

A Study on Blockchain Innovation in Transforming Insurance Industry

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Abstract

In the present research work, the researcher explored the use of Blockchain technology in transforming Insurance industry. The block chain is an incorruptible digital ledger of economic transactions that can be programmed to record not just financial transactions but virtually everything of value. A block chain is, in the simplest of terms, a time-stamped series of immutable record of data that is managed by cluster of computers not owned by any single entity. Each of these blocks of data are secured and bound to each other using cryptographic principles. A blockchain carries no transaction cost. (An infrastructure cost yes, but no transaction cost.) The blockchain is a simple yet ingenious way of passing information from A to B in a fully automated and safe manner. One party to a transaction initiates the process by creating a block. This block is verified by thousands, perhaps millions of computers distributed around the net. Blockchain innovation is taking hold in the insurance industry. And, it just might be the rocket fuel for transformative change in the insurance sector. The decentralized nature of blockchain technology allows participants to share data securely and on a confidential basis (when needed) which enables customer-centric insurance products and streamlined services that are more efficient and provide greater value to clients.

The Author opined that the Insurance-tech entrepreneurs also drive change by creating new, smart insurance products, including the types of risk that can be covered and who may participate in the creation and consumption of insurance. The researcher hope that the day will come where traditional insurers and entrepreneurs will come together to exchange information and value on a blockchain, so that everyone can realize and enjoy the true potential that blockchain technology has to offer insurers and their insured.

KEYWORDS: Cryptographic, Ingenious, Rocket fuel, Customer centric.

Introduction

“The blockchain is an incorruptible digital ledger of economic transactions that can be programmed to record not just financial transactions but virtually everything of value.” In insurance sector, as with most industries, the power of blockchain lies in cutting out the middleman. And in case of life insurance, blockchain has implications at every step of the process.

The lengthy process of gathering documents from various doctors and medical professionals will be no more. Everything will be in the cloud, trusted and secure. Many of the same aspects of blockchain also apply to health insurance, plus a few that are unique to this sector of the industry. For insurance agents and carriers, generating quotes

will be an easy, automatable process, with instantaneous access to all the necessary records to provide accurate rates.

Doctors, administration, and insurers will all see a massive efficiency boost from blockchain. With complete and trusted access to a patient's complete medical history across all providers, doctors will be able to see and utilize the results of tests made at other facilities, without complicated requests for information.

They will be able to consider the results of past procedures, eliminating the duplication of work that is so common today. Treatments will take less time and involve less trial-and-error. All of this means that medical costs will go down, and that's to the benefit of everyone.

Scope of the study:

- The scope of the study is to assess the blockchain innovation in transforming insurance industry.

Objective of the study:

1. To study how Blockchain technology is secure in Insurance Industry.
2. To study how Blockchain technology is beneficial to Insurance providers.
3. To study whether Blockchain technology is efficient in saving the administration time and expenses.

Research Methodology:

Data sources:

Secondary data: The secondary data was collected from various journals, websites and research articles.

Limitations of the study:

- The study is limited to the Insurance companies.
- Only secondary data were collected for the purpose of the study, which may not be enough to give correct picture.
- Only India is considered for the purpose of the study.

Security and Benefits of Blockchain technology in Insurance industry:

Information sharing

An Insurance company can share any customer data through blockchain without much investigation. Blockchain makes this possible by allowing multiple insurance companies to contribute information to the same decentralized ledger. And because the data is unchanged over the time, the insurance companies can trust that it is authentic. One such

information is claims records. If insurance companies contribute information to the same blockchain, duplicate claims can easily be detected.

Transparency

There was no visibility of data to the consumers from the companies without blockchain. But, now consumers have little in the way of visibility of this data, and instead are given only what the insurance company decides via a portal. And if the information is shared with third parties, the consumer is not notified about it. The open and decentralized nature of blockchain means that consumers will always be able to see the data the insurance company has and what is being done with that data.

Trust

It is usual that not consumers mistrust insurance companies. Confusing policy terms, high premiums, and long claims processes all contribute to this. The blockchain, specifically smart contracts, bring the trust in customers by simplifying the insurance contract and, with the help of automating claims. No human intervention required. Surety will be there for the customers on the Insurance claim which they have taken.

Smart contracts

Smart contracts are programmable contracts attached to the blockchain. They are autonomous and, therefore, do not require human intervention. For the insurance industry, smart contracts enable micro-insurance policies to be issued and claim payouts to be automated.

Tokens

The very important reason why insurance claims become delay is it requires currency transfers or bank transfers. Consumers sometimes wait for weeks for the payout to appear in their account. Using digital tokens accounted for on the blockchain solves this problem. Payouts can be made instantly and then be re-used to buy additional coverage.

Fraud deterrence

Fraud is a major problem in the insurance industry. Blockchain, smart contracts, and artificial intelligence can help to reduce frauds before paying out a claim. And the unchanged data over long time and decentralization of blockchain allows insurance companies to share fraud information.

Lower costs

By removing the need of third parties for handling transactions and to keep records, blockchain technology can massively reduce transaction costs.

Efficiency of Blockchain technology in saving administration time and expenses:

- ✓ **Quick transmission of data**
Blockchain technology provides a secured data interchange between Insurance providers and clients without interference by any middlemen. This enables quick transmission of data.
- ✓ **Increased speed and accuracy:**
Blockchain improves data quality, delivering at least a 30 to 40% reduction in transactions with errors. It also minimizes losing faxes/mail and keying and re-keying errors.
- ✓ **Simplified claim submission**
Blockchain can speed up your business cycles by 61%. Exchange transactions in minutes instead of the days or weeks of wait time from the postal service.
- ✓ **Quicker turnaround times:**
Blockchain enables real-time visibility into transaction status. This in turn enables faster decision-making and improved responsiveness to changing customer and market demands. This leads to quicker turnaround times.
- ✓ **Increased efficiency and speed**
When we use traditional, paper-heavy processes, trading anything is a time-consuming process that is prone to human error and often requires third-party mediation. By streamlining and automating these processes with blockchain, transactions can be completed faster and more efficiently. Since record-keeping is performed using a single digital ledger that is shared among participants, we don't have to reconcile multiple ledgers and we end up with less problem.

Suggestions:

- **Focus on Client's service:**
Using Blockchain in Insurance industry helps the Insurance industries to give fast service to the clients. IT enables 24/7 assistance to claim insurance from insurance companies.
- **Authenticity of data:**
Make sure that the data sent and received through Blockchain technology is up-to date and relevant. And the data which is stored on blockchain is very much authentic because nobody can chain change.
- **Provide fast reimbursement of insurance claims:**

By use of Blockchain in Insurance industry it enables you to make fast reimbursement of insurance claims. This fast service enables your company reputation and helps increase number of customers for insurance policies.

- **Reduces operating cost:**
Blockchain technology definitely helps to reduce the operating costs of Insurance industries by reducing use of paper and postage charges.
- **Efficiency of employees:**
Blockchain technology helps to increase the efficiency of your employees. The new and innovative way of dealing insurance claims makes the employees more skilled and efficient.

Conclusion:

Blockchain technology offers benefits like cost effectiveness and quick reimbursement of insurance claims and also fast exchange of data.

The blockchain network has no central authority — it is the very definition of a democratized system. Since it is a shared and immutable ledger, the information in it is open for anyone and everyone to see. Hence, anything that is built on the blockchain is by its very nature transparent and everyone involved is accountable for their actions. The blockchain users can definitely benefit by its three pillars. They are Decentralization, Transparency and Immutability. Hence it is recommended that the Insurance industry has to make use of the blockchain technology for having a good transformation in its activities.

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