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THE INSURANCE MARKET IN THE CONDITIONS OF THE DIGITAL ECONOMY: TRANSFORMATION, CHALLENGES, AND PROSPECTS

Hamdamova Nigora Davronovna

Karshi State Technical University

Trainee teacher of the Department of Finance and Banking

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Abstract: This abstract explores the systemic transformation of the insurance market driven by the rapid advancement of the digital economy. It highlights the integration of modern technological tools such as Artificial Intelligence (AI), Big Data analytics, Blockchain, and InsurTech platforms into traditional insurance frameworks. The paper analyzes how digitalization enhances operational efficiency, customizes pricing strategies, and mitigates risks, while evaluating emerging challenges including cyber threats and regulatory gaps. The study provides strategic recommendations for developing a resilient digital insurance ecosystem.

Keywords: Digital Economy, Insurance Market, InsurTech, Artificial Intelligence, Big Data, Blockchain, Risk Management.

Introduction

The global transition toward a digital economy has fundamentally reshaped traditional financial sectors, with the insurance market experiencing unprecedented architectural changes. In the modern economic landscape, digitalization is no longer merely an optional tool for process optimization; it has become a core determinant of market competitiveness. Traditional insurance models, often criticized for bureaucratic delays, asymmetrical information, and rigid pricing mechanisms, are being replaced by dynamic, data-driven ecosystems. The integration of advanced technological innovations allows insurers to redefine customer interactions, streamline claims processing, and enhance risk assessment precision.

Main Body (Results and Discussion)

The digital transformation of the insurance sector, commonly referred to as the InsurTech revolution, is driven by several key technological pillars:

- Big Data and Predictive Analytics: Modern insurance companies leverage massive streams of structured and unstructured data from various sources, including IoT devices, telematics in vehicles, and wearable health trackers. This allows for transition from traditional generalized demographic underwriting to personalized pricing models (e.g., "Pay-How-You-Drive" auto insurance).
- Artificial Intelligence (AI) and Automation: Machine learning algorithms optimize the claims management cycle. AI-powered chatbots handle initial customer inquiries, while automated underwriting systems evaluate risk profiles within minutes, drastically reducing administrative costs and human error.

- Blockchain Technology: The decentralized ledger technology ensures absolute transparency and fraud prevention. Smart contracts automatically trigger insurance payouts immediately when a predefined condition is met (e.g., flight delays or agricultural parameters based on weather data), eliminating the need for lengthy verification processes.

However, the digitalization of the insurance market presents notable structural challenges:

1. Cybersecurity Risks: As insurers store vast amounts of sensitive personal and financial data, they become primary targets for cyberattacks.
2. The Digital Divide: There remains a distinct gap in digital financial literacy among certain demographic segments.
3. Regulatory Delays: Legislative frameworks often lag behind technological advancements, requiring updated "Regulatory Sandboxes" to test innovations safely.

Conclusion

The digital economy offers a profound opportunity to build a more transparent, efficient, and customer-centric insurance market. To maximize this potential, insurance companies must invest heavily in robust cybersecurity frameworks and cloud infrastructure. Concurrently, regulatory bodies must establish flexible legal standards that protect consumer rights without stifling digital innovation. Ultimately, the successful convergence of technology and traditional risk management will dictate the future sustainability of the financial sector.

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