BLOCKCHAIN IN INSURANCE SECTOR

A Quick Summary



INSURANCE

adoption The widespread of new technologies across multiple consumer industries has led to a new set of needs for insurance solutions and interaction channels. However, there are multiple internal barriers and challenges for companies insurance in terms of digitalisation and many have not been able to digitally transform their businesses yet. Here are some of the well-known issues experienced by insurance companies:

- Sub-optimal risk management
- Sub-optimal, repetitive processes
- Premium leakage
- Ineffective market analysis and segmentation
- Potential invasion of privacy
- Expensive tracking techniques
- Fraud detection



Some of these issues are probably due to internally focused processes that have not experienced the same level of end user pressures that other sectors e.g. the retail industry face today. In the insurance landscape, there are many intermediaries made up of agents and adjustors mainly utilising inefficient record keeping legacy systems. This has caused an increasingly annoying experience for policy management among consumers faced with revolving agents handling policies they might not be familiar with. Especially during a potential payout scenario, the intransparent nature of the insurance industry can highly distress the claimant with all the data collection required.

As a result of insurance companies' poor access to data and inability to deeply analyse the data they have, customers are given limited options from insurance providers who present them with insurance plans which are not 100% tailored their individual needs. There for is an everneeded increasing request to easily obtain the information to fullv comprehend the implications for a policy and to order it without being forced through too many hoops.

For auto and other non-life insurances, there is vast amount of user data available online, but only a few provides insight that is useful to insurers in connection with the creation of new insurance products for a new generation of customers.

Additionally, after insurance policies are created and made public, they go through a lengthy process known as underwriting before they come into force, where the insurance provider decides whether to issue the insurance policy to the customer. Between underwriting and making a claim, insurance companies, inspectors and customers may waste time and money in making sure that claims are valid and fraud-free as there are fraudulent claims that insurance companies incur such as multiple claims on insurance policies on the same incident. Due to the aforementioned difficulties, most insurance companies manually process their value chains. Customers are paying high premiums to insurance companies partly because of these insufficiently-managed value chains. At the same time, there are a lot of services collecting user data but not effectively monetising it which is a hidden loss of revenue for insurance firms.

Insurance companies have started to develop new, adaptive business models and partner with technology startups, also known as "Insurtechs", using technology innovations in order to optimize the traditional insurance model and create a more digitally savvy customer base. This has created a new era of business and partnership opportunities for both parties.

In this context, Blockchain technology provides significant improvements that can drastically improve the internal processing, user experience and interactions with consumers, especially when the following conditions are met:

- Multiple parties and intermediaries are involved,
- There is no need for a central authority to execute transactions,
- Retroactive manipulation of data is not encouraged
- Accurate date and time of each transaction needs to be recorded
- Data is possibly accessed and re-used by different stakeholders

Specific areas of interest in Insurance Sector and how Blockchain Technology will address these areas are summarized below:



Insurance Purchase: There are significant number of people who do not have insurances due to the lack of trust in the insurance contracts, and the inability to provide consistent premium payments as they do not have a bank account or credit card. Cryptocurrencies introduced in insurance sector provides an alternative solution for the unbanked.

Policies as Collaterals: Unbanked consumers can use their insurance policies as collaterals for bank loans. The blockchain contains loan agreements that can be used to verify if the insurance policy has already been pledged. The Blockchain solutions can create credit history which can then be verified on the blockchain by future lenders.

Automated Policy Claims: Policy claims can be processed automatically thanks to the use of smart contracts coupled with trusted third-party data sources. Coverage conditions, and syndicate insurance agreements or insurer/reinsurer agreements can also be covered in these contracts. This would significantly reduce the claims filing and policy handling time and cost which is a burden in traditional insurance models.

Avoid Duplicate Claims: Insurers can now use Blockchain solutions to store claims data to avoid duplicate claims and insurance fraud. This not only eliminates insurance fraud for the insurance companies, it also results in a faster turnaround time for claim processing benefiting the insured. Reduction in Insurance Fraud: Data immutability and transparency on the ledger servers to significantly reduce insurance fraud in comparison to traditional insurance models.

Rewards for Loyalty: Consumers can be awarded with cryptocurrencies for purchasing insurance products, including micro-insurances from insurance partners. These reward coins can be given by insurance partners and spent at other ecosystem partners such as departmental stores depending on the network of the insurance company.

Trust Platform for All Parties: When insurance policy records are stored on Blockchain, it facilitates as a proof of insurance during a claim. As these are immutable contracts, it fosters trust and security among insurer, re-insurer and the insured.

Subsectors

Health Insurance, Insurance Re-selling.

Stakeholders

Policy holders, policy buyers, insurance companies, agents, investors, insurance partners (including insurers, re-insurers and financial advisors), consumers, community users, resellers and payment partners

Asset Type

The type of tokens in this sector are generally utility tokens with exceptions. Depending on the coin, there are different services provided. Examples to these services include, but not limited to, purchasing a policy, validating smart hosting/maintaining/upgrading the contracts, insurance platform, claims, API fraud detection call. rewarding processing loval customers, requesting or providing data permissions, storing/accessing policy records, etc.



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