

# How Blockchain can help in better pricing for the Indian Insurance industry

Adopting blockchain and its cryptographic features can also help insurers and their stakeholders to hold historic pricing data of customers and use the same when needed easily

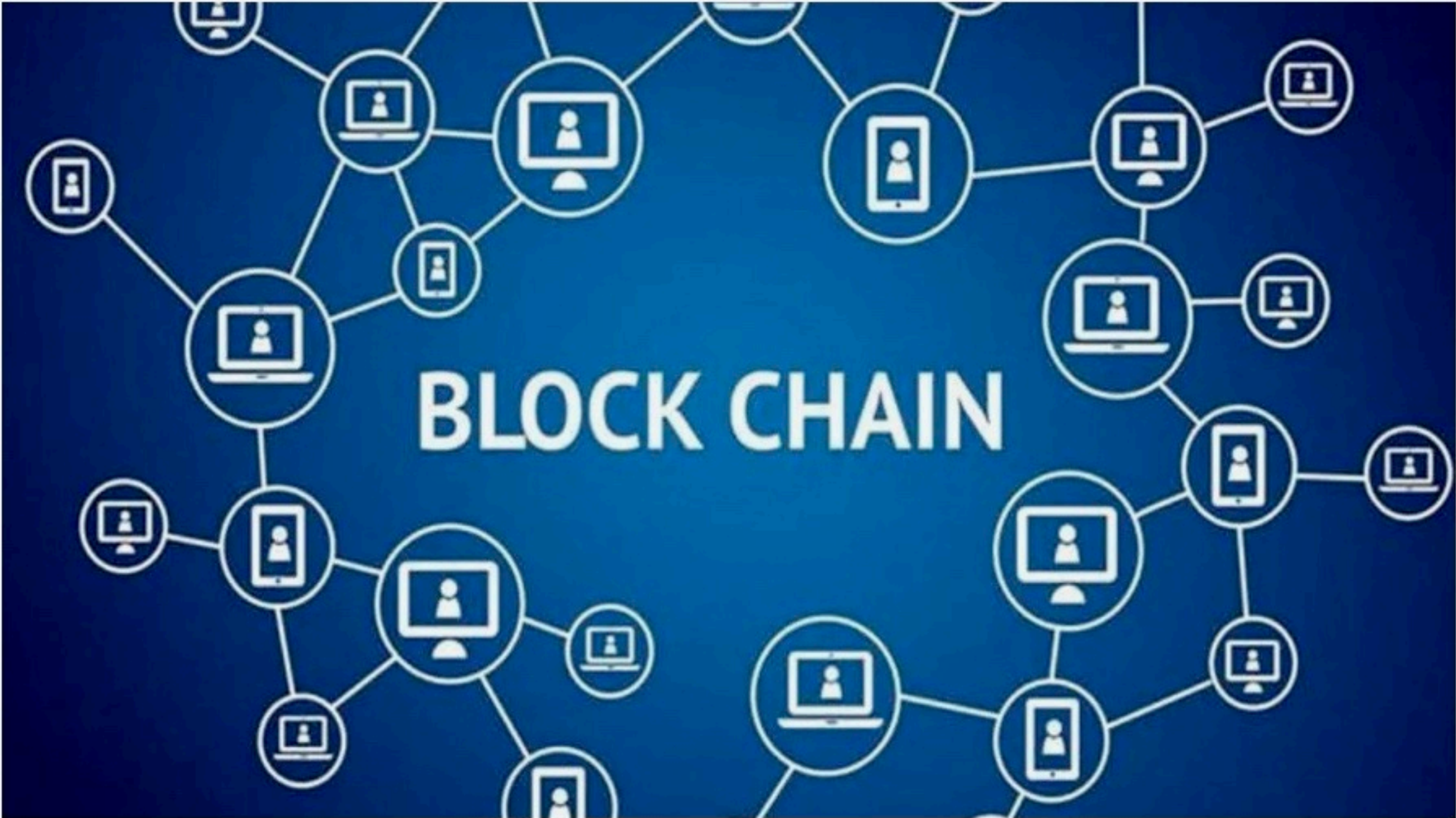
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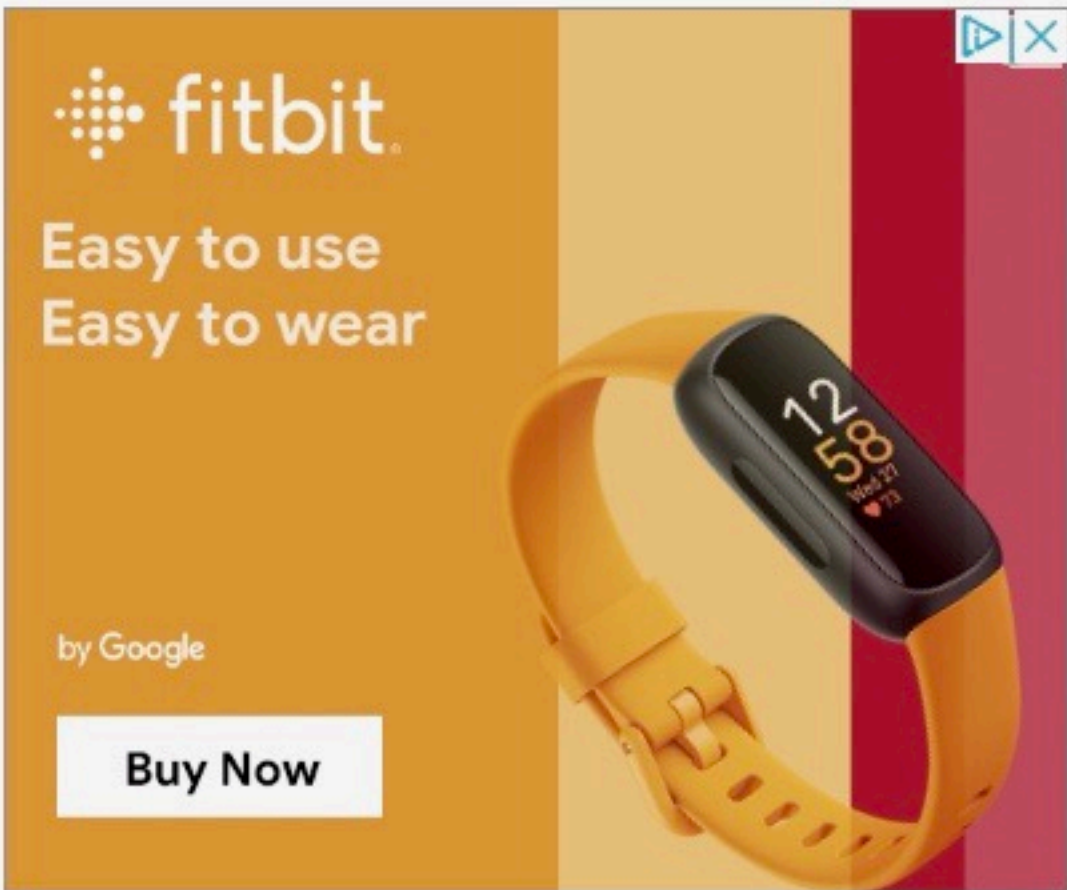







By Surya Narayan Saha

Insurance in India is rooted since the 1800s and the industry hasn’t changed much until the 21<sup>st</sup> century when rapid digital disruption was witnessed in almost every segment of the financial industry. This has urged insurance players to innovate fast and run parallel to the growing standards and expectations of Indian customers. Evolvment at the regulatory front along with the government’s support, notably in the field of investments, policies and pricing has brought in both opportunities and short-term challenges for the Indian Insurance sector.



The advent of technology-native companies like InsurTechs along with complexities in customer needs is questioning the value addition capability of traditional insurers. This eventually turns the market more competitive than ever before and to stay relevant and profitable, insurers in India must make their pricing smart and sustainable.


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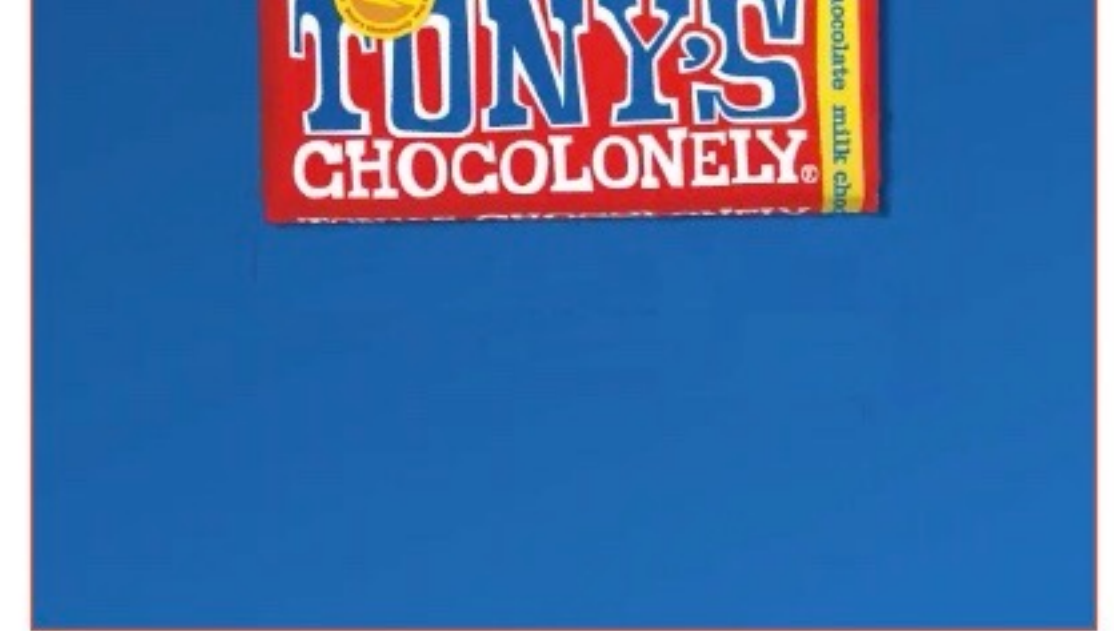
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As emerging technologies progress within the financial services sector in India, specific areas of innovation like blockchain can come as a respite to insurance pricing besides other benefits. Although several emerging technologies like Cloud, Artificial Intelligence, RPA, Big Data, etc. are available but blockchain stands out when it comes to pricing. According to per IDC's "Global Spending on Blockchain Solutions Forecast Report 2021", the insurance industry globally will closely follow blockchain in its payments process, which eventually will have pricing as an integral component. With this, insurers and vendors can consider the below three key areas to understand why a better pricing is necessary for sustainable growth and simultaneously the need for blockchain technology.

- **Regulatory norms:** The Indian Insurance Regulatory and Development Authority is increasingly highlighting gaps in the insurance market. In the year 2020, policy standardization was one of the top agendas for the regulators. In the year 2021, the regulator again questioned the price hikes in both insurance and reinsurance sectors. Besides, a price-driven model for products with less innovation may also shrink insurers' margins.
- **Consumer awareness:** Today, Indian consumers empowered by online platforms and readily available data are well informed than ever before not only about their need but also about the type of policies are available and their benefits. Overall, today's data-driven age is encouraging the introduction of innovative products and solutions and to satisfy this, the industry needs to look at flexible pricing structure.
- **Technology as an influencer:** Insurers in India will now have to define its pricing requirements based on opportunities derived from technological advancements. Areas like Blockchain and Smart Contracts have already started providing data intelligence across the insurance value chain. The ability to capitalize on this development will help insurers make their pricing model innovative and real time.



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In addition to the above, for insurers both in India and worldwide, data verification and data sharing are both critical steps among stakeholders when it comes to pricing policies and risk management. Adopting blockchain and its cryptographic features can also help insurers and their stakeholders to hold historic pricing data of customers and use the same when needed easily and in negligible cost. This is because blockchain technology can extend the benefit of auto-execution of premium price from its past data based on set data exchange rules.

With the above, technology buyers in the Indian insurance ecosystem should keep the following in mind for establishing a better pricing model.

- Set a profound knowledge goal: Insurers to begin, must have a deep understanding about blockchain and its used cases, especially from a pricing context.
- Know your stakeholders: A single insurance transaction meets a series of stakeholders starting from insurers to underwriters to agents to reinsurers and then end customers. Similarly, a successful blockchain application would mean the employment of a series of right partners both internally and externally.
- Build the requisite assets: Insurers can work on their underwriting strengths and weaknesses to see the best fit of blockchain technology to benefit product price.
- Set the cryptographic rules: Every blockchain and smart contract function runs on defined protocols that suits the end objective. Insurers should therefore think on the type of protocols to be applied as per the need. An agile pricing method based on trends and data can largely vary with outcomes between rules and protocols like proof-of-stake and delegated proof-of-stake.
- Implement and test: Insurers must start with financial feasibility check and then test the proof of concept and a fully integrated digital infrastructure with existing IT systems can prove to be advantageous for digital data exchange.

To sum it up, insurers and tech buyers must verify the 'how' aspects of blockchain application in their digital strategy.

***(The author is Research Manager, Financial Insights, IDC India. Views expressed above are those of the author and not necessarily of [financialexpress.com](http://financialexpress.com))***

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