

Niraz Buhari's view on blockchain technology in insurance and reinsurance industry

LONDON, UNITED KINGDOM,

September 16, 2021 /

[EINPresswire.com/](https://www.einpresswire.com/) -- Blockchain is

expected to revolutionize the way insurance and reinsurance businesses operate, allowing closer interaction

between stakeholders such as vendors,

reinsurers, and brokers among others. Blockchain builds trust between parties sharing

information, which is the principal feature that helps promote the security and accuracy of

transaction data. In reinsurance, blockchain helps reduce the claim processing time and cost of placement claims settlement and aligns key processes such as compliance checks.



Blockchain technology continues to revolutionize businesses around the world. Even though it's a widely popular term in the latest innovations, blockchain as a concept eludes many people. That is, many do not know what blockchain technology means. To define it in the basics of terms, blockchain is a distributed database system that hosts transaction and activity records, hence allowing signing, exchanging, and verifying without involving a third party.

Blockchain enables secure, transparent means of conducting business transactions without needing to involve an intermediary. Based on the highlighted features, the technology is poised to bring revolutionary changes to the way we conduct business in almost every sector. One of those industries is the insurance industry, expected to realize changes in the way stakeholders interact with each other. Stakeholders in the insurance sector include brokers, reinsurers, and vendors among other ecosystem partners.

The challenges in the insurance industry

Despite the increased adoption of technology in the insurance industry, the challenges with the current insurance setup still have a lot of loopholes that diminish the multi-trillion dollar global industry in many aspects. For example, consumers still call brokers to purchase a new insurance policy, the error-prone paper contracts are still used to process policies, etc.

The complexity of insurance processing makes it even harder to ensure efficiency. It involves consumers, brokers, insurers, and reinsurers who are all working to build the main product- risk management. Every step in the insurance processing presents a point of failure with the

potential to lose information, misinterpretation of policies, and lengthened settlement times.

Blockchain in Insurance

The most fundamental features of blockchain applicable to the insurance industry are trust, transparency, and immutability. Blockchain works in a way that provides a single source of information that is updated in real-time, which allows parties involved to maintain the comprehensive asset, contract, and data ownership records without the need to involve intermediaries.

In the [insurtech](#) industry, blockchain provides a single source of data (truth), which drastically reduces friction in business processes. Blockchain-enabled smart contracts help facilitate and automate distributed Ledger Technology (DTL) networks. Therefore, blockchain applications can be applied in many subsectors of the insurance industry, including:

1. Fraud detection & risk prevention to eliminate fraud
2. Property & casualty (P&C) insurance through a smart contract to improve efficiency
3. Health insurance to help secure health records and increased interoperability
4. Life insurance to help in the automation of death claims, hence relieving family members from the tedious act

Blockchain in Reinsurance

The main challenges in reinsurance are the inefficiencies in understanding risks, placement, claims settlements, and compliance. Blockchain's smart contracts are seen to have a huge potential to revolutionize reinsurance, which is an important aspect of the insurance chain. Research has established that blockchain could help reduce the processing time and cost of placement, the settlement of claims, and the alignment of key processes such as compliance checks.

Blockchain is also seen to help get a better view of risks and identity, considering the amount of data flowing between stakeholders such as clients, brokers, reinsurers, and outsource service providers. All these entities require multiple data entries and reconciliation, making blockchain an appropriate technology to solve the inherent problems.

The current insurance claim settlement process is seen as tedious, and blockchain can streamline and facilitate risk transfer from one insurer to another. Through smart contracts, blockchain records every transaction, including premium paid and losses on the ledger of the insurer and reinsurer. The process eliminates the need for paper records and institutions to coordinate individual claims.

Reinsurers can also allocate capital to claims in real-time through the data shared across fixed registers. This will allow them to settle claims fast and efficiently without the need to rely on the primary insurer for data on every claim.

How Can Blockchain Help Provide Insurance To Developing Countries?

A majority of the population in developing countries does not have access to health insurance. Health insurance is extremely costly due to high administrative costs and the risk of corruption.

Traditional insurance agencies operate on a 'pen and pencil' based system where clients contact insurance agents who then perform the liaison activities to provide the best options for the customer. Healthcare records like birth certificates, records of treatments, and previous insurance coverage are subject to damage and misplacement.

This is an especially difficult model for developing countries. Most third-world nations experience problems with consistent internet connections and phone service.

Smartphones and cloud-based blockchain solutions provide an answer.

Final thought

Blockchain may not solve all the challenges insurers face today, but it's an important foundational technology that is promising to promote transparency, trust, and stability. The overall benefit is the ability to automate the process, making the insurance industry more efficient.

One of our group company [Smarttek](#) is currently doing further research and development in the area of Blockchain with a view to doing a soft launch in 2022 as a SAAS model.

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