

Financial Standard, Australia: Blockchain Could be the Solution to Reducing Inefficiencies in the Reinsurance Industry



“Blockchain thinking and technology hold the key to alleviating some of the reinsurance industry’s challenges,” **Srikanth Venkatesan**, Head of Insurance, APAC, writes. “Blockchain is now generating democratised value transfer, a state much like when the internet was in the pre-e-commerce days of the early 1990s.”

Excerpts from Financial Standard’s article:

“Reinsurance, the supporting pillar of the insurance ecosystem that helps the industry address the effects of claims on insurers, is facing several challenges. Legacy systems, process inefficiency, high turnaround times, fragmented data sources, high administrative overhead and claims leakage are impacting the profitability of reinsurance players.

More specifically, claims leakage — money that is lost through failures within processes, including inefficient claim processing, human error or even fraud — costs insurers hundreds of millions of dollars annually.

In addition to this, the industry lacks a central repository where all stakeholders can view the latest reinsurance contracts. Such lack of transparency impedes trust and can have a negative impact on the relationship between stakeholders involved in a transaction. This can be mitigated with a blockchain state of mind.

Blockchain technology can help make certain reinsurance transactions faster, more convenient and more secure, while minimising manual time-consuming tasks, as it will help reduce administrative workload, eliminate frictional costs, reduce inconsistency, and improve auditability. This will also improve transparency between the primary insurer, reinsurer and retrocessionaires.

By simplifying insurance/re-insurance processes with a blockchain solution, the insurance and reinsurance industry could potentially remove 15-25% of their expenses, manage claims better and improve claims ratios. This could deliver savings to the tune of \$5-10 billion.”

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