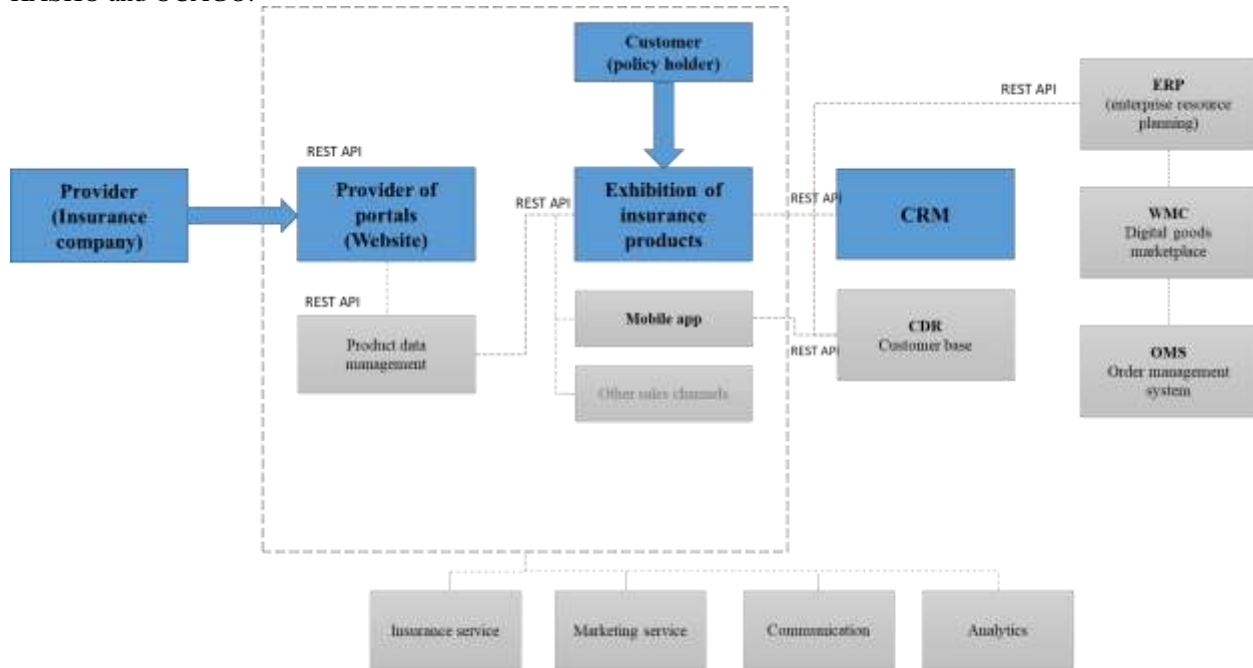


Fig 1. Structural structure of the marketplace model used in selling insurance products to individuals ³

The insurance marketplace model, while promising significant benefits, also faces several challenges that need to be addressed for its effective functioning and sustainability. Here are some common problems associated with insurance marketplaces:

1. Trust and Transparency: Building trust among consumers is crucial for the success of insurance marketplaces. However, concerns regarding data privacy, security, and the integrity of information may hinder consumer trust. Lack of transparency in pricing, coverage details, and claims processes can further exacerbate distrust among consumers.

2. Regulatory Compliance: Insurance is a heavily regulated industry, and ensuring compliance with diverse regulatory requirements across different jurisdictions can be complex for marketplace operators. Compliance with regulations related to licensing, solvency, consumer protection, and data privacy adds layers of complexity to marketplace operations.

3. Quality of Products and Services: The marketplace model often involves multiple insurers offering their products and services on a single platform. Variations in the quality of offerings, customer service standards, and claims handling processes among different insurers can lead to inconsistencies in customer experiences. Ensuring uniform quality standards across all participating insurers is a challenge for marketplace operators.

4. Data Security and Privacy: Insurance marketplaces deal with sensitive personal and financial data of consumers. Ensuring robust data security measures to protect against data breaches, cyberattacks, and unauthorized access is paramount. Compliance with data protection regulations such as GDPR (General Data Protection Regulation) adds complexity to data management practices.

³ It was prepared based on the author's research.



5. Customer Experience: Providing a seamless and intuitive customer experience is essential for the success of insurance marketplaces. Complex user interfaces, cumbersome onboarding processes, and inefficient customer support systems can deter consumers from using the platform. Ensuring a user-friendly interface, personalized recommendations, and responsive customer support are critical for enhancing customer satisfaction.

6. Balancing Interests of Stakeholders: Insurance marketplaces need to strike a balance between the interests of insurers, consumers, and intermediaries. Ensuring fair competition among insurers, transparent pricing, and equitable treatment of consumers while maintaining profitability and sustainability for marketplace operators is a delicate balancing act.

7. Technological Integration: Integrating disparate systems, legacy IT infrastructure, and third-party applications poses challenges for insurance marketplaces. Ensuring seamless interoperability, data exchange, and real-time processing across multiple systems require robust technological solutions and expertise.

Addressing these challenges requires a comprehensive approach involving collaboration among stakeholders, leveraging technology solutions, adherence to regulatory requirements, and a relentless focus on enhancing customer trust and satisfaction.

Currently, insurance marketplaces are aggregators of insurance, which allows not only to calculate the price of an insurance policy in advance, but also to display a list of insurance companies from which this offer can be obtained at a fixed price. As a result of the analysis of insurance markets, electronic insurance resources in different countries were determined (Table 3).

Table 3. Insurance marketplaces ⁴

The name of the marketplace	Area of application	Specific characteristics
TRUE insurance	Russia	-OCAGO, calculator for calculating insurance premiums for Green Card - online catalog of anti-theft devices - market news and other information for motorists
Страховка.ру	Russia. 7 insurers	- comparison of insurance products; - purchase of insurance products;
Cherehapa	Russia	- comparison of insurance products; - purchase of insurance products; - a commission is paid for participating in the partnership program.
Avtokod	Russia	- comparison of insurance products; - purchase of insurance products;
страхфонд.ру	Russia	- types of insurance; - company offices; - online calculators; - platforms for agents;
Maria Health	Filippin	- medical insurance;
Life Ant	USA	- life insurance; - universal life insurance;
PolicyBazaar	India	- comparison of insurance products (life, health, travel insurance, car insurance);
Hublio	Ireland	- communication between insurers, brokers, consultants and insurance companies using open APIs;

All marketplaces offer the ability to calculate insurance service prices and select an insurance company. However, discrepancies in insurance policy prices may arise when calculated on the insurance company's website compared to the marketplace.

To facilitate regulatory functions, collaboration with regulatory bodies in the insurance sector and the public services portal is proposed. The latter is crucial for fulfilling tax and fee obligations mandated by law for vehicle ownership and usage.

⁴ It was prepared based on the author's research.



Furthermore, the construction of a marketplace with the proposed structure should include the establishment of a high-quality analytical space beneficial for both business management and scientific development. This entails approaching the marketplace formation as a project aimed at gathering data for underwriting purposes, with a focus on addressing global risks and developing progressive and cluster products.

In this context, the auto insurance marketplace can be conceptualized as a set of computer programs presented in the form of electronic information and analytical resources (platforms or applications). These programs would serve to facilitate organizational, financial, and information-analytical functions, as well as the display and sale of car insurance products. Additionally, they would handle transaction registration and post-sale provisions, including remote payment, loss calculation, implementation of state body control functions, and report preparation.

When constructing the logistics structure of the marketplace within the automobile insurance domain, emphasis should be placed on facilitating functions such as analytical capabilities, information dissemination, service relations, and diversification of insurance products.

The proposed concept for developing the marketplace within the automobile insurance sector envisions adopting the "One Stop Shop" principle to cater to both customers and researchers in the field of science and technology. This involves establishing a unified information base encompassing the car marketplace (for both buying and selling vehicles), insurance and banking services (including car loan conditions and insurance products), as well as a directory of regulatory bodies and government services. This comprehensive approach enables seamless communication, ensures compliance with legal regulations in the insurance domain, and facilitates payment of state duties and taxes.

As part of the marketplace's overarching concept, the logical structure of the analytical space should offer the following functionalities:

1. Evaluation of Insurance Marketplace Development: This involves assessing the progress and evolution of insurance marketplaces, tracking trends, and identifying areas for improvement.
2. Analysis and Enhancement of Insurance Infrastructure: This entails analyzing the existing infrastructure supporting insurance services and identifying opportunities for optimization and enhancement.
3. Creation of an Interactive Risk Map Considering Regional Characteristics: This includes developing an interactive risk map that takes into account regional variations and specificities. This tool aids in understanding and mitigating risks associated with automobile insurance across different geographical areas.

By incorporating these functionalities into the marketplace's analytical space, stakeholders can gain valuable insights, streamline processes, and enhance decision-making in the automobile insurance domain.

Table 4. Specific aspects of the travel insurance marketplace in developed countries⁵

Name of the country	Marketplace name	Specific characteristics
USA	Squaremouth	Travel insurance plans can be compared comprehensively.
	InsureMyTrip	Tailored insurance products for different travel needs
	World Nomads	Special coverage for adventure travelers.
Great Britain	Compare the Market	Travel insurance comparison on the UK insurance marketplace.
	GoCompare	A user-friendly platform for comparing policies.
	MoneySuperMarket	Comprehensive comparison of travel insurance plans;
India	Policybazaar	Travel insurance plans from several insurers can be compared.
	Reliance General Insurance	Offers a variety of travel insurance products.
	Digit Insurance	Offers digital and seamless insurance solutions.
Australia	Compare Travel Insurance	It is possible to compare policies from different insurers in Australia.
	Southern Cross Travel Insurance	It is possible to compare policies from different insurers in Australia.
	InsureandGo	A comprehensive range of options for travelers.
Germany	Check24	Travel insurance comparison platform in Germany.

⁵ It was prepared based on the author's research.



	Reiseversicherung	
	ERV (Europäische Reiseversicherung)	Specialized travel insurance solutions.
	HanseMercur	Offers a variety of travel insurance products.
Canada	Kanetix	You can compare travel insurance options in the Canadian Marketplace.
	InsuranceHotline	Provides different prices and options for travel insurance.
	TuGo	Provides travel insurance solutions specifically for Canadians.
Russia	TRUE insurance	-OCAGO, calculator for calculating insurance premiums for Green Card - online catalog of anti-theft devices - market news and other information for motorists
Russia	Страховка.py	- comparison of insurance products; - purchase of insurance products;
India	PolicyBazaar	- comparison of insurance products (life, health, travel insurance, car insurance);

If we examine the proposed model of interaction among participants in the insurance marketplace, it becomes evident that the number and types of information sources will increase significantly. Information can be provided to the marketplace through various statistical data sources, including:

- Contracts
- Bonus records
- Traffic accident reports
- Records of administrative violations of traffic rules and driving without mandatory civil liability insurance
- Data on electronic policies
- Locations of insurance companies' branches and representative offices
- Locations of claims processing centers
- Geographic distribution of car services

In this scenario, key informants would include the Central Bank of Uzbekistan, the National Agency of Economic Projects of the Republic of Uzbekistan, the State Traffic Safety Inspectorate, the Statistics Agency, insurance companies, and providers of related calculation services. Providers play a crucial role in supplying information to the marketplace.

Furthermore, a detailed analysis of the marketplace model suggests the potential to significantly increase the number of potential consumers. Employees without vehicles who are considering purchasing one would have access to comprehensive information and insurance services through auto industry enterprises, credit organizations, insurance companies, regulatory bodies, and government agencies. The availability of analytical tools further broadens the target audience, facilitating deeper integration with mass media, educational institutions, and scientific centers. It also opens opportunities for targeted startups and revenue generation through the sale of technological solutions.

CONCLUSION

In conclusion, the marketplace model holds immense potential for transforming the insurance industry by enhancing market efficiency, accessibility, and consumer welfare. However, several challenges must be addressed to realize the full benefits of this model. Issues such as trust and transparency, regulatory compliance, quality of products and services, data security, customer experience, and stakeholder interests require careful consideration and strategic solutions.

Despite these challenges, the opportunities presented by insurance marketplaces are too significant to ignore. By leveraging emerging technologies, fostering regulatory collaboration, prioritizing consumer-centric approaches, and promoting industry best practices, stakeholders can overcome these challenges and unlock the transformative power of insurance marketplaces.



SUGGESTIONS

1. **Enhance Trust and Transparency:** Invest in robust data security measures, transparent pricing models, and clear communication to build trust among consumers. Provide comprehensive information about coverage details, terms, and conditions to ensure transparency.

2. **Ensure Regulatory Compliance:** Stay abreast of evolving regulatory requirements and implement compliance mechanisms to adhere to licensing, consumer protection, and data privacy regulations. Collaborate with regulators to address regulatory challenges and promote industry-wide standards.

3. **Improve Product and Service Quality:** Establish quality standards for insurers participating in the marketplace and monitor compliance rigorously. Implement mechanisms for customer feedback and resolution of disputes to ensure consistent quality of products and services.

4. **Strengthen Data Security Measures:** Implement robust data encryption, access controls, and monitoring systems to safeguard consumer data. Conduct regular security audits and invest in cybersecurity training for staff to mitigate the risk of data breaches.

5. **Enhance Customer Experience:** Continuously optimize the user interface, onboarding processes, and customer support systems to provide a seamless and intuitive experience for consumers. Leverage data analytics to personalize recommendations and improve customer engagement.

6. **Balance Stakeholder Interests:** Foster collaboration among insurers, consumers, intermediaries, and regulators to address the interests of all stakeholders. Ensure fair competition, transparent governance, and equitable treatment to maintain trust and credibility in the marketplace.

By implementing these suggestions and adopting a proactive approach to addressing challenges, insurance marketplaces can realize their potential as innovative platforms for delivering value-added services, enhancing consumer choice, and driving positive change in the insurance industry.

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