BLOCKCHAIN IN INSURANCE

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Why do we need blockchain? The dilemma today

Transactions take place every second — orders, payments, account tracking. Often, each participant has his own record / ledger — and, thus, their own version of the truth.

Having multiple ledgers is a recipe for error, fraud and inefficiencies. What if you could see a transaction end-to-end and reduce those vulnerabilities?
Insurance use cases - Solutions

- Diamond / Art Fraud
- Marine
- Validation of transport policies
- Captives operations
- Parametric health claims
Insurance use cases – Industry / consortia efforts

- openIDL streamlines regulatory reporting
- Reinsurance placement & settlement
- Insurance
  - Parametric risk
  - Subrogation
  - Proof of insurance
  - FNOL
3 components

**Technology**
- Permanent blocks
- Distributed ledger
- Cryptography
- Smart contracts

**Data management**
- Universal data sources
- Enhanced data sets

**Process**
- Consensus
- Speed
3 major benefits

Richer and more transparent data

- Complete transaction history
- Transparent view of agreements / obligations for risk participation and monitoring, participation verification in case of loss
- Reduces the need to normalise and enrich data across different systems

Singular, immutable data source

- All participants work of the same copy of the ledger at the same time
- No need to run separate individual databases
- Eliminate need to reconcile different databases

Distributed network

- All participants work off a local copy of the common database
- Reduces requirement of connectivity, middleware systems and blackbox infrastructures
- No single point of failure
3 core technology innovations

| Encryption | • Powerful encryption underpins security of data  
|           | • Ability to selectively provide transparency in transactions to creates greater certainty of dealing with counterparties and reducing credit costs |

| Mutual consensus verification | • High level of integrity in the consensus update process and therefore the underlying data  
|                               | • No requirement to rely upon a central authority to manage changes to the database  
|                               | • Prevents malicious attacks on network |

| Smart contracts | • Notarizes contracts automatically  
|                 | • Reference data sources agreed and encoded at source, reducing scope for disputes at settlement  
|                 | • Algorithms trigger automatic processes based on the terms agreed in the contract (e.g. margin requirements, settlement cashflows)  
|                 | • Reduces need for life cycle management of transaction |
Blockchain in 2019

- Multiple parties must agree to do business differently
- Test propositions / POCs moving to production
- New business model for multi-layer and reinsurance transactions emerges
- Selected initiatives will lower expenses in a few firms; scale will not be reached yet
- Standards will continue to develop painfully slowly
- Consortium models allow all insurers to participate
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