

**Feasibility study
Digitalization of sales process
at the insurance company**

Final Capstone Project

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ABSTRACT**

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**Proof of Concept
Digitalization of sales process at insurance company
on the example of Motor third party liability insurance**

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The insurance market is an integral part of the market system, provides insurance protection to economic entities, and accumulates powerful funds of investment resources that can stimulate sustainable economic development. The Ukrainian insurance market is at the stage of development when the number of working insurers reduces while the range and quality of insurance services they provide the increase. Currently, the financial system of Ukraine is undergoing significant regulatory changes, as a result, the NBU is beginning to regulate the insurance market, which gives hope for increasing the quality of its participants. Trends in digitalization and digitalization, the use of modern technological innovations also push to transform the functioning of all participants in the insurance market of Ukraine in the direction of further growth and development.

Unfortunately, in Ukraine digital transformation and usage of practical technological innovation in the insurance value chain across the insurance industry is still at a low level. Many processes in insurance companies are supported manually or semi-automated that cause operational inefficiency, lead to the costs increasing and simply doesn't protect overall business for example when a change in one particular parameter, e.g. losing control over distribution channel can cause the bankruptcy of insurance company, and this is what actually happened on Ukrainian market.

In accordance with NBU's White Paper "Future of Ukrainian insurance market regulation" [1], insurance market development is constrained by several factors, as insurance companies' liquidity problems, absence of clear business-model, risk management and corporate governance is quite low. During 2013 – 2018 some of big insurance groups, such as AEGON, AXA, SEB, AIG and HDI had left Ukraine among other things because of unfair competition.

Thus, the purpose of the present project is to describe the business concept, realizing and reengineering the business model of an insurance company towards actual implementation of the digital approach of the sales process on example of the Motor third party liability product that should bring efficiency, transparency and simplicity in terms of general business management.

It is determined that in order to ensure the restructuring of the insurance business under conditions of the digital economy development, insurance company should implement such activities as: customer-oriented approach, search for partners in technology environment, creates an innovative culture and protect intellectual property.

Keywords: Insurance, Insurance market, digital economy, digital approach of the sales process, innovative technologies, proof of business concept

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1.1. Business task

We were approached by an family-owned small insurance company, an active participant in the Ukrainian insurance market with the request to conduct a feasibility study and to answer the question, can the standard sales process of Motor Third Party Liability (hereinafter - MTPL) insurance be reengineered to fully digitalized sales process (digital transformation) enabled by existing technological innovations and whether such approach has economic feasibility.

For the purposes of this project, the standard sales process has to be assumed as a process where the key role is played by either employees (direct office sales) or sales representatives of the insurance company (sales thru insurance intermediaries). Interaction with potential clients, final consumers of insurance services takes place physically, and the main technique is direct active sales: consulting, presentations of the products, etc.

Digital transformation of sales process, within the framework of this project, means the digital transformation of the standard process of MTPL policies sales, as one of the main elements of the insurance value chain in the provision of insurance services in general, which should provide the opportunity to build relationships with policyholders - consumers of insurance services directly, using digital channels of communications (company website, social networks, applications, etc.), bypassing intermediaries or minimizing their power of influence in the sales process and create conditions to achieve maximum efficiency of such a process.

1.2. Business Context

The insurance company currently has licenses for 17 voluntary and 8 compulsory types of insurance. The company has 38 employees and about 200 agents of individuals and legal entities. The company does not have its own branch network, and is represented by the head office and the loss settlement center, which are located in the city of Kyiv. The company does not aim to create an extensive branch network, on the contrary, strategically the company sees itself in the digital space, creating the appropriate infrastructural conditions for development in this direction.

The main IT system used by the insurance company is the FORT system: POLIS 8 (1C). Additionally, the front-office web system is used to ensure the functioning of the automated workplace. The company uses its own servers to store data.

According to the results of 2020, the company collected 47 million hryvnias as gross written premium (hereinafter – GWP), the market share of the insurance company amounted to 0.12% of the total amount of insurance market's GWP, which amounted to 40.17 billion hryvnias. The share of MTPL in the total amount of insurance premiums in 2020 15.22%, and the overall average annual growth rate since 2015 is 15.02%.

The peculiarity of conducting activities with MTPL for insurers is not only the requirement of a license, but also mandatory membership in the Motor (Transport) Insurance Bureau of Ukraine (hereinafter - MTIBU). Today, MTIBU members are 42 insurance companies out of 181 officially registered at the end of the first half of 2021. Starting from February 7, 2018, Ukraine provides the opportunity to conclude OSTSVTZ policies (which operate exclusively on the territory of Ukraine)

in electronic form. Insurers - members of the MTIBU are obliged to report to the MTIBU, and ensure the payment of mandatory payments, including the formation of insurance reserves.

MTIBU supports the operation of the centralized database (CBD) of insurance policies MTPL, provides and supports the possibility of exchanging data with CBD for Insurers - members of MTIBU and access to data for Insurers - consumers of insurance services.

1.3. Regulation

In September 2019, the Law of Ukraine “On Amendments to Certain Legislative Acts Concerning the Improvement of Functions on State Regulation of Financial Services Markets” (the so-called “Split” Law) was adopted, according to which from July 1, 2020, the National Bank of Ukraine bank) becomes a regulator and supervisor in the insurance market.

The goal of the National Bank is to form a solvent, stable, competitive insurance market in Ukraine with adequate protection of the rights of consumers of insurance services. To achieve this goal, the National Bank will introduce a new model of insurance market regulation, which considers the provisions of EU directives, global practices of regulation and supervision of the insurance and reinsurance market, as well as the peculiarities of the insurance market in Ukraine.

New model envisages improving licensing requirements, solvency and liquidity assessment, corporate governance and risk management systems, application of risk-oriented prudential supervision, supervision of market behavior, as well as definition of reorganization procedure, resumption of operations and withdrawal of companies from the market.

Insurance services as a part of non-banking financial services in Ukraine determined as licensed activity, should be provided in accordance with local legislation and properly supervised by the National Bank of Ukraine.

Given the general economic situation caused by the recession and the coronavirus pandemic (COVID 19), the National Bank will implement a new regulatory model after a thorough study of the insurance market and discussions with market participants.

Regulation in the general insurance domain including MTPL is providing on two main laws: The Law of Ukraine # 85/96-BP On Insurance and The Law of Ukraine # 1961-IV “On Obligatory Civil and Legal Liability Insurance for Motor Vehicles Owners”. Important aspects of the law execution are reflected in the linked regulatory acts issued by regulators and other government bodies.

The supervisor of the MTPL activity is the Motor (Transport) Insurance Bureau of Ukraine. It is the only association of the Insurers which execute the obligatory civil liability insurance of the owners of the ground vehicles against damage made to third persons.

MTIBU is a non-commercial (not-for-profit) organization and acts according to “On Obligatory Civil and Legal Liability Insurance for Motor Vehicles Owners”, legislation of Ukraine, and its Charter.

The main tasks of MTIBU are:

- fulfilling guarantee obligations concerning compensation for damages caused to third parties by owners and/or users of the vehicles registered in Ukraine in accordance to Ukrainian legislation and other agreements concluded by MTIBU with Authorized bodies of other countries on obligatory civil liability insurance;

- provision of membership of Ukraine in “Green Card” international vehicle insurance system and fulfillment of general obligations to Authorized bodies of these member countries;
- management of Centralized Insurance Reserve Funds formed with MTIBU for the provision of performance of the functions assigned to it;
- coordination of insurers-members’ activities in the sphere of obligatory liability insurance on territory of Ukraine and abroad;
- fulfilling obligations under an obligatory liability insurance policies (including international) if the resources and property of the Insurer -its Member, which was declared bankrupt and/or liquidated, are insufficient;
- cooperation with the bodies of the Ministry of Internal Affairs of Ukraine as well as other government authorities in the matters of obligatory liability insurance.

1.4. Macroeconomic environment.

Ukrainian insurance market is insignificant in terms of assets and the level of insurance services consumption. The penetration ratio, defined as the ratio of insurance premiums to GDP, is 1.4% (of which non-life is 1.3%). For comparison, in Europe - 5.0%, the world average - 6.1%. The leaders in this indicator of insurance in the world are the United Kingdom, Japan and France.

The Insurance Density ratio is the amount of insurance premium per person, in Ukraine it is at a very low level and at the end of 2018 was 34 USD.

Among the 88 countries surveyed by the Swiss Re Institute, Ukraine ranks 73rd in terms of consumption of non-life insurance services and 82nd in terms of life insurance services [1].

Company operates in Ukraine and is impacted on the macro level by the indicators which is shown in **supplement 1 Macro indicators**.

GDP is recovering in 2021 after COVID year. Forecasting much slower economy growth up to 2023 than during pre-COVID time (12.7% vs 3.8% CAGR of 3 year).

Inflation showed constant decrease in 2016-2019 reaching its historical minimum in 2020 due to pandemic slow-down of the economy. 2021-2023 forecasted stable and low inflation within the targeted range **5+-2%**.

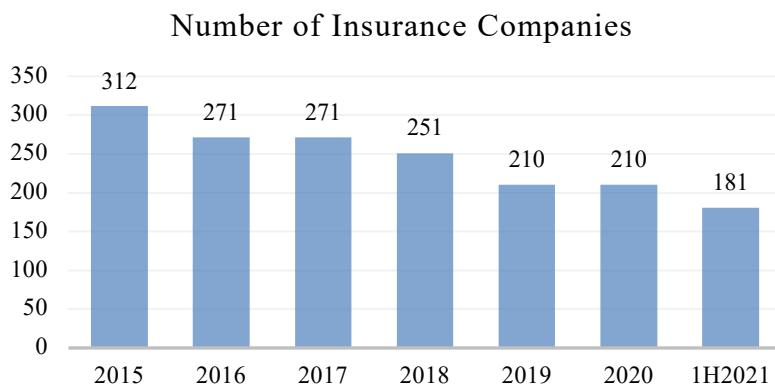
Real salary CAGR 2.9% of 2016-2019 changed to the negative -20.3% in 2020-2023. Which is a beneficial situation for business from the perspective of the labor cost.

Export has slower though still positive growth rate creating room for increase in goods transportation market and related industries.

On the production side, services are the biggest sector of Ukrainian economy and account for nearly 68 percent of total GDP, of which the most important are; domestic trade (14 percent) and accommodation and food service (13 percent). Industry accounts for 22 percent of GDP and is divided by manufacturing (11 percent); and agriculture (10 percent).

1.5. Microeconomic environment.

Ukrainian insurance market as of the end of 1H2021 represented by 181 insurance companies and during 2015 – 2020 the number of companies was declining.



In accordance with The Law of Ukraine # 85/96-BP “On Insurance”, insurance companies could provide 23 types of voluntary and 43 types of compulsory insurance. The main drivers of the market are:

- CASCO – voluntary insurance of land vehicles
- MTPL – compulsory motor third party liability insurance
- Health insurance – voluntary insurance of medical expenses
- Property insurance - voluntary property insurance

Cumulated, mentioned types of insurance as of the end of 2020 made 60,31% of the total market that in 2020 was 40 185 million UAH (see Supplement 2) and showed compound annual growth rate 14,57% for the period 2015 – 2020 respectively.

Overall Insurance market has positive trend of growth and showed compound annual growth rate 12,16% for the period 2015 – 2020 relatively.

Despite of the growing trend insurance industry in Ukraine is far from the EU indicators where insurance penetration significantly higher (info needed)

Among the main problems of the insurance industry development is long-term transition from the government support of social programs to non-government system. Such situation requires modernization, change of existing business model on the new business model (Insurance Top #5 (81) 2021 p.3).

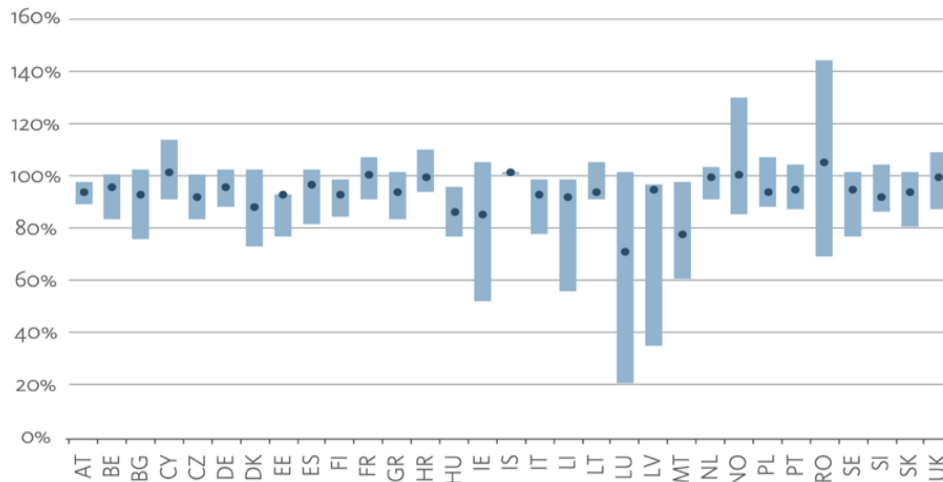
Calculation of the Ukrainian market’s combined ratio which is measure of profitability used by an insurance company to gauge how well it is performing in its daily operations based on result for 2Q2021 showed 90% of this indicator (Insurance Top #5 (81) 2021 p.5). The formula for the combined ratio is:

$$\text{Combined Ratio} = \frac{\text{Incurred Losses} + \text{Expenses}}{\text{Earned Premium}}$$

The combined ratio is typically expressed as a percentage. A ratio below 100 percent indicates that the company is making a profit, while a ratio above 100 percent means that it is paying out more money in claims and operating expenses that it is receiving from insurance premiums.

Comparison of the combined ratio of the EU countries represented in the chart below (European Insurance Overview 2020 p.11) shows that this indicator in Ukraine in line with benchmarks, but the volume of EU markets allows companies to operate even at a higher level of combined ratio, what is not possible in Ukraine.

Despite that, it is worth to note that in the Baltic countries, for example, where the level of digitalization is at a higher level, the combined ratio is much lower, which may indicate a technological impact on the efficiency of insurance companies.



The Combined Ratio is defined as the sum of claims and expenses divided by premiums earned. The chart shows interquartile range and median

Source: <https://www.eiopa.europa.eu/>

1.6. Industry analysis

1.6.1. Porter's 5 Forces analysis

Porter's Five Forces, based on Michael Porter's groundbreaking article for the Harvard Business Review, is a competitive analysis framework that helps examine the competitive market forces in an industry or segment [10].

Over our study the following forces that influence MTPL insurance market were recognized and analyzed:

- Intensity of competitive rivalry
- Bargaining power of suppliers
- Bargaining power of buyers
- Threat of substitutes
- Threat of new entrants

Intensity of competitive rivalry on the MTPL insurance market determined as high

Intense rivalry on the MTPL insurance market is related to the presence of several factors:

- 42 players with different size and power.
- Slow industry growth, enhancing fights for market share.
- MTPL insurance lacks differentiation and switching costs and company simply fighting for customers on the day-by-day basis.
- Sales channels are controlled by the intermediaries, creating strong temptation to increase agent fees in order to receive additional growth.
- Exit barriers are high. Exit barriers keep companies competing even though they may be earning low or even negative returns on investment. Excess capacity remains functioning, and the profitability of the healthy competitors suffers as the sick ones hang on. MTPL market suffers from overcapacity, it may seek NBU help to clean the market from unhealthy players.
- The rivals are diverse in strategies, origins, and “personalities” and has different ideas about how to compete and continually run head-on into each other in the process.

While a company that enters the MTPL market must deal with many of these factors, it may have some room for improving matters through strategic shifts. For example, optimization or re-engineering of the whole sales process.

A focus on selling efforts in the segments such as the digital environment can reduce the impact of industry rivalry. If it is feasible, a company can try to avoid confrontation with competitors having high exit barriers and can thus sidestep involvement in bitter price-cutting and agents’ fees increasing.

Threat of new entries on the MTPL insurance market determined as low

There are six major sources of barriers to entry:

1. Economies of scale

In our case economies of scale act as hurdles in distribution, utilization of the sales force, including intermediaries and controlling sales channels. In addition it is hard to obtain professional staff that is willing to support such initiatives as digital transformation.

2. Product differentiation

Brand identification creates a barrier by forcing entrants to spend heavily to obtain customer loyalty. Advertising, customer service, being first in the industry, being first in show list in digital landscape are among the factors fostering brand identification.

3. Capital requirements

The need to invest large financial resources to enter the MTPL market creates a barrier to entry, particularly because capital is required for unrecoverable expenditures to fund guaranties, up-front advertising and R&D. Capital is necessary for customer credit, and absorbing start-up losses. The huge capital requirements in MTPL insurance as well as whole insurance industry, limit the pool of likely entrants.

4. Cost disadvantages independent of size

Companies that are working in the MTPL insurance market may have cost advantages not available to potential rivals, no matter what their size and attainable economies of scale. These advantages can stem from the effects of the learning curve and for example usage of special technology.

5. Access to distribution channels

The new entrance must, of course, secure the distribution of its MTPL insurance product. It must displace others from the customer's insurance landscape via price breaks, promotions, intense selling efforts, or some other means. The more limited sales channels are and the more that existing competitors have these tied up, obviously the tougher that entry into the MTPL market will be. In the MTPL insurance market, this barrier is so high that a new contestant must create its own distribution channels.

6. Government policy

The government limit entry to the insurance industry with license requirements. Insurance is highly regulated industry. The government can play a major indirect role by affecting entry barriers through controls such as business plan validation and final beneficiary identification.

The potential MTPL insurance player's expectations about the reaction of existing competitors also will influence its decision on whether to enter. The company is likely to have second thoughts if incumbents have previously lashed out at new entrants or if:

- The incumbents possess substantial resources to fight back, including influence on distribution channels or making hidden alliances (MTSBU membership)
- The incumbents seem likely to cut prices because of a desire to keep market shares or because of industrywide excess capacity.
- Industry growth is slow, affecting its ability to absorb the new arrival and probably causing the financial performance of all the parties involved to decline.

Powerful suppliers & buyers has a strong impact

In our case, suppliers are the “customer providers” (such as platforms, huge insurance agents' networks etc) and they can exert bargaining power on participants of the MTPL insurance market ensuring access to the consumers. Powerful suppliers can thereby squeeze profitability out by rising fees. The buying power of retailers is determined by the same rules, with one important addition. Suppliers can gain significant bargaining power over insurance companies when they can influence consumers' purchasing decisions.

A *supplier* group of MTPL insurance market is powerful because:

- It is dominated by a few companies who controls major part of digital insurance market.
- Its product is unique to the potential group of agents and they built up switching costs. Switching costs are fixed costs agents face in changing suppliers. These arise because, among other things, a agents sales process tie to particular suppliers, it has invested heavily in specialized computer software and integrations (data base exchange etc).

- The insurance industry is very important customer of the supplier group therefore suppliers closely tied to the industry, and they want to protect the industry through reasonable pricing and assistance in activities like R&D and lobbying.

A *buyer* group of MTPL insurance market is powerful because:

- The MTPL insurance product is standard and undifferentiated. The buyers, sure that they can always find alternative suppliers, may play one insurance company against another.
- The MTPL product is unimportant in terms of quality to the buyers.
- The MTPL products are available anytime and anywhere.

Consumers tend to be more price sensitive purchasing MTPL insurance that are undifferentiated and where quality is not particularly important. They can likewise force down prices and play competitors off against each other—all at the expense of insurance industry profits.

Strategic action

Company's choice of suppliers to obtain customers from or buyer groups to sell to should be viewed as a crucial strategic decision. A company can improve its strategic posture by finding suppliers or buyers who possess the least power to influence it negatively.

Most common is the situation of a company being able to choose whom it will sell to—in other words, buyer selection. Rarely do all the buyer groups a company sells to enjoy equal power. Even if a company sells to a single industry, segments usually exist within that industry that exercise less power (and that are therefore less price sensitive) than others. For example, the replacement market for most products is less price sensitive than the overall market.

If the company lacks a low cost position or a unique product, selling to everyone is self-defeating because the more sales it achieves, the more vulnerable it becomes. The company may have to muster the courage to turn away business and sell only to less potent customers.

No substitute products

MTPL insurance as a part of social security has no type of substitutes products thus this force could be neglected.

Conclusions

MTPL insurance market looking not so attractive on the first sign. Tough regulation, capital requirements, not clear market structure, big power of influence of the platforms do not clear picture for the business case. On the other hand, new entrants to the market such as a company that requested our study could use such opportunities, because barriers to enter partially eliminated by the reason that the company already participates in the insurance market. Second valuable reason is that time launch to MTPL insurance market could be extremely decreased by the reason that suppliers (platforms) already passed the process of R&D and obtain relevant competencies

1.6.2. PEST analysis

A PEST analysis is a framework that we used to analyse the key factors influencing an insurance company from the outside. It offers insight into the external factors impacting the organisation. The analysis is flexible, so organisation can use it in a range of different scenarios.

In our PEST analysis we audited of four external influences on an insurance company:

- Political
- Economic:
- Sociological:
- Technological:

Factor	External factors to consider	Factors affected within insurance industry	Importance to the organization
Political	Government policy Political stability Tax Industry regulations	Till 2025 new rules of regulation (Insurance Law adoption to EU legislation, Insurance Distribution Directive, Solvency II) to be implemented by NBU which will cause enhanced requirement for liquidity	High
		Not sufficient regulation and lack of communication between participants of the process (NBU, MTSBU) still allow not-healthy companies provide their activity	High
		As part of social security system MTPL insurance is on politics pressure and prices for insurance couldn't be reviewed even if the loss ratio will require price reassessment	High
Economic	Exchange rates Globalisation Economic growth/decline Inflation Interest rates Cost of living	Insurance premium indicates in Ukrainian currency and MTPL insurance doesn't require Reinsurance, so the volatility of conversion rates affect business only in terms of insurance compensations as parts linked to prices in currencies	Medium

	<p>Labor costs Consumer spending habits</p>	<p>Low level of income still drives poor market performance as insurance products out of scope of interest for major of potential consumers</p> <p>Economic stagnation leads to surplus of unemployed labor that causes salaries decrease</p>	<p>High</p> <p>Low</p>
Social	<p>Consumer trends/ tastes, Consumer buying habits Lifestyle factors Career attitudes Work-life balance Population demographics</p>	<p>Consumers changed the way they interact with financial institutions moving digital influenced by the Banks</p> <p>Investment is required in market research to determine a move towards a more inclusive approach of customer acquisition.</p> <p>Brand of the insurance company is not known to the potential customers that are more likely to choose well-known brand from other option especially in 1,2,3 zones by MTPL recognition.</p>	<p>Medium</p> <p>High. Needs for additional research and testing</p> <p>High. Investment in brand awareness.</p>
Technological	<p>Automation Innovation Disruptive technologies Social networking Upgrades Robotics Artificial Intelligence Security</p>	<p>E-commerce side of the business is underdeveloped and overshadowed by not digital sales system</p> <p>Customers requires websites that are ease of use. Smartphone apps for enhanced customer experience.</p> <p>Need to improve technology for analytics and data driven decision making.</p>	<p>High: need to develop digital intelligence</p> <p>High</p> <p>High; explore internal capability.</p>

Conclusions

PEST analysis shows that all determined factors effects company outside and should be deeply considered from a strategic point of view softening impact or creating measures to impactful strength of such factors. From the most important we would like to highlight issues related to:

- regulation and respectively to meet the requirements of the rules that going to be changed
- the overall economic environment that hampers the market development require to seek non-standard decisions in order to be able to differentiate itself
- changes in social and technological areas demand to change the business model and react on it reactively to foresee changes rather not to follow it.

1.7. Marketing Analysis

1.7.1 Market & Product

MTPL insurance is a part of compulsory types of insurance of non-life insurance market. Share of MTPL insurance in total market volume was 15,22% in 2020 and has been growing with compounded annual growth rate 15,08% for lats 5 years (see Table 2).

In accordance with Ukrainian legislation, each means of transport in Ukraine must be covered by an MTPL insurance policy, thus MTPL market bounded by the number of the vehicles registered in Ukraine. Duration of the policy vary from 15 days to one year with one month step, but one year policy prevail over the other options. After the policy is expired, it should be renewed on a new period, thus the market represented by two groups of policies based on conclusion of the policy characteristic:

- New business – policies issued for vehicles that first time registered in Ukraine and wasn’t covered by MTPL insurance
- Renewal – policies issued for the vehicles that was registered and was covered at least one time by MTPL insurance

Information about insurance transactions that could provide understanding of the mentioned characteristic is contained in the Centralized data base of MTSBU and will be covered in the IT Strategic Planning section. However, Insurance companies, in accordance with their own internal policies and regulation could identify such characteristic differently, determine for example “new business” as any new MTPL insurance policy that issued by the company on the first time for certain vehicle or/and customer.

In 2020 in accordance with NBU’s statistical information 8,3 million policies was issued, including 7,5 million policies conducted with private persons, that is 90% of total volume.

Every year 1.2 million operations of private individuals with automotive vehicles are registered, of which 90% is purchase or sell operations. 50% of operations with cars are performed in 5 largest regions Kyiv, Dnipro, Odesa, Lviv and Kharkiv.

Table. What is that

Region	2018	2019	2020	2021
Kyiv	154 079	198 386	199 667	182 304

Dnipro region	77 306	103 334	105 399	93 510
Odessa region	69 911	95 007	86 195	81 626
Lviv region	65 464	113 877	87 023	78 479
Kyiv region	60 900	98 574	87 554	75 647
Kharkiv region	64 598	84 282	79 988	71 081

MTPL insurance as a product couldn't be differentiated by the quality characteristics. This is mean that insurance companies could not provide clear benefits of its product to the customers. Moreover, price that regulated by the law acts is almost similar as the price calculation based on base tariff 180 UAH that must be multiplied on several coefficients to obtain final insurance premium (see Attachment #). Taking this into consideration, we assume that main success factor for MTPL policy promotion and sales would be in ability to control customers attention in digital points of promotion or sales as it was in "analog era", for example when insurance policies mainly was sold at police department areas by "authorized" agents.

Market is characterized by growth in UAH and slight growth in quantity of issued policies. Number of insurance companies is decreasing due to tougher regulator's requirements.

Market players obtain small level of margin due to high level of loss ratio in average 52,54% (Insurance Top #5 (81) 2021 p.42) and expense ratio which among other expenses include distribution costs.

1.7.2 Competition & Distribution

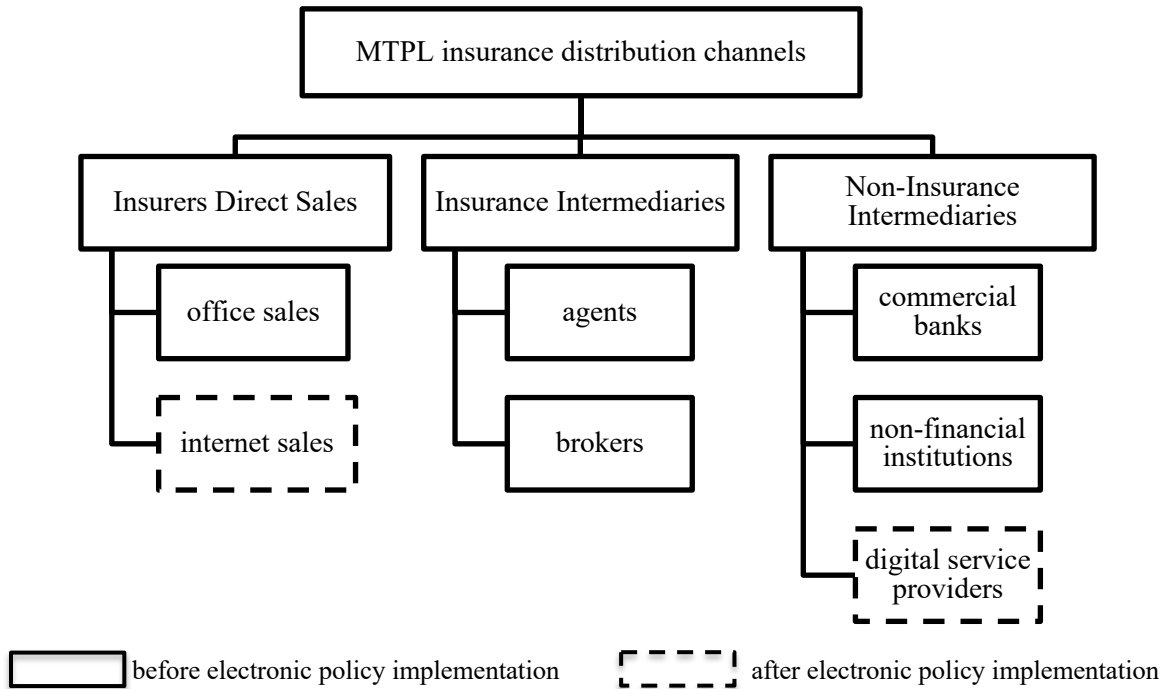
There are 42 active insurance companies acting on MTPL insurance market. Differentiation among active players of the market quite significant. From the most notable are existence of foreign capital, belonging to banking / insurance / financial group, coverage of territory by offices and branches, track record on the market, historical characteristics.

Insurance market, especially MTPL insurance market, is highly competitive market with no dominant players. Despite declining trend in the number of insurance companies, those who work on the market, actively participate in the market allocation mainly using price wars, territorial coverage or still by control of dedicated sales channel as competitive advantage.

An important indicator that characterizes the level of competition is the Index of Herfindal - Girshman (HHI), which also shows the growth of "market power" between market players [5]. For the estimation of the market concentration, the range of this indicator should be estimated: HHI <1000 rinks to estimate the range of non-concentrations; 1000 <HHI <1800 - the market is estimated in terms of concentration; HHI <1800 market estimates, as high concentrations. In Ukraine, the Index of Herfindal - Girshman (HHI) non-life insurance market was 247.95 (in 2017 was 305.27). It is worth seeing that non-life insurance market in Ukraine is not concentrated.

On our thought, channels of MTPL insurance distribution could be classified in the way shown in exhibit 1.

Exhibit 1. MTPL insurance distribution channel classification









During the period of 2015-2020 with electronic policy implementation, digital agenda for insurance companies became not just desirable strategy, its set new standards for the distribution models and create opportunity for new market players.

SaaS platforms such as EWA and POLIS UA are becoming a significant part of the distribution chain generating value by bringing together and connecting insurance companies and insurance intermediaries. The emergence of the platforms enables the emergence of another kind of market player – price aggregators, such as Hotline. finance and Finance.ua. In addition to the business model where platforms connect insurance companies with intermediaries, those service providers could support insurance companies as a front-office system minimizing the time to launch MTPL sales. So, for example, the insurance company "OBERIG" appeared in the ranking of 2020 for the first time with a share of 2,15% of the total market (17 rank in the list) having just several offices in Ukraine allocated in Kyiv and Kyiv region, L’viv, Odessa, Kharkov, and Vinnitsa.

Insurance companies have been started to invest more and more in digital solutions and digital marketing. Market leaders actively using internet environment to engage customers on-line and

Exhibit 2. Digital maturity comparison chart

Competitor	Omni - channel	On-line Products	UBI Products	Price aggregators	Digital Marketing	Digital Policy Management	Digital Claim Management
	✓	✓	Raxel Telematics	✓	✓	-	-
	✓	✓	-	✓	✓	-	✓
	✓	✓	-	✓	-	-	-
	✓	✓	OCTO Telematics	✓	-	-	-
	-	✓	-	✓	✓	-	-
	-	✓	Easy-Peasy Insurtech	✓	✓	-	-

1.7.3. Consumer

Insurance products relate to the products with passive demand, meaning that insurance products are not being bought, they are actively sold by insurance representatives with a proper deep explanation of benefits to the customers [6]. As an exception from this determination are obligatory types of insurance, where demand is stimulated by regulatory requirements. On the other hand, consumers consider MTPL insurance as imposed service, which causes bias against MTPL insurance itself. Considering that consumers willing to skip step of product and insurance company studies and replace this step with customer experience in sales process studies.

Per capita consumption in non-life sector in Ukraine is around 35 USD. Comparing to nearest EU countries per capita consumption of insurance products is higher, in Poland it's 273 USD, in Slovak Republic it's 277 USD, in Slovenia it's 944 USD. In developed EU countries per capita consumption is much higher, for example in Austria it's 1 529 USD, in Germany 1 737 USD, in Italy 650 USD and in Spain 799 USD. From consumption point of view insurance products and insurance market have a great potential for development.

Research by Gradus Research [7] says that 33% prefer to shop offline, and 50% of all respondents buy both online and offline. Currently Ukraine have more than eighty percent of e-commerce consumers. Insurance policy online in general bought 11% of respondents, and this driven by people of two age groups aged 35 to 44 and 45 to 54. By gender, males are bought insurance policies online more frequently - 14% of all male respondents, compared to females, only 9%.

To understand customers' perceptions of the MTPL insurance buying process we conducted a customer survey among the target audience asking about their experience (see APPENDIX 2) while they made the purchase of MTPL insurance.

The study showed 40% of the respondents have neutral to negative attitudes towards agents in the process and are willing to skip them. At the same time, most respondents are satisfied with the current process – average rate of satisfaction from 0 to 10 is 8.6, where 0 is awful and 10 is

perfect. Moreover, 41% rated the process 9 out of 10 and 18% suppose the current process is perfect.

What people dislike in the process is complicated comparison of the products, necessity of the physical visit to the branch and payment in form of cash.

Factors that could impact client's decision to change their insurance company after the termination of the contract are the price of the policy, poor customer service, ability to perform operations in digital form, reputation of the owners, friends' advice.

Factors that matter while making purchase among people, who prefer direct interaction with insurance company without agents, are reputation and reliability of the company, MTPL insurance price, website usability.

CHAPTER 2. OPTIONS ANALYSIS, PLANNING

2.1 Strategic Planning

In this section, we aimed to identify strategic moves in order to prioritize efforts, effectively allocate resources, align shareholders and employees on the organization's goals, and ensure those goals are backed by data and sound reasoning [2]. It should be noted that any changes in sales activity or any kind of new sales strategy setup will have an impact on all other activities and have to be supervised prior to run-up.

The sales system relies to the primary activity of insurance value chain creation. In addition, sales play a big part in the Marketing system as it provides market feedback, give information about the dynamic and structure of the demand, regarding changes in customers' needs and benefits.

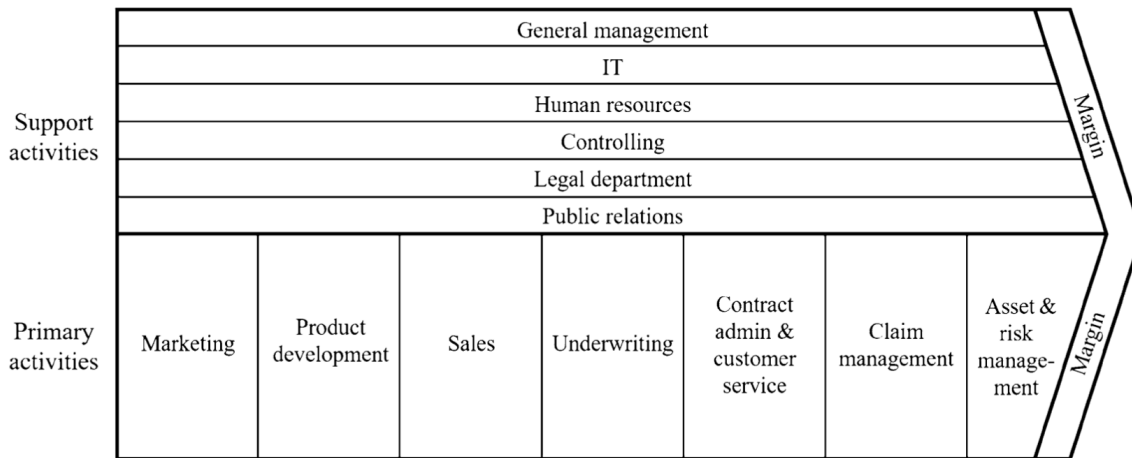
Sales system is the main part of the organizational structure for most modern insurance companies and most important from the marketing perspective.

The sales system is the main part of the organizational structure for most modern insurance companies and most important from the marketing perspective. This is explained by the reason, that in market conditions, the most difficult task is to sell insurance products.

As a result of that, the sales system becomes a crucial element of a company organization that determines its profitability and efficiency.

The main principle of an effective sales system organization is a maximum orientation on the final result, wherein the center of all processes is satisfied customer with the service, price, and quality of the insurance product. The goal of any structural unit has to be ensuring of this principle in one or another aspect. Thus, starting point for organization structure creation must be creation of the sales system, and all other structural units such as legal, information technology, finance etc., should be considered as supportive.

Exhibit 3. Insurance value chain by Porter



2.1.1 SWOT

Strengths

- Small size of the company and absence of legacy IT system simplifying process of digital transformation because it's not required complex changes
- Absence of physical branches network doesn't require the solution against potential competition between digital sales channel and physical branches
- Presence of the related IT company in the Holding provide opportunity to involve dedicated IT team as overall market straggle from IT specialists' shortage

Weaknesses

- Low level of existing cash inflow (gross written premium) doesn't secure potential needs in investment thus detailed business case needed to be presented to the shareholders or potential investors
- Lack of competence in digital transformation and lack of qualified programmers can enhance risk of project failure thus
- Brand awareness of the company is on the low level and require additional recourse for promotion thus proper marketing strategy must be applied

Opportunities

- changes in consumers behavior (buying on-line exceptional) can provide competitive advantage to the most digital matured companies
- if only digital policy will be available in accordance with legislation, companies with developed digital sales process will have competitive advantage
- changes in distribution regulation can cause market decomposition and physical agents will be required to find the solution
- Companies with transparent business processes and a high level of technology will have a higher market value and will be more attractive to potential buyers / investors

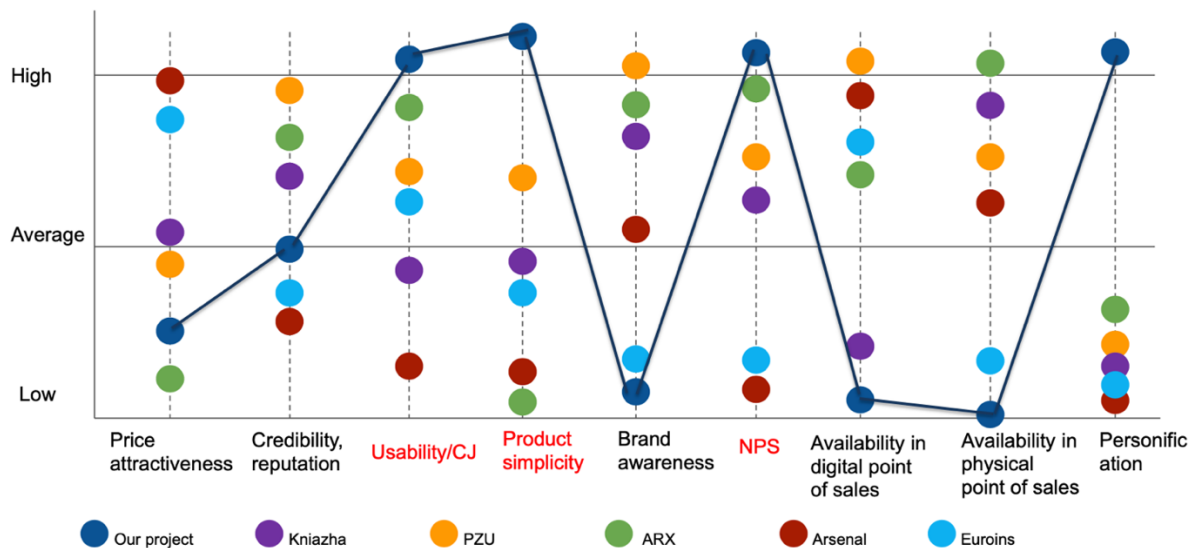
Threats

- Changes in consumers behavior such as popularization of other types of personal transportation can lead to market volumes decrease
- Tighter regulation can require redundant reservation that can cause needs of recapitalization
- Artificial monopolization of digital sales channels by platforms (traffic control) that can cause increase of cost for digital sales process
- Complexity of proper regulation of insurance market will not support the market cleaning and offline model will be still prevail over the online model
- Emergence of new entrance to the market such as similar

Conclusions

The analysis shows great potential for the project implementation. Company has ability to support agile approach and there are no considerable obstacles related to corporate culture. As project itself will be based on MVP concept, initial investment assumed to be not significant and extrapolated in time. External environment could bring a lot of opportunities to those who chosen or will choose digital strategy but still some of risks are existing and must be considered during the risk mitigation strategy creation.

2.1.2 Strategic canvas



Linking the results of the analysis of peers and customer needs we decided to focus on product simplicity and outstanding customer journey tracking closely NPS. Personification will be the logical next step after getting enough volume of customer data.

We propose to sacrifice the availability, both in physical (branches) and digital (marketplaces) points of sales. We suggest to not compete with price and brand awareness while we do suggest to invest into communication about credibility and reputation of the company.

2.1.3 What not to do

Efforts on the implementation of the new product **should not** involve the following actions:

- focus on off-line sales
- accept cash payments
- communicate ad's off-line
- lose sight of profit
- work with short-term projects
- partner with just any point of sales

2.2. Business requirements and use cases

Business requirements is the process of discovering, analyzing, defining, and documenting the requirements that are related to a specific business objective. A business requirements document describes the business solution for a project (i.e., what a new or updated product should do), including the user's needs and expectations, the purpose behind this solution, and any high-level constraints that could impact a successful deployment. In our work we used such technics as: persona, customer journey map, service blueprint and business process mapping notion.

2.2.1. Persona

Each persona is a reference model representative of a specific type of users. Technically, they can be called behavioural archetypes when they focus on capturing the different behaviors (e.g. "the conscious chooser") without expressing a defined personality or socio-demographics. The more the archetypes assume a realistic feeling (e.g., name, age, household composition, etc.), the more they become real personas, fully expressing the needs, desires, habits, and cultural backgrounds of specific groups of users [3].

Audience to build communication and to help marketing manager to create messages and insights based on proposed hypotheses

You can see example of Persona created in Appendix #

To identify We created persona Valodiy based on results of the survey. Valodiy belongs to the generation Y. He works 10+ years in same industry, is home owner. He relays on personal research on the Internet or media for financial guidance and advice. He thinks insurance products info sucks, he turns to friends or relatives for information.

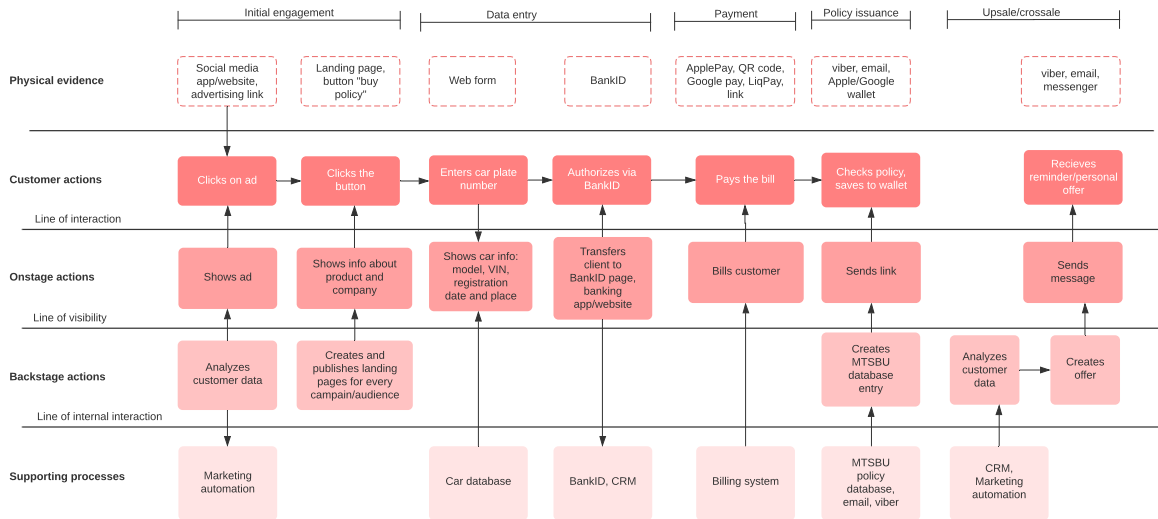
2.2.2. Customer journey

New PPT change

KSE | Business Education

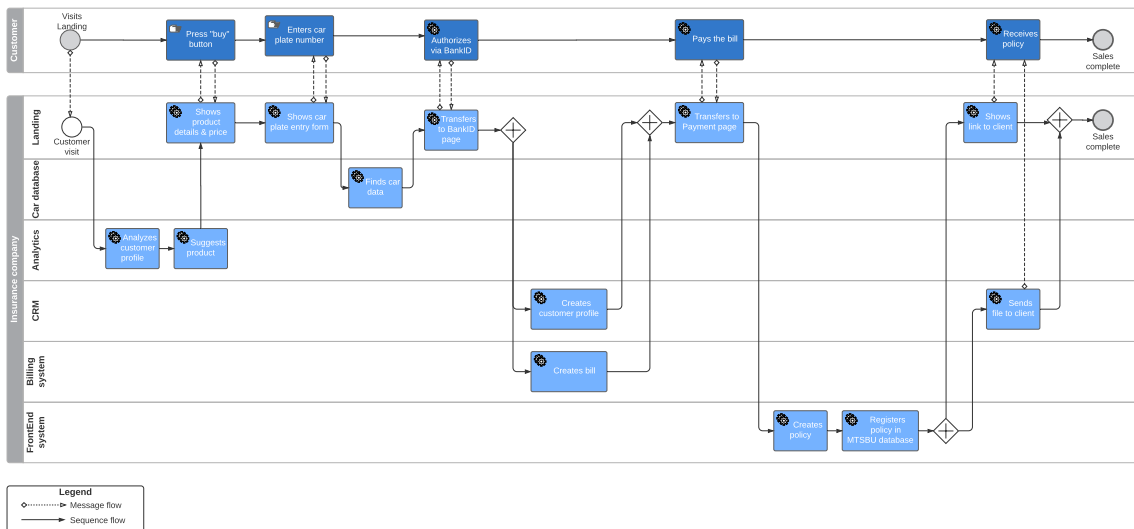
2.2.3. Service blueprint

Service blueprint for the new sales process includes aims to minimize manual data entry to only car plate number. All clients data should be taken from BankId, Diya or e-signature avoiding risk of error, improving data quality and simplifying customer effort.



2.2.4. Business process mapping notion (BPMN)

BPMN diagram of the client and software components interaction



2.2.5 Matching strength to needs

Picture instead of table

INSURER DIGITAL SALES PROCESS	
Benefits	Experience
Cost effective process	Any device access to digital tools
Bespoke CJ	Clear pricing process
Flexible products	Easy to understand information and guides
Access from any device	Direct access to MTSBU data base and immediate verification
24/7 digital help line	Advanced CRM
	Convenient storage options (wallet)
	Providing full support in case of any illegal actions
Features	
Fully digital CRM – no paper	
Automated secured data transferring	
Modern info sheets	
Digital self service	

Marketplace availability	
Regulation compliance	
Product	Ideal Customer
Fully online (digital) automated MTPL policy sales process	Matured digital customer that avoid to deal with physical agents / brokers and who is looking for flexibility, high level of customer experience and insurer

CUSTOMER CAR OWNER	
Wants	Fears
Law price	Physical communication
Easy to use	Overpayment
Different options	Choice of not right coverage
Self service	Policy not validated
Omni channel of communication	Not renew policy in time
	Forger where the policy was bought
	Needs to show physical policy to any who request
Needs	
Get policy in right time	
Fraud protection	
To have relevant advice	
Automated interaction	
Right choice confirmation	
Credible service provider	
Substitutes	
Physical agents, other financial institutions (Banks offline and online), Aggregators (marketplace),	

2.3.1 Current State of IT infrastructure

Process task	Solution	Main features
Marketing automation	Send pulse	
Landing page	Send pulse, Ulkit	
Customer analytics	Adobe Experience Manager	
Customer database	Bitrix24	
Back-office and finance	1C	
Business Inteligence	Excel	
Front office	In-Core	

Chart architecture

On Going

2.3.2 Landing page

The goal of a landing page is to increase conversion rates in order to reach marketing and business goals. A landing page must be standalone page created for a digital sale process and MTPL product only.

Benefits of landing page are:

1. Landing pages deliver more conversions and more leads. Because landing pages have a single focus and target a specific audience, they have significantly higher conversion rates.
2. Possibility to develop targeted content for specific audiences. Because landing pages are so targeted, it is possibly to get super specific with messaging, imagery, and offer to ensure it speaks exactly to the target audience
3. Landing pages provide team with actionable data. Possibility to create landing pages for different campaigns and referral sources. By reviewing the analytics data, it is possible to track which channels are driving the most traffic and conversions.

In our work we identify following requirements for landing page that should be used in process of landing page development:

- Clear unique selling proposition (USP)
- Engaging hero shot - a form of imagery which is used to capture the interest of potential customers who are visiting the website
- Compelling benefits
- Inspirational social proof

- Strong call to action (CTA)
- Responsive design (adopted for latest models of smartphones)

2.3.3. Data integration

All data required during the sales process could be divided on two groups:

- related to car owner personal information
- related to car

Needed data to conduct MTPL policy provided in **Appendix #**

Our study identified that several options of data sources and data transfer are available.

MTSBU database. MTSBU as regulation body gathering and maintaining general Centralized data base of all MTPL insurance policies that conducted in Ukraine. Thus, while insurance company wants to issue digital policy, it is possible to receive data from the Centralized data base via sending request with one of the parameters:

- Car plate number
- Car VIN number

All additional related to car information such as mark, model, engine volume, available to receive from Centralized data base will be provided by MTSBU. Restriction of the base is it includes data only for cars that was insured before, without information about new cars.

Cars database. On the backstage of the digital sales process car database has to be integrated with the landing page interacting with customer. Car database is the open dataset owned by the **National police department** of the government. It contains information (**see appendix X**) about the vehicle such as brand, model, color, production year, date and sense of the latest operation, registration authority, car plate number, weight, fuel, capacity. As well there is information whether the owner is private person or legal entity.

Car data base is supposed to be used not only for automating of data entry, but as well to receive car market analytics supporting strategic and marketing decisions. We suggest to regularly track the following metrics:

- Monthly dynamic of registered new cars by region, model
- Monthly dynamic of imported cars by region, model, production year
- Monthly dynamic of used cars sales by region, model, production year

These analytics will allow to faster react on market trends, adjusting campaigns by region, targeting owners of new or used cars of specific brand and model in a specific region. As well it could forecast market penetration and price dynamics for the car of a special brand, model etc. Mentioned database includes information starting 2013.

BankID. We suggest implementation of the client data verification via BankId as a cheapest and most reliable solution. Connected banks cover 99% of banked population in Ukraine. Cost of BankID implementation consist of request per user (20UAH) and integration of the current infrastructure with the BankID.

DIIA. DIIA is a web portal and a brand of e-governance in Ukraine. Launched in 2020, the DIIA allows Ukrainian citizens to use digital documents in their smartphones instead of physical ones for identification and sharing purposes. The Diia portal allows access to over 50 governmental services. Due to complexity of integration have to be considered as additional approach.

2.3.4 Billing and payments

In order to fulfill project's requirement billing and payment system have to be integrated in the sales process and gives potential clients to choose from one of the following option

- Apple pay
- Google pay
- Mastercard, VISA

Discovering possible solutions available on the market we choose Ukrainian company IPay.ua as a service provider that can cover all related to the project needs. Further service provider could be changed, or financial conditions reflected in the financial planning part.

2.3.5. Clients relationship management (CRM)

Customer relationship management (CRM) solutions must do much more than organize contacts and act as a digital rolodex. In order to meet project goals, we need to look for the following features in CRM software:

1. Workflow automation

Software must enable set up custom rules and comes with sales force automation to help you and your team be more productive. By using rules, you can set your CRM software to automatically perform a specific action based on triggers or events, such as these:

- When a potential customer fills out a form on website, the CRM software automatically directs creates case and follow dedicated sales funnel.
- If a lead, prospect, or opportunity doesn't respond to message or proposal, the CRM software automatically sends a follow-up message after a preset amount of time, such as 48 hours or two business days.
- When system sends messages to a contact, the CRM software automatically logs hours and keeps track of all communications
- As digital sales process complete tasks, the CRM software automatically reports to supervisors and upper management for performance reports.

Workflow automation features can also take the time and legwork out of tedious sales tasks, such as order processing, order tracking and inventory control

2. Customization

Some CRM solutions let to choose which features to include in package, and some also allow to customize basic areas, such as with the abilities to add contact fields, choose which data to show on your dashboard and create custom reports. System also can be customized with extensions, plugins, and other add-ons to expand software's capabilities.

If needed even more customization to truly tailor the software, many CRM software providers offer more advanced options using APIs. This gives developers access to all technical specs and coding for full customization of software. The API also allows to integrate the software with existing business solutions of the company uses to streamline processes.

3. Third-party integration

Connecting CRM software to other solutions that company already use can save recourses. Most CRM programs offer third-party software integrations. Here are a few things can do with the right third-party integrations:

- Run CRM software straight from Outlook, Gmail or other email clients to avoid switching between apps.
- Automatically sync sales and order information with billing and accounting software to eliminate manual data entry.
- Automatically build email lists and launch email marketing campaigns from either your email marketing software or CRM software so it's don't need to run both.
- Back up and sync data with Dropbox, Box.com and other popular cloud backup storage services.

4. Customer service

CRM software can help acquire and retain customers by providing excellent customer service. Following capabilities can allow to perform more efficient:

- Gives a 360-degree comprehensive view of customers that shows everything there is to know about a customer from the first point of contact
- Automatically tracks all points of communications, from lead acquisition to closed sales and sales histories
- Logs all incidents, website visits, purchase histories, and other activities for future reference and to keep all reps on the same page
- Uses customers' first names to personalize all correspondence
- Has unique reference numbers for each account, customer and help issue
- Automatically sends customers acknowledgments of their inquiries and messages so they don't feel ignored

- Supports premade email templates and call scripts that answer the most common questions

5. Social media

A CRM with built-in social media monitoring features can save marketing team time, because they won't have to switch platforms to perform the essential task of monitoring company's social media.

Salesforce, for example, has tools to perform these social media tasks:

- Get in tune with what people are saying about your brand through social listening.
- Gain insight into the numbers of social media actions your brand gets, such as comments, shares and mentions.
- Check every social media channel (Facebook, Twitter, Instagram, etc.) to customize your social media strategy accordingly.
- Get insight into who are the target customers are.
- Manage the day-to-day tasks of posting to social media accounts.

6. Lead management

A lead management feature will help to identify leads and the actions they've taken along the digital sales process. Through the lead management process, it is possible to score leads and, if needed, filter them off to a different approach to turn select leads into customers.

7. Real-time data

These are just a few of the benefits of pulling real-time data:

- It helps you make better-informed marketing decisions about bidding price and placement of online advertising.
- Ability to get an instant snapshot of market demand, so you can update marketing plan accordingly to yield better results.
- Possibility identifies which of channels / campaigns generate the most revenue, and which generate the least and may need a boost in exposure.

8. CRM analytics

CRM analytics, also known as customer analytics, offer insight into customer data. This data is important because it can help make better decisions about the types of products, services, marketing, and overall communications that will be distributed to customers. Specific analytics in a CRM can include:

- Customer segmentation that is simple to read and understand
- Clear profit and loss data to help determine ROI
- Informative web analytics that illustrate customer website use and behaviors

9. Reporting

Reporting is the feature that brings the results of sales and marketing efforts all together, and it comes standard with all the CRM systems. The more of report types can be accessed, the better:

- The number of leads that come in during a certain amount of time
- The number of sales generated during a certain amount of time
- The number of outbound calls being made
- The effectiveness of emails
- The stage at which leads are converted, helping identify opportunities to close leads in a shorter time

10. Sales forecasting

A CRM with this feature predicts future sales based on data from current pipeline. It is possible if needed to alter marketing plan based on the sales forecast. Sales forecasting can also anticipate market changes to mitigate business risks.

2.4. Marketing and Sales Strategy

MTPL insurance is a product with a strong consumer demand, but this demand appeared once a year when existing policy is expired or new event such as new car purchase is occurred. Thus, communication with potential clients must be regular and permanent to build sustainable brand awareness. To reach project goals, the company must utilize digital marketing communication channels that could be perfectly complemented by email marketing. This is a good opportunity to build communication with regular customer.

2.4.1 Digital marketing communication channels

Below we will look at the main digital channels for attracting users in the Internet and how they differ from each other.

1. Search engine optimization (SEO _ website optimization)

SEO pros:

- Low cost of customer acquisition and return on investment in long term perspective
- After moving website to TOP, it won't require fixed cost and it possible to get relatively free traffic as opposite to context advertisement it's not needed to pay for each click
- a large number of users switch to organic search more often by scrolling through ad blocks;
- more trust - according to user reviews, trust in sites from organic search is higher than from advertising;
- you can promote any goods or services, even from "black" topics;

SEO cons:

- time to bring the site to the TOP and the cost of implementing technical improvements to the site, writing content and buying links. Usually, after starting work on a new website, it takes three months or more to get visible results;
- not very suitable for seasonal businesses;
- when using black promotion methods, there is a risk of falling under the filter and losing all traffic from the search engine;
- periodically updated search algorithm can affect your rankings and traffic;
- strict geographic referencing, it is quite difficult to promote a site throughout Ukraine without separately optimized pages for each region or city.

2. Pay-Per-Click (PPC _ context advertisement)

PPC pros:

- Quick start and result. Suitable for new sites.
- Wide customization possibilities. You can customize display regions, display schedule, targeting a specific device type, and even browser language.
- Good for seasonal businesses and sales.
- Allows you to use various strategies (conversion optimization, as many impressions as possible, and more).
- Suitable for testing new niches, services or products.
- Allows you to use different ad formats (Google Shopping, KMC banner ads).
- Ability to set up remarketing (showing your ads on other sites to users who have been on your site and / or performed any actions). Yes, these are the banners that always haunt you on various web resources;)

PPC cons:

- Payment for each click. As soon as the money runs out, your ad will stop showing.
- Overheated niches have a very high cost per click. For example, in the USA, 1 click on legal topics can reach more than \$ 100. For Ukraine, depending on the topic, usually the cost per click starts from a couple of hryvnias.
- For large sites, the initial stage of PPC is time consuming to set up and constantly monitored. The quality of management is highly dependent on the competence of the specialist. Also, this type of advertising requires constant analysis of indicators.
- Without proper control, it is very easy and quick to spend the entire advertising budget.
- You cannot advertise a range of services and products that are prohibited by law or Google policy. For example, you will not be able to launch an advertisement for medical masks or intimate services.
- May not perform well on a small range of products in competitive niches.

3. Social media marketing (social media marketing)

SMM pros:

- Usually the cost of conversion is cheaper than in contextual advertising.
- Suitable for both goods with generated and unformed demand.

- The retargeting function will allow visitors who have been on your site to remind of themselves by showing the product or service that they were interested in.
- Very large audience coverage. This type of advertising works well for brand awareness.
- Lots of tools and the ability to fine tune the interests of users and even the radius of their location.
- In addition to targeted advertising, there is an opportunity to work with popular bloggers and opinion leaders.
- Works great in conjunction with SEO-promotion or contextual advertising, increasing the number of touches with the client.

SMM cons:

- Does not always give an instant result, since ads can be shown to users who are not currently looking for a product or service.
- Not suitable for all business topics.
- More thorough moderation of advertisements for content that violates Facebook policies.
- The need to attract additional resources to create videos, photos, texts.
- Continuous monitoring of comments and messages is required.
- When maintaining pages requires systematic posting.

MTPL policy is a product with a strong consumer demand but limited in time communication, as service demanded once a year. To reach as many users as possible - advertising on social networks (SMM) should be considered as main approach of marketing communication. SEO and context advertisement should play additional role and must be considered as supportive measures.

In a long-term vision we advise to use omnichannel marketing. This is when you use all the marketing channels combined with a single strategy and field of communication, thus creating the maximum number of contacts with your customer.

2.4.2 Marketing Mix

Product	Price	Place	Promotion
Fastest and most integrated selling product on the market	Keep the highest possible price	Website Marketplaces	SMM _Digital advertising with precise targeting towards end user based on search query, gender, age, region, interests (Google Ads, FB, Instagram, YouTube)
Single product without bundling options			SEO_ Website _ Landing page optimization Context Advertisement

2.5. Options Analysis

2.5.1 Option 1 _ Inhouse digital marketing management

To understand the CTR rate we suggest doing following:

1. Create simple landing page
2. Create list of hypotheses about potential audience
3. Order data collection from open sources for every hypothesis taking sample of 10 ths people per hypothesis
4. Create ad campaigns targeting all population and samples leading to the landing page
5. Calculate CTR / CA difference for different groups.

List of hypotheses must be prepared in advance and need to be correspond with designed Personas. Example of hypothesis is given below.

Area	Hypotheses
Geographic	live in TOP 5 Ukrainian cities with the largest number of the operations with cars (Kyiv, Dnipro, Odessa, Lviv, Kharkiv),
Age	25-45 years old
Interests	own or are aiming to own the car (is signed for car brands, commented car brand pages, is active in auto groups, is active user of avtoria/rst, subscribed to youtube auto channels)
Tech users	uses iPhone 7 and up, Samsung
Buying behavior	People, who where early adopters of Monobank (liked or commented Monobank page > 2 years ago
Social representation	People who work in top 50 IT companies (https://dou.ua/lenta/articles/top-50-summer-2021)
Social representation	People who are signed or were active on insurance companies' (members of MTSBU) pages
Buying behavior	People use Uber, Wizzair, Glovo, Raketa, Netflix, Zakaz.ua, ДІЯ, Prom.ua, Rozetka, Tinder
Social representation	People who studied/study at business schools (KSE, KMBS, LBS, MIM)

2.5.2 Option 2 _ Outsourcing of the digital client’s acquisition

Over the last few years with the development of the digital economy, new kinds of service companies appeared on the market offering a wide range of services from digital marketing to the launching of digital technologies. In order to reach the project objectives, such companies must be integrated as competence centers able to reach targeted key performance indicators. Taking into consideration that the sales process of the insurance company can be viewed as a traditional funnel, we suggest focusing on the lead generation phase as the preliminary starting point of the sales process. As we bounded the scope of the project and we consider the digital environment as a single source of customers, the service company should support such initiatives with the usage of a full range of available tools. Currently, two sources of lead generation exist - Google and Facebook.

For each of the sources, there is a separate approach, for Google, it is a search engine optimization (here and after SEO) that includes context advertisement and for facebook its a social media marketing (here and after SMM). To avoid risk that planned KPI's would not be achieved, and main indicators will differ from the industries benchmarks, such KPIs should be part of the contract, has an upfront feasibility study (testing period) and in case of the unsuccessful implementation service fee must be refunded.

From the main KPI's is:

- Reach – indicates how many people searched / see company ad or link on the insurance company web page;
- Traffic – indicates how many people visited company web page.

Conversion rate indicates as the percentage of people, who have visited the page and made the action. In terms of our project action means purchasing the MTPL insurance policy. A service company shouldn't influence the action because this is out of the scope of the needed competencies, and it should be the part of learning stage for the insurance company itself. Dedicated staff in face of Product owner must test hypotheses, understand, and identify patterns, and based on the incoming information make a conclusion to form policies and rules.

To prove the hypothesis of such opportunities we had a discussion with one of the leading companies, Darwin Global, with needed competencies and already having experience of insurance companies support. Preliminary study showed opportunities of the model successful implementation, figures indicated in the financial model is rational and theoretically achievable.

2.5.3 Option 3 _ Marketplace

As was identified over the analysis phase, SaaS platforms are becoming a significant part of the distribution chain generating value by bringing together and connecting insurance companies and insurance intermediaries who are supply insurance companies with customers. Such platforms can enable quick market launch avoiding postponement due to upcoming integration and issues with the technical side. We identified that such service providers invested a lot into R&D and can fully support insurance companies in securing all business process automation related to MTPL insurance. Basically, platforms can replace inhouse IT infrastructure dedicated to supporting sales of MTPL insurance policies, but it could be risky in the long run for the insurance company. Therefore, parallel development of in-house IT infrastructure is a crucial strategic move.

To prove the hypothesis of such opportunities we had approached to one of the platforms, EWA, in order to identify options and business models available for the insurance companies. There are two types of business models are available:

- 1) SaaS to support front-office system
- 2) Marketplace

To meet the project requirement marketplace business model could be used as a sales channel, neglecting the facts, that system provides B2B service and does not support insurance companies with direct customer acquisition. Marketplace business model could connect insurance company with another kind of market players such as aggregators which role as well as role of platforms significantly increased during last few years. Such integration could provide Product owner with useful insights on how the price

2.6. Risk Mitigation

ID	Type of risk	Description	Probability	Impact	Risk level	Risk modification plan	Risk owner	Residual risk level
1	Financial	Increase of advertising prices by service providers	Yellow	Red	Red	Negotiations with providers, search of new sales channels, new communication channels	CMO	Yellow
2	Technology	Inability to intergrate components	Yellow	Red	Red	Change of components, usage of microservices, API as a must while solution choice	CTO	Yellow
3	Strategic	Failure in hypothesys regarding the attractiveness of the digital purchase	Yellow	Red	Red	Changing strategy from customer centric to agent centric	CMO	Yellow
4	Business	Third party access to commercial sensitive information, technology / business model copying	Yellow	Yellow	Yellow	NDA, reputation check	CEO	Green
5	Cyber	Leakage of customer data	Green	Red	Yellow	Setting of controls system that include application security, vulnerability management, and security monitoring	CTO	Green
6	Strategic	Delay with connection to remote ID providers	Green	Yellow	Yellow	Negotiations, positive/negative reinforcement, going public in social media, leaving part of process manual	CMO	Green
7	Regulatory	Delay with obtaining license	Green	Yellow	Yellow	Continue with sales in agent role	CEO	Green

2.7. Financial Planning

To provide the financial assessment of the project we designed a financial model represented in an excel file which is a supplement to this document. The logic behind the model lies in the allocation of revenues and expenses sources in accordance with determined options of digital sales strategy realization. Thus, financial model enables the identification effectiveness of each option.

The financial model forecast revenues for the first operational year in the amount of 68,7 million hryvnias, in the second year 99,9 million and 139,6 million UAH for the third operational year. CAGR for the 3Y period estimated 43% which shows good dynamic of growth that excided total MTPL insurance market CAGR that was 15,4% for the previous period.

Operational profit margin represents a combined ratio that includes selling, general, and administration expenses of the insurance company. Insurance claims to be paid are fixed for 3Y in the amount of 55% in time. Improvement of the operating profit margin is achieved by the optimization of the operational effectiveness.

3.1 Project Implementation. Methodology

The project is constrained by time and budget while scope could be flexible and change over time based on results of trials and errors, trying different marketing tools and strategies, A/B tests etc. Therefore, we suggest to use agile methodology, namely scrum framework.

The project could be implemented as internal “sandbox” or R&D center with wide range of freedom for the team, however critical success factors have to be set and controlled as well as important milestones and time for their achievements.

Scrum framework requires having in place a number of elements and we believe the must to be present in the project:

1. *Product owner*

Is the role that represents the voice of the stakeholders and is responsible for ensuring that the team delivers value to the business.

2. *Product backlog.*

Is the collection of requirements, deliverables, ideas, development proposals accumulated and placed into the list containing important attributes like priority, urgency, impact, date, source and other that might impact backlog prioritization.

3. *Sprint planning meeting (biweekly, max.2 hours).*

Two-week sprints look optimal based on the total duration of the project. We advise to use story points and Planning Poker method for sprint planning. It will allow both to achieve better task estimation and involve all team in discussion of complexity of every task providing transparency and awareness for all members.

4. *Sprint backlog.*

Sprint backlog contains tasks that should be completed during the sprint period. Tasks for the next sprint are chosen as a result of the Sprint planning meeting.

5. *Scrum master.*

Scrum master role is to make sure that the team works in accordance with values and practices of scrum. Scrum master role should be assigned to the person that has experience with scrum projects or that has proper culture fit. It is not obviously the project leader, it could be developer, BA or QA. Scrum master has to control that scrum elements are in place, take care of team comfort, productivity and self-organization.

6. *Daily stand up (daily, max.15 min).*

Should include all team members. It is important to sound achievements and plans and then focus on blocks and issues. Scrum master has to ensure that talks do not take much time and the parties rather agree on separate discussions of details if there is such a need.

7. *Burn down chart.*

Burn down chart graphically illustrates the velocity of team performance and its change over time. It is useful to see if the velocity is not decreasing and to take corrective actions when needed.

8. Sprint review (biweekly, max. 1 hour).

During the sprint review the team gathers to review the completed work and determine whether additional changes are needed.

The Sprint Review is a working session and the Scrum Team should avoid limiting it to a presentation [10].

9. Sprint retrospective (biweekly, max. 2 hours).

Is necessary to plan ways to increase quality and effectiveness of next sprints.

We suggest to use Jira and Confluence tools for project management, requirements management and team collaboration. This software is already used in company and people are familiar with its functions. Jira supports all listed scrum elements, has built-in reporting and could be easily linked with other management tools such as emails, documents, meetings.

3.2. Change Management

From the point of view of change management, the changes planned during the project are inherently tactical type, as they will be fast, localized, top-down and incremental.

In the following section we included Project Brief and Stakeholder analysis as the most useful change management tools and techniques.

Project Brief gives overall view about project without diving too much details. Stakeholder analysis and action plan helps

3.2.1. Project Brief.

Project Purpose	To transform sales process from manual to digital reaching customer acquisition cost below 45% of gross insurance premium
Moto	Let's do it digital
Project Objectives / Results	<p>Improve operational efficiency:</p> <ul style="list-style-type: none"> • Customer acquisition cost below 45% of gross insurance premium until 01.09.2022 • Go live with digital sales process of own product until 01.09.2022 <p>Improve process quality:</p> <ul style="list-style-type: none"> • Policy sales process takes less than 2 minutes until 01.09.2022
Project Time Frame	Jan 2022 – Sep 2022
Major activities	<ol style="list-style-type: none"> 1. Research and decide on approach and technology 2. Options analysis

	<ol style="list-style-type: none"> 3. Systems configuration decisions 4. Communication strategy 5. Define goals and time frame for implementation and integration 6. Implement missing modules 7. Define/design new procedures 8. Integrate with current back-office system 9. Integrate with all departments 10. Rollout 11. Support 		
Project Organization	<p>Project owner: CEO Project sponsor: Insurance company shareholders Project leader: Product owner Project Team:</p> <ul style="list-style-type: none"> • Business analyst • QA • Developer • UX/UI designer • Marketing specialist 		
Milestones	Business requirements	Business requirements are formalized and approved by CMO, signed by CEO	01.02.2022
	Landing	Landing page is created	15.02.2022
	Cars	Car database is connected to landing page	01.03.2022
	Payment	ApplePay and GooglePay are connected to landing page	01.03.2022
	BankId	BankId is connected to landing page	01.04.2022
	1C	1C is connected to landing page	01.04.2022
	Agent role	Landing is connected to insurance service provider	01.04.2022
	Marketing	Marketing campaigns are set up	01.04.2022
	A/B tests	Test lead generation is performed	01.05.2022
	Finances	Financial model is updated	01.06.2022
	Switch	Sales of own product are performed	01.09.2022
Critical Success Factors	<ol style="list-style-type: none"> 1. Finishing of the implementation until the Sep 2022 2. Automation and support of digital sales process of MTPL product and paperless workflow 		

	<ol style="list-style-type: none"> 3. Sale process shouldn't take more than 2 minutes 4. Launching of integrated information processing between Insurance company and external data providers (e.g. MTSBU, BankID) 5. The new sales process should guarantee customer data privacy (security) 6. Improvement of customer data quality minimizing of mistakes and errors to max 2 per month
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3.2.2. Stakeholder analysis.

Communication

The main message that needed to be clear: digital transformation of sales process it's a strategic decision to support sustainable growth and ability to protect future business

With whom	Purpose	How (strategy)
Insurance company staff	Inform insurance company staff about the digital sales process project launching and make sure they understand the purpose of the changing and benefits. Explain how this improves their efficiency and quality of care delivery	CEO informed the staff Staff given a voice, participated in design teams; gave feedback to optimize the digital sales process
NBU	Had to be informed about the project, processes changes, purpose, and benefits for them	Official mailing
MTSBU	Had to be informed about the project, processes changes, purpose, and benefits for them	Official mailing
Vendors	Had to be informed about the project, processes changes, purpose, and benefits for them	Meetings
Customers	Had to be informed about the project, processes change from their point of view,	Web page Ad campaign

	purpose, and their benefits such as improved customer journey and economic gains	
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Critical Success Factors

- Finishing of the implementation until the end 2024
- Automation and support of digital sales process of MTPL product and paperless workflow
- Digital sale process shouldn't take more than 1 minute
- Launching of integrated information processing between Insurance company and external data providers (e.g. MTSBU, BankID)
- The new sales process should guarantee customer privacy (security)
- Improvement of customer journey by minimizing of mistakes and errors
- Making sales process of MTPL product more efficient and cost-effective, and increase insurance company revenues in the medium term
- Systematization of insurance company processes and ensuring of unified picture of the entire sales processes in the company

Project Team Responsibilities

Steering Committee:

- Represents the decision board for requests with serious impact on business process or project progress
- Reviews the Project Briefing before approval
- Approves the start and end of project phases
- Approves important milestones and project deliverables
- Ascertain the basic priorities in and between different projects
- Secures necessary resources for the project (time, costs, staff)
- Decides about strategic issues related to the project objectives
- Represents the project internally and externally
- Justifies the project within the company
- Meets regularly with the Project Leader in order to get informed about the progress and the benefit of the project

Project Owner:

- Signs the project briefing
- Chooses and supports the Project Leader
- Secures necessary resources for the project (time, costs, staff)
- Supports project with own knowledge
- Solves conflicts in the project organization
- Represents future users of the product of the project
- Provides input to the requirements in terms of functionality or "usability"
- Approves start and end of project phases
- Approves important milestones and project deliverables
- Reviews the status of the project regularly Is responsible for communication outside the

Project Team

- Is responsible for the final approval of the project
- Justifies the project within the company
- Decides upon strategic issues related to the project objectives
- Meets regularly with the Project Leader in order to get informed about the progress of the project (i.e. time, scope, budget, benefit, quality)
- Supports project within and transfer of deliverables to organization
- Supports Project Leader in staffing the project organization (esp. Steering Committee)

Project Leader:

With respect to the Project Owner / Steering Committee:

- Arranges the compilation of a project planning (milestones, needed resources, costs)
- Coordinates the project briefing and changes
- Monitors and reports regularly about the progress (i.e. Time, scope, budget, benefit, quality)
- Prepares decisions, anticipates risks, and escalates accordingly
- Secures necessary resources for the project (time, cost, staff / skills)

During the project:

- Assures communication within the project organization
- Chooses the Project Team in coordination with the Project Owner
- Manages the Project Team regarding the different tasks and supports the process of creating a team
- Supervises the compliance with the schedule and budget and the achievement of goals with regard to the contents
- Assures the achievement of the project objectives by the team.
- Controls the continuous progress and the organization of the project documentation
- Defines and assures project related standards (i.e. communication channels, quality assurance, validation, documentation, archiving)
- Assures the change, quality and risk management, escalates problems and deviations from project plan
- Coordinates project impacts on the organization within the project and beyond

Regarding the Project Team:

- Allocates different and specific working packages to the members
- Organizes and assures an adequate communication and documentation within the project

External:

- Assumes the external communication and project marketing after clearance with the Project Owner

Project Team Member:

- Finishes the assigned work packages in time according to project schedule
- Reports upcoming risks or problems to Project Leader and develops possible solutions
Reports project / work package status to Project Leader
- Passes on essential information to other Project Team Members
- Documents regularly the project progress in coordination with Project Leader
- Is responsible for the finalization of allocated work packages in time and budgets Reports status and risks to the Project Leader

Project Controller:

- Supports the project leader in project planning and monitoring activities
- Coordinates the different elements / plans of a project
- Helps to develop important processes
- Helps to prepare decision making
- Is responsible for project documentation and reporting
- Supports the Project Leader in documenting all project requirements and/or objectives in accordance to standards
- Monitors the status of the work packages in terms of time and costs
- Monitors and reports the project budget regularly
- Reports upcoming risks or problems to the Project Leader and develops possible solutions
- Prepares information of the status of the project right in time and on a regular basis

Project Expert:

- Supports the Project Leader
- Integrates knowledge, information and resources to the project
- Helps to establish Best Practices approaches within concepts
- Helps to elaborate recommendation

TABLES

Table 1. Macroeconomic indicator

Indicator	Units	2016	2017	2018	2019	2020	2021	2022	2023	CAGR 16-19	CAGR 20-23
Real GDP growth annual	%	2.2	2.5	3.4	3.2	-4.4	4.2	3.8	4.7	12.7%	3.8%

Inflation, CPI YoY	%	5.8	9.5	8.7	3.9	4.5	9.6	6.2	5.3	-12.4%	-18.0%
Real wages growth, cop	% YoY	9.0	19.1	12.5	9.8	7.4	17.8	7.8	9.0	2.9%	-20.3%
Unemployment rate	%	9.3	9.5	8.8	8.2	9.5	8.8	8.5	8.0	-4.1%	-3.1%
Export of goods and services	USD bn	44.9	52.3	59.2	63.6	60.6	64.0	66.2	67.7	12.3%	1.9%

Table 2. Insurance market by main product

	Units	2015	Share	2016	Share	2017	Share
GWP, incl:	m UAH	22,627	100.00%	26,770	100.00%	34,236	100.00%
CASCO	m UAH	3,827	16.91%	4,604	17.20%	5,570	16.27%
Health	m UAH	1,929	8.53%	2,355	8.80%	2,881	8.42%
MTPL	m UAH	3,029	13.38%	3,468	12.96%	3,745	10.94%
Property	m UAH	3,486	15.41%	4,142	15.47%	5,099	14.89%
TOTAL	m UAH	12,271	54.23%	14,570	54.43%	17,296	50.52%
Q policies, incl:	units	200,934,125	100.00%	178,124,570	100.00%	184,058,861	100.00%
CASCO	units	247,520	0.12%	281,321	0.16%	321,548	0.17%
Health	units	994,242	0.49%	1,533,158	0.86%	1,584,214	0.86%
MTPL	units	6,790,013	3.38%	7,029,925	3.95%	7,334,635	3.98%
Property	units	31,122,315	15.49%	3,254,482	1.83%	2,886,597	1.57%
TOTAL	units	39,154,090	19.49%	12,098,886	6.79%	12,126,994	6.59%

	Units	2018	Share	2019	Share	2020	Share	CAGR,%
GWP, incl:	m UAH	37,888	100.00%	40,175	100.00%	40,158	100.00%	12.16%
CASCO	m UAH	6,972	18.40%	8,134	20.25%	8,520	21.22%	17.36%
Health	m UAH	3,487	9.20%	4,470	11.13%	5,300	13.20%	22.40%
MTPL	m UAH	4,499	11.88%	5,087	12.66%	6,112	15.22%	15.08%
Property	m UAH	6,440	17.00%	6,605	16.44%	4,288	10.68%	4.23%
TOTAL	m UAH	21,399	56.48%	24,296	60.48%	24,220	60.31%	14.57%
Q policies, incl:	units	198,190,538	100.00%	192,151,761	100.00%	115,543,446	100.00%	-10.48%
CASCO	units	486,708	0.25%	742,957	0.39%	764,195	0.66%	25.29%
Health	units	2,267,963	1.14%	2,251,205	1.17%	2,315,120	2.00%	18.42%
MTPL	units	7,683,577	3.88%	7,958,320	4.14%	8,314,844	7.20%	4.13%
Property	units	2,629,252	1.33%	2,908,872	1.51%	2,474,441	2.14%	-39.73%
TOTAL	units	13,067,500	6.59%	13,861,354	7.21%	13,868,600	12.00%	-18.74%

Table 3. MTSBU's members

№	Insurer	2020		2019		2018		CAGR	
		gwp	loss paid	gwp	loss paid	gwp	loss paid	gwp	loss paid
1	TAC CF	716,401	328,964	604,504	284,093	481,152	201,109	22.02	27.90
2	ОРАНТА	608,138	246,472	526,970	227,442	477,678	189,906	12.83	13.92
3	УПСК	406,829	205,217	413,891	148,519	289,915	96,041	18.46	46.18
4	КНЯЖА	321,131	142,845	252,167	117,973	207,364	120,422	24.44	8.91

5	Ю.Ес.Ай.	266,553	158,678	261,624	173,816	240,259	25,750	5.33	148.24
6	PZU УКРАИНА	255,202	116,252	213,372	124,514	203,809	127,136	11.90	-4.38
7	ARX	218,766	101,429	167,817	92,397	140,405	95,421	24.82	3.10
8	ВУСО	201,399	103,196	209,563	80,654	159,443	61,161	12.39	29.90
9	АРСЕНАЛ	195,313	102,775	165,873	86,199	147,248	78,960	15.17	14.09
10	ГАРДИАН	180,919	53,816	97,419	29,569	54,266	7,311	82.59	171.31
11	КРЕДО	180,901	70,107	60,275	22,640	n.a.	n.a.	73.24	75.97
12	АЛЬФА-ГАРАНТ	174,525	113,718	192,437	69,475	124,224	44,234	18.53	60.34
13	ЕВРОИНС	169,006	58,832	114,239	56,916	114,239	56,916	21.63	1.67
14	ИНГО	162,137	103,031	119,196	70,381	82,414	44,113	40.26	52.83
15	УСГ	160,541	72,252	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
16	УНИКА	146,749	89,952	164,418	116,163	181,320	106,802	-10.04	-8.23
17	ОБЕРИГ	131,751	21,748	n.a.	n.a.	n.a.	n.a.	n.a.	.
18	КРАИНА	120,768	52,346	105,218	48,482	85,776	45,590	18.66	7.15
19	ЭТАЛОН	113,137	45,999	87,466	42,401	60,683	30,767	36.54	22.27
20	ПРОСТО	111,560	48,503	101,934	44,231	86,742	38,274	13.41	12.57
21	МСК	110,556	36,962	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
22	АСКО - ДС	107,151	72,508	110,462	34,878	97,861	26,277	4.64	66.11
23	ПРОВИДНА	82,570	53,009	93,945	89,516	185,091	148,105	-33.21	-40.17
24	МЕГА-ГАРАНТ	78,297	30,059	67,356	21,120	56,988	12,308	17.21	56.28
25	УНИВЕРСАЛЬНАЯ	76,972	33,047	68,657	29,947	65,752	36,533	8.20	-4.89
.	ТОП-25	5,297,272	2,461,717	4,394,615	2,011,326	3,813,346	1,593,136	17.86	24.31

Car database fields

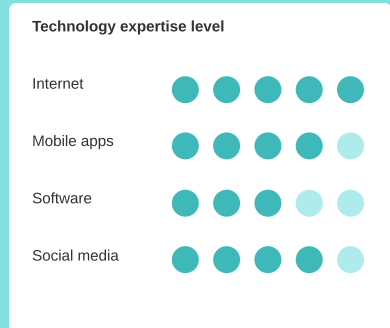
PERSON Private or legal
entity
REG_ADDR_KOATUU
OPER_CODE
OPER_NAME
D_REG
DEP_CODE
DEP
BRAND
MODEL
VIN
MAKE_YEAR
COLOR
KIND
BODY
PURPOSE
FUEL
CAPACITY
OWN_WEIGHT
TOTAL_WEIGHT
N_REG_NEW Plate number



Personal name: Valodiy
Age: 37
Occupation: Middle manager in international company
Car: VW passat 2010

Brief bio or behavior/personality:

- Graduated average university, thinking of business education
- In relationship, no kids
- Loves traveling, snowboarding, meeting friends
- Tech savvy, prefers to make online most of his purchases



Goals:

- Pay less for reliable insurance
- Upgrade the car
- Spend more time with friends
- Turn hobby into the side business

Frustrations:

- Does not see the sense in agents
- It's complicated to compare insurance products
- It takes some time to check company's reliability
- Online purchase requires manual entry of all data from documents, typo is financially crucial
- Is afraid to miss the end of agreement

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