UDC: 368.025

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**THE MAIN ASPECTS OF BUSINESS PROCESS REENGINEERING**

**OF AN INSURANCE COMPANY**

**ОСНОВНІ АСПЕКТИ РЕІНЖИНІРИНГУ БІЗНЕС-ПРОЦЕСІВ СТРАХОВОЇ КОМПАНІЇ**

**Abstract.** The article examines the role and place of reengineering in the activities of insurance companies. The necessity of using reengineering as an effective tool for managing business processes aimed at meeting the demand in insurance protection is substantiated. The main criteria for the success of reengineering in terms of strategic goals of the insurer are identified. The key system-forming business processes of the insurance company in the context of balancing the property interests of insurance entities are identified. Reengineering on the sale of insurance products through the transformation of the organizational structure of the insurance company is analyzed. The relevance and adequacy of reengineering changes in the external environment, which leads to an increase in insurance payments and profits of the insurance company, are substantiated.

**Keywords**: reengineering, reverse reengineering, underwrite, complexity, customer orientation, reengineering of business processes of the insurance company, insurance protection.

**Анотація.** У статті досліджено роль і місце реінжинірингу в діяльності страхових компаній. Визначено, що сучасний страховий ринок потребує нової якості відносин між суб’єктами страхування, при якій усі учасники страхового процесу отримали б вичерпну інформацію. Обґрунтовано актуальність та адекватність здійснення реінжинірингу змінам зовнішнього середовища, що призводить до збільшення обсягів надходжень страхових платежів та прибутку страхової компанії. Проаналізовано необхідність використання реінжинірингу як ефективного інструменту управління бізнес-процесами, спрямованого на задоволення потреб у страховому захисті страхувальників. Визначено основні критерії успіху реінжинірингу бізнес-процесів з точки зору стратегічних цілей страховика. Окреслено системоутворюючі бізнес-процеси страхової компанії в контексті збалансування інтересів суб’єктів страхування.

**Ключові слова:** реінжиніринг, зворотний реінжиніринг, андеррайтинг, комплексність, клієнтоорієнтованість, реінжиніринг бізнес-процесів страхової компанії, страховий захист.

**Аннотация.** В статье исследуются роль и место реинжиниринга в деятельности страховых компаний. Обоснована необходимость использования реинжиниринга как эффективного инструмента управления бизнес-процессами, направленного на удовлетворение потребностей в страховой защите страхователей. Выявлены основные критерии успеха реинжиниринга с точки зрения стратегических целей страховщика. Выявлены ключевые системообразующие бизнес-процессы страховой компании в контексте обеспечения баланса имущественных интересов страховых организаций. Проанализировано реинжиниринг по продаже страховых продуктов через трансформацию организационной структуры страховой компании. Обоснована актуальность и адекватность реинжиниринга изменениям внешней среды, приводящего к увеличению страховых выплат и прибыли страховой компании.

**Ключевые слова:** реинжиниринг, обратный реинжиниринг, андеррайтинг, комплексность, клиентоориентированность, реинжиниринг бизнес-процессов страховой компании, страховая защита.

**Problem statement.** To date, studies show that the basis, the core of the company's reengineering is business process reengineering. Hence the main business processes of an insurance company, are: marketing, development of insurance products, sale of insurance products, underwrite, insurance services, and settlement of insurance claims

The whole question lies only in how these processes are interconnected and how they are coordinated. And these processes are interconnected, as practice shows, can be as follows:

* traditionally (which is present today in most domestic insurance companies), that is, when the units performing the above functions (processes) exist in parallel and are controlled vertically from one center, or when these functions are performed by the same employees;
* innovative, when the units performing the main functions (processes) are coordinated with each other, being links of one horizontal technological chain [4].

This happens as a result of reengineering of the insurance company's business processes.

**Analysis of recent studies and publications. T**he important role of reengineering of companies operating in conditions of fierce competition and a dynamically changing environment was substantiated by such scientists as A. Blinov, G. Yasheva [1], O. Bondarenko, N. Zaborska [2], E. Isayeva [6] and others. Also interesting is the work of J. Kelly, M. Robson, F. Hill, in which scientists consider reengineering not only from a technological standpoint, but also from a social point of view, combining the best ideas of the past and present in within a single approach to management. Among the published works are the works of E. Oihman, E. Popov [8], E. Utkin [9], methodological aspects of practical implementation reengineering was developed by P. Zabelin, M. Kozmenko, N. Nikolenko [7], V. Tarasov and others. However, despite significant scientific achievements on the basics of reengineering, there is a need for a more thorough study of the new level of customer service, business process automation and adaptation to the realities of the insurance market of Ukraine, because the concept of business process reengineering has only recently been considered.

**The aim of the article.** The purpose of this article is to substantiate the

theoretical provisions and develop practical recommendations aimed at using the reengineering of business processes of the insurance company, the achievement of which will allow the company to work more successfully and efficiently in the insurance market.

**Presentation of the main research material.** Today's research determines the main content of business process reengineering is the rejection of the management of functional structural units in favor of the management of business processes, segregation on the basis of full compliance with the nature and requirements of the policyholder for the quality of insurance services. That is why the goal of reengineering is to improve the quality of the company's manageability through the formation of horizontal links between the divisions of the company, the introduction of information technology, strengthening the role of the human factor and thereby improving the quality of customer service [2, c. 15].

**The objectives of business process reengineering are:**

a description of the company's business processes

transition to a process organizational and staff structure

distribution of functions, rights and obligations of employees, as well as divisions of the company and the formation of a communication system

development of a document management system, norms, procedures and rules of conduct for participants in the company's business processes

introduction of information technologies

creation of a system for the selection, training and development of company personnel, the formation of the corporate spirit

development and implementation of a system of material incentives

**Pic. 1. Main tasks of reengineering of business processes**

In order to more clearly understand the content of business process reengineering let us turn to the recent history of the development of domestic insurance companies. At the initial stage of the insurance market development the same employees of insurance companies performed the entire cycle of insurance activities: they created products, sold them, assessed risks, prepared insurance contracts and accompanied them, settled losses and etc. Since insurance companies are profit-oriented commercial structures, their main function is sales. And since the sales are carried out by the seller of insurance services, he becomes the central figure of the insurance company. However, the above functions were also the responsibility of the insurance salesmen, which took a lot of their time to complete. Although sales were growing, they could have grown faster if sellers were only selling. This is on the one hand. On the other hand, with the growth of sales volumes, more and more sellers' time was spent not on finding new customers, but on supporting old ones.

This happened because the market was just emerging and, objectively, insurance companies did not have the money to hire methodologists, actuaries, marketers, underwriters, etc. And secondly, these specialists were simply not on the market. As the market grew and developed, insurance companies began to understand that in order to improve sales efficiency, it is necessary to free sellers from performing unusual functions. As you know, competition leads to specialization, and specialization requires professionalism. There was a need for professional "exempt" marketers, underwriters, actuaries [10, c. 186].

Today, in most insurance companies there is a linear-functional management structure that restrains the growing potential of the company and does not allow it to be fully realized, since in such a management system, divisions perceive signals and commands coming from the top along the vertical. Such a structure does not allow flexible, prompt and full satisfaction of the requests and needs of sellers, and, consequently, customers. Therefore, the division of functions within insurance companies gradually began to occur and specialized divisions began to form: marketing, underwriting, claims settlement, back office.

Thus, the division of functions into specialized divisions according to the main business processes with the formation of horizontal links within insurance companies is the first characteristic feature of business process reengineering. Note that based on the division of functions, the formation of a fundamentally different organizational and staff structure of the company began. The first structure is based on the multi functionality of sellers and linearity of management, in which the services providing insurance are subordinated to the General Director and are weakly responsive to the requirements of sellers and, consequently, customers. There are distributed functions for the main business processes of insurance activity, therefore special divisions began to be created for their performance. Everyone began to do their own business: marketers - to research the market and determine the requirements for insurance products, methodologists - to create insurance products, sellers - to sell, underwriters - to take risks, back office - to draw up contracts, serve clients [3, c. 45].

It should be noted that in the process organization, the activities of all departments are subordinated to one main goal - to increase sales through fast and high-quality service to the company's sellers and customers. In such an organization, subsequent departments perform tasks for servicing the sellers: the management of the methodology and development of insurance products serve the needs of the sellers (through them the needs of the customers), the back office and the underwriting department also serve the sellers and customers, the accounting department makes timely insurance payments, serves the management of claims settlement, and, consequently, clients.

It is also worth noting that with the process approach, the main criterion for the activities of all divisions of the company is the completeness, quality and timeliness of service (seller, client, other divisions). Such a reengineering structure has a number of serious advantages over the traditional one, the main of which are the following (pic. 2).

**Reengineering structures**

Employment of employees in accordance with their psychological properties. People with an analytical introverted mindset are more suitable for work as an actuary, an underwriter. Outgoing extroverts perform better as salespeople.

Establishing strong technological ties between departments a priori contributes to the transition from a vertical management structure to a horizontal one, delegation of powers downward. The main task of a manager in these conditions the coordination of the activities of technological links. Line managers are replaced by business process managers at individual links of the technological chain and throughout the entire business process. This is the main characteristic of business process reengineering.

The release of sellers from performing unusual functions allows them to devote more working time to sales, which means bringing more insurance premiums.

Specialization of personnel, higher level of professionalism of employees

Information technologies make it possible to quickly and efficiently serve a large number of clients.

**Pic. 2. The main reengineering structure of the business processes of the insurance company**

Thus, as a result of the reengineering of business processes, the linear structure of the insurance company, focused on separate unrelated functions, gives way to a new structure in which horizontal technological links are formed in the main business processes, which are headed by process managers.

In turn the general manager coordinates the work of business process managers, and does not manage numerous services that are weakly interconnected with each other. Since at the center of this chain is the seller of insurance services, who is directly related to the insured, the entire business process is aimed at satisfying the needs of the consumer, such a reengineering structure is market-oriented [5].

Based on the analysis of the goals, objectives and content of business process reengineering, a number of its essential properties can be noted (pic. 3):

Reengineering means bold and decisive abandonment of outdated dogmas, norms and rules. If engineering means to design, invent, invent, then reengineering means redesigning business processes and starting from a “blank slate”.

Reengineering is the abandonment of functional services management in favor of business process management led by a process manager.

Reengineering is not used to make "cosmetic repairs" and small changes in the company. Reengineering is a "major overhaul" to achieve significant improvements in the business.

Reengineering it can be successfully applied only when the company has realized the need for revolutionary changes.

**Pic. 3. The main powers of reengineering business processes**

Note that the basis, the core of the reengineering of an insurance company, is undoubtedly the reengineering of business processes. However, it is not enough for a complete restructuring of the insurance company in order to gain competitive advantages. All spheres of its activity are involved in the process of reorganization of the company: marketing, corporate culture, information environment, communications. The entire personnel management system is undergoing cardinal changes.

The main business processes of an insurance company are: marketing, creation of an insurance product, sales, underwrite and customer service. The entire insurance business process begins with a study of the needs of the consumer and ends with the service of the client of the insurance company [9, c. 187].

It is worth noting, that today the consumer is the main player in the market, which largely determines the rules of the game. In the era of mass consumption, insurance companies were dominated by the approach according to which a priori it was assumed that the client would purchase the services they would offer him. Therefore, the main focus of the company was on assessing their internal capabilities.

In the era of individual consumption, the focus shifts towards the needs of the client. Therefore, it is the reengineering of marketing and sales that takes an essential place in the reorganization of an insurance company.

It should be noted, that reengineering of the marketing and sales business process involves: establishment of the decisive role of marketing in the activities of the company; transition to diversified complex sales; widespread use of information technology in the sales system. Also note that in a reengineering insurance company, the role and importance of marketing increases dramatically. This is due to the following factors [8, c. 53].

First, since such a company is customer-oriented, the development of new insurance services is impossible without studying his needs. Therefore, the work on the study of tastes and preferences of clients from episodic turns into constant.

Second, the marketing divisions of a reengineering insurance company are being transformed from a “research center” providing advice to a sales organizer.

Third, keeping in mind that reengineering is impossible without information technology, marketing in a company performs the function of introducing innovative sales systems based on modern communications.

Fourth, the marketing structure of an insurance company becomes a kind of information center, where all data about customers, both existing and potential, about competitors, etc., are collected. It is this department that creates and maintains a marketing information system, without which the successful organization of sales of insurance products impossible [9, c. 134].

That is why, the marketing information system is a source of informed information on all issues of insurance activities. Its main components are:

* consumers (both existing and potential), clearly segmented by criteria and fields;
* main competitors (products, prices, sales systems);
* macroeconomic, social, demographic and other indicators;
* the results of marketing research and massive impacts on the client [4].

It should be noted, that the activities of marketing departments begin with studying the market, as well as the needs of potential and existing customers in order to determine the requirements for the completion of old insurance products and the creation of new ones. Moreover, both traditional methods and innovative methods based on information technologies are used for market research, which include telemarketing, Internet marketing and others.

In turn, having studied the needs of customers, marketing forms the terms of reference for the development of an insurance product, which is transferred to the departments performing these functions, for example, the management of methodology and the development of new programs. The products created by the specified division go to the selling structures (departments), which carry out their implementation.

Note that in traditional insurance companies, the implementation of insurance services is quite spontaneous. Sales departments, as a rule, search for customers themselves, and it is rare for a company to maintain a single database. Each department leads its own, and this causes inconsistency in actions in relation to customers. A typical situation in these conditions is a situation in which several sellers “go out” to the same client, and often with different conditions of the insurance contract. Lack of database coordination leads to fair customer dissatisfaction [4].

Also, the sale of insurance services is usually industry-specific. That is, property insurance is offered by some, and car insurance by others. Such a sales organization has developed historically, since in conditions when the seller creates a product, sells it, provides customer service, it is very difficult to master several types of insurance perfectly and be a professional in sales. Today, when the market is not developed and clients do not buy insurance policies, there is no flow of consumers to the insurance company, such a sales organization has a right to exist. In addition, it should be especially noted that in the industry structure, as the number of sales increases, employees of the sales departments have to devote more and more time to serving old customers, which, undoubtedly, constrains the growth of insurance premiums.

Since in a reengineered company the seller is freed from other unusual functions, now his main task is only to conclude insurance contracts with clients. At the same time, now the main quality of the seller is the ability to convince the client to purchase various insurance services, and his main knowledge knows his client's need for insurance services.

However, the seller's sale of the entire range of insurance services to the client is possible when the entire insurance business process has been reengineered, that is, when the company has formed a professional underwrite and a division that prepares and draws up insurance contracts. In a reengineering insurance company, the seller must be an internal client for the subdivisions serving him, since the quality of insurance contracts concluded with consumers (external clients) depends on the speed of this service.

Note that the methods of selling to the population and enterprises differ from each other, since the consumers of insurance services themselves differ. In addition, sales channels and technologies vary significantly. If the company employs more staff members of the insurance company, then with the population - agents. Therefore, in the structure of a reengineering insurance company, it is advisable to single out two selling directions: one for working with enterprises and organizations, the other for working with the population. Reengineering of the sales system allows creating new sales channels on the basis of information technologies, such as direct marketing, telemarketing, Internet marketing, etc [1, c. 148].

In turn, a contact center is a collection of people, hardware, and information technology used for the purpose of providing insurance services to a client. Trained professional employees of the insurance company use software to sell insurance services by telephone using pre-prepared databases. In this case, the computer makes a call to the client in automatic mode.

It should be noted that in Ukraine, the number of Internet users is growing at an unprecedented rate. Today there are already about 2 million of them. We have entered the 21st century - the age of information technology. Computers have transformed our lives. Therefore, it is no coincidence that today a number of domestic insurance companies offer to buy insurance services through their online stores. At the same time, the time for communication between the insurance company and the client is reduced many times. With the reengineering of the traditional insurance company, the sale of insurance services takes on a different character [10, c. 190].

**Conclusions.** So, as a result of the reengineering of marketing and the sales system, the role of the marketing service in the organization of all company activities is radically changing. The marketing service of the reengineered insurance company creates databases, organizes the impact on the client. After receiving feedback from the client, the marketing department transfers this information to the selling structures. Consequently, information technologies not only create new ways and channels of sales, but also improve old ones.

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