

Chapter 17

Motivating Antecedents and Consequences of Blockchain Technology in the Insurance Industry

Sumit Oberoi

Lovely Professional University, India

Pooja Kansra

Lovely Professional University, India

ABSTRACT

Quantum leaps in technology affect all phases of business models over numerous industries and are the fundamental characteristic of any technological revolution. Emerging technologies provide new avenues for industries to increase their competitive advantage and enhance the economic progression. The aim of this study is to advance a theoretical model on motivating antecedents and consequences of blockchain technology in insurance industry based on the evidence from past literature. This chapter is approached from the theoretical viewpoint, so it meticulously assesses and examines the prior literature to debate on the role of blockchain technology in the insurance industry. The outcome of the present study is dispassionate and corresponding to the conclusions of the prior literature. Blockchain helps in achieving innovation, augmenting transparency, refining data standards, and advancing an integrated approach for quality service. Thus, the espousal of blockchain in insurance is developing very quickly, and it has become the default platform for the complete insurance industry.

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INTRODUCTION

Insuring risks has been a convoluted and multi-faceted responsibility which associates with innumerable aspects of lives. Consequently, the insurance sector acts as a major determinant in managing contemporary economies on their development pathway. According to Liedtke (2007), *“Scale of monetary investments, business size, number of individuals employed, possessions under management and the socio-economic role in embracing both personal and commercial risks, manifests the significance of insurance industry”*. In 2017, the gross premium of global insurance industry was amounted to be \$ 4.8 trillion (Crawford et al., 2018). Getting insurance is a requisite for majority of business activities or personal undertakings. Though, over the last couple of decades’ numerous reforms have been introduced in the particular sector, still not much has been altered in business models and operations. Hence, intermediaries performed the most essential role in determining the needs and requirements of clients with explicit insurance solution (Grima et al., 2020).

Continuous transformations in the field of technology also alters the genre of risks, thereby, empowering the new start-ups to enter into markets and develop new ecosystems. Quantum jump in the field of technology touches all phases of businesses over numerous sectors and it’s the essential trait of revolution in the area of technology. Inchoate technologies introduce new-fangled opportunities for businesses to augment their competitive lead and boost the economic evolution. According to Flovik et al. (2021, p. 665), *“Blockchain is a technology that supports tamper-resistant and transparent transaction recording. A block chain serves as a distributed database which maintains records secured by cryptography, and governed by a consensus algorithm”*. Blockchain is the foremost *“Distributed Ledger Technology”*, defining technology that gathers, accumulate, disseminate and simplify exchange of certain values amongst private and public operators. The true potential use of blockchain technology has been emphasized throughout an extensive variety of businesses activities and industries (Thake, 2018). Siyal et al. (2019, p. 1), *“Block-chain technology has acquired significant consideration and attention, ever-increasing inquisitiveness for plethora of various application, fluctuations from extraction of data or information, information management, pecuniary facilities, cyber impregnability, pre-requisite for healthcare sector and brain exploration”*.

A momentous progression in research related to blockchain technology has been observed, but majority of it is concentrated to technological and advanced aspects of governance, which tends to overlook the snags related to blockchain technologies introduction in insurance industry (Janssen et al., 2020). Though, numerous platforms focussed upon developing blockchain technology environment has been set in motion for various categories viz. maritime indemnification, vehicle insurance, bancassurance, property protection, etc. The espousal of blockchain in

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