

Vladyslav Kryvenko, 2nd year of Master's Degree Student
Scientific adviser: Antonina Sholoiko, Doctor of Science
Taras Shevchenko National University of Kyiv
Kyiv, Ukraine

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TRANSFORMATION OF INSURANCE SERVICES DISTRIBUTION CHANNELS IN THE CONTEXT OF INSURTECH DEVELOPMENT

In the conditions of modern digitalization and technological processes, the development of the insurance market goes with the active use of innovations and technological solutions, which leads to cost optimization and increase of the overall efficiency of insurance companies. The application of new technological solutions in insurance is fully described by the InsurTech category.

During last year's the increase of role of insurance services distribution channels become the global trend. Today, insurers, for meeting the needs of their clients, should deliver insurance services in the most effective way. The effective use of different suitable for client insurance distribution channels becomes a necessity for insurers all over the globe. The development of client's needs in insurance services, force the development of innovative distribution channels, with use of InsurTech solutions, which provide more personalized services for clients and increase their satisfaction. These trends were significantly catalyzed by COVID-19 pandemic. Understanding of impacts of InsurTech solutions usage in the insurance services distribution process, can drive the operational effectiveness of insurance companies.

A significant contribution to the study of theoretical and practical bases of innovations and InsurTech solutions usage on insurance market are made by such scientists as: Chen L.C., Elhaddad N., Elhoufi H., Erastov V.I., Pikus R.V., Sabine L., Sholoiko A.S., Tabaa Y., VanderLinden B., Yunfei H.

The purpose of the research is to outline the main effects of usage of InsurTech on the insurers distribution channels and define perspectives of their further development.

Modern business environment is quickly changing and much more risky, which leads to the rise of importance of new insurance distribution channels for insurance firms. InsurTech is one of the ways of increasing insurance services distribution efficiency.

InsurTech can be described as usage of innovations and technology solutions in Insurance. Many of the scientists, in their works, describe InsurTech category, as a set of technologies which are used in insurance activities. Some scientists, on other hand, consider InsurTech category in strict connection with InsurTech companies and startups, which provide their services for insurance companies. And define InsurTech as ecosystem of innovation-based companies that generate value for clients and insurance companies by disrupting or solving problems across the insurance value chain [1; 8; 10].

For more clear understanding of how InsurTech can be applied in insurance services distribution, we need to give more profound definition of this category . In our opinion, InsurTech can be defines as process of implementation and use of new technological solutions and innovations across all insurance value chain, aimed at reducing of the insurers operational costs and improving the overall efficiency of insurance activities.

InsurTech can be effectively used in distribution of insurance services. Such technologies as Internet Insurance, Chatbots, websites, e-commerce platforms can be directly used for distribution of insurance services. Other InsurTech solutions: Internet of Things (IoT), telematics, Big Data and others can increase value proposition of insurance services with better cost optimization and service composition [2; 7].

On the European Insurance market, distribution of insurance services can be performed through a number of channels, which are regulated by the EU Insurance distribution directive. The largest channel – is channel of intermediaries, represented by different agents and brokers companies for which insurance distribution is the main business activity. It's a traditional distribution channel, which is still the main channel of distribution for most European countries. Other channels include other insurance intermediaries, such as banks, travel agencies, and others who distribute insurance as an addition/supplement to their main services. The other distribution channel represents direct services distribution from insurance companies to their clients. It consists of in-office distribution and distribution with usage of technological solutions and digital instruments. Historically, during the last decade direct distribution channels take about 10% of all insurance services distribution [1; 5; 9].

Covid-19 pandemic accelerated digitalization processes and boosted shift from traditional distribution channels and models to distribution with use of InsurTech and other digital solutions. Other trends of the post-covid period are: rise in self-service and customer centricity and

transferring of operations, incl. distribution from offline to online. Pandemic forced insurance companies to develop their own web-platforms and mobile applications for performing online direct distribution of services. At the same time, intermediaries also started implementation of digital solutions for performing distribution of insurance services via Internet and with the usage of other technologies. As result, pandemic not only increased the share of direct distribution, but also caused structural changes in other insurance distribution channels [4].

We analyzed the distribution channels dynamic of one of the biggest Spanish insurers – MAPFRE in pandemic and post-pandemic period (represented in table 1). According to company integrated reports, pandemic forced huge digital transformation process of insurance services providing. At the beginning of pandemic, all sales/distribution interactions with clients migrated from direct communication to contact centers, and later to digital through developed client self-managed applications. As result, the share of direct distribution channel (incl. Internet distribution) was increased from 11% to 14% in 2021 in comparison to 2020. At the same time, the intermediaries also transferred their insurance distribution operations in digital. All these factors caused the huge digitalization process of insurance contracts within the company distribution chain. Actively implemented in 2020 digital insurance contracts were on level of 12% from all contracts issued. In 2021, this share reached 54%, and continued to grow in 2022. So, boosted by Covid-19 pandemic digital process led to situation, where more than half of insurance company clients use digital insurance contracts [6].

Table 1

**MAPFRE Distribution channels
and digital contracts share in 2020–2022**

Distribution channels	2020	2021	2022
Own distribution network (agents)	26%	24%	23%
Non-exclusive network (brokers)	8%	20%	15%
Bancassurance	51%	37%	42%
Direct	11%	14%	14%
Agreements (with other intermediaries)	4%	5%	6%
Contacts digitalization trend (share of digital contracts)			
	12%	54%	61%

Source: prepared by author based on [6]

Example of MAPFRE company shown that pandemic forced the qualitative transformation of insurance distribution channels, moving the distribution process in digital field, and rebalancing distribution channels structure.

Pandemic and general increase of business environment risks in post-covid period catalyzed the growth of Europe Online Insurance Market, in 2023 it total estimated value reached 101 billion Euro. And according to estimations it will reach 144 billion Euro by 2028 [3].

The active development and usage of InsurTech solutions in insurance services distribution caused the transformation of distribution channels from Single Channel Distribution Model to Multi Channel Distribution Model. Which impacts the general effectiveness of insurers service distribution and increases level of service for their clients. New distribution models with usage of InsurTech and other solutions, which insurance companies implement and use today are: Omni Channel Distribution Model, Personalized Distribution Model, Push Distribution Model and Connected Insurance Distribution Model [4].

As a result of conducted research, we can conclude that InsurTech today is effectively changing and transforming distribution channels and models of insurance companies. It gives insurers new opportunities of providing more customized, optimized, and flexible insurance services to their clients. The general trend in insurance distribution tends to usage of Multichannel distribution model with active use of technological channels of distribution in combination with traditional distribution channels. Use of InsurTech for distribution of insurance services is a perspective and most effective way of client-friendly and centered service distribution. The development of technological distribution channels and implementation of new technologies, such as blockchain and smart contracts in distribution processes, are new trends of the near future.

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