

**UDC 368.02: 658.15**

**Skomoroha V.A.**

candidate of higher education for the second (master's) level  
Central Ukrainian National Technical University  
Kropyvnytskyi, Ukraine

## **DIRECTIONS OF DEVELOPMENT OF INSURANCE COMPANIES' FINANCIAL MANAGEMENT BASED ON DIGITALIZATION**

The development of financial management in insurance companies through digitalization involves leveraging digital technologies to enhance efficiency, profitability, and risk management. Here are the key directions and benefits identified in the research:

Key Directions for Digitalization in Insurance Companies' Financial Management are:

1. Investment in Information and Communication Technologies (ICT). Insurance companies are increasingly investing in ICT to improve their operational efficiency and effectiveness. Higher investments in ICT can lead to better financial performance, although the relationship between ICT expenses and financial outcomes can vary [1].

2. Optimization of Insurance Portfolios. To optimize the structure of their insurance portfolios, companies should focus on increasing the share of highly profitable personal insurance. This involves expanding the insurance field through marketing and agency networks to attract more policyholders.

3. Implementation of Digital Business Models. Digital business models in the insurance sector can drive key performance indicators, individualization, efficiency, and communication. These models help in better risk assessment, customer service, and operational efficiency [2].

4. Use of Advanced Technologies. Technologies such as Artificial Intelligence (AI), Blockchain, and the Internet of Things (IoT) are transforming insurance operations. AI can enhance risk assessment and premium setting, Blockchain can ensure secure and transparent contracts, and IoT devices can provide real-time data for risk management and claims monitoring.

Benefits of Digitalization for Insurance Companies are:

- Increased Efficiency and Productivity. Digitalization streamlines operations, reduces manual processes, and enhances productivity through automation and better data management;

- Improved Customer Service. Digital platforms and mobile applications provide customers with easy access to insurance services, improving customer satisfaction and engagement;

- Proactive Risk Management. Real-time data from IoT devices and advanced analytics enable proactive risk management, helping insurers to mitigate risks before they result in claims;

- Access to New Markets. Digitalization allows insurance companies to reach new customer segments and markets that were previously inaccessible due to geographical or logistical constraints;

- Reduction of Fraud. Technologies like AI and Blockchain help in detecting and preventing fraudulent activities, ensuring the integrity of insurance operations [3].

Challenges Faced by Insurance Companies in the Process of Financial Management in terms of Digitalization:

1. Data Privacy and Cybersecurity. Ensuring data privacy and cybersecurity is crucial as digitalization increases the volume of sensitive data handled by insurance companies.

2. Regulatory Compliance. Adapting to new regulations and ensuring compliance in a rapidly changing digital landscape is a significant challenge.

Successfully managing organizational change and fostering a digital-first culture within the company are essential for the successful implementation of digital strategies [3].

Digitalization in the insurance industry offers significant opportunities for improving financial management through enhanced efficiency, better customer service, and proactive risk management. However, it also presents challenges such as data privacy, cybersecurity, and regulatory compliance that need to be addressed. By investing in ICT, optimizing insurance

portfolios, and leveraging advanced technologies, insurance companies can achieve substantial growth and profitability.

### **References:**

1. Łyskawa, K., Kędra, A., Klapkiv, L., & Klapkiv, J. Digitalization in insurance companies. Proceedings of 6th International Scientific Conference Contemporary Issues in Business, Management and Economics Engineering '2019. 2019. 9–10 May. URL: <https://doi.org/10.3846/CIBMEE.2019.086>
2. Härting R., Reichstein C., Sochacki R. Potential Benefits of Digital Business Models and Its Processes in the Financial and Insurance Industry. 2019. URL: [https://doi.org/10.1007/978-981-13-8303-8\\_18](https://doi.org/10.1007/978-981-13-8303-8_18)
3. Havadzyn N., Hryhorska N., Grebeniuk N. Digitization of Insurance. Herald UNU. *International Economic Relations And World Economy*. 2023. Vol. 48. URL: <https://doi.org/10.32782/2413-9971/2023-48-2>