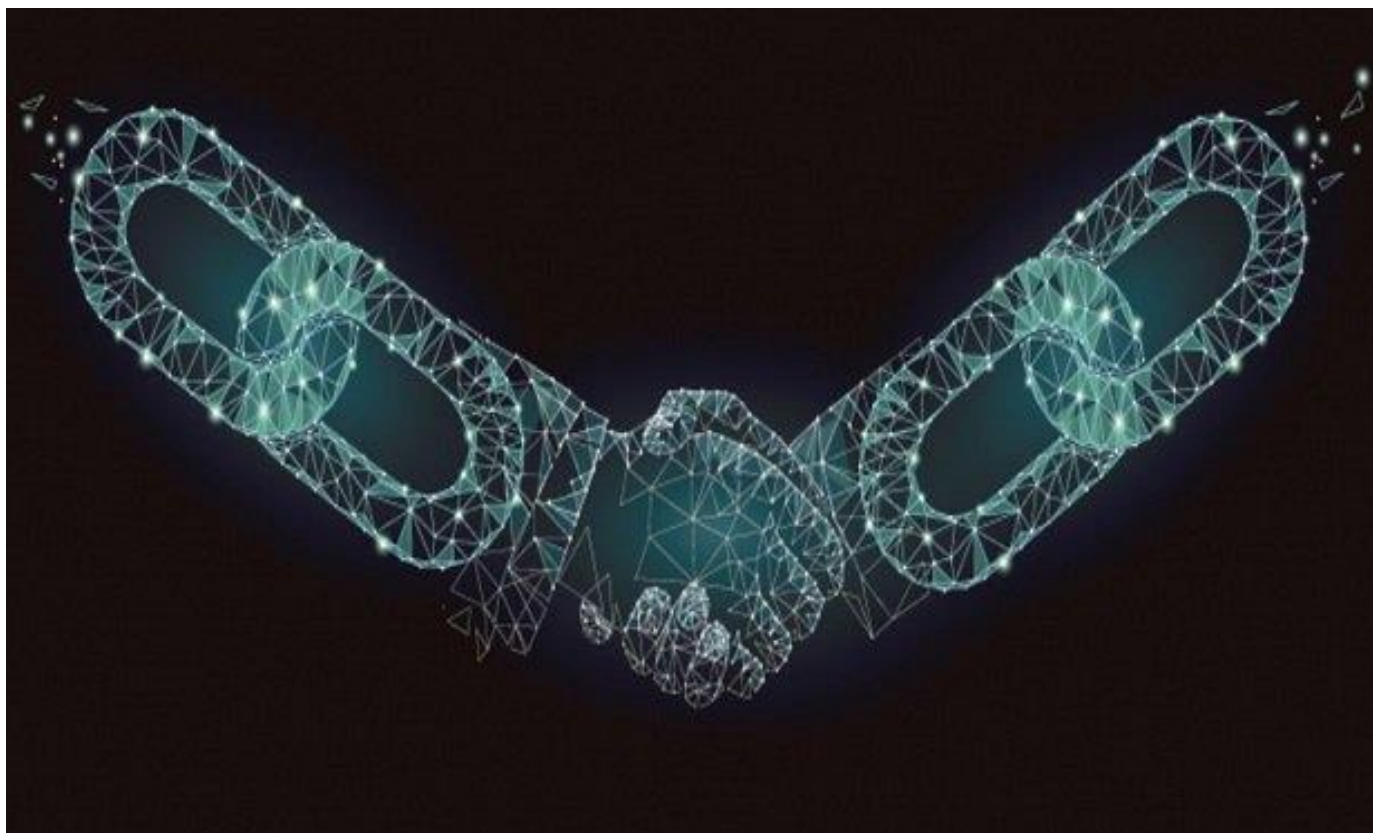


# PROPERTY CASUALTY 360°

Written By Stephen Bruno // December 07, 2018 at 12:00 AM

## Insurance leads the way in blockchain adoption

Insurance industry innovators are broadly investing in blockchain technology right now.



Given blockchain's ability to bring about sweeping change in certain areas of insurance, globally the insurance industry is moving toward a better understanding of its applications.

Blockchain technology was hotly debated this year. We're unlikely to see broad applications for some time, but I strongly believe that not only will blockchain play a critical role in insurance, but it could also be a game changer.

The reason is simple. While insurance is primarily concerned with pricing and managing risk, it is also built upon processes — hundreds, even thousands of them. These individual processes form the foundation for how insurance is transacted.

Blockchain technology can rationalize data and processes to make them easier to manage, or even eliminate them altogether.

## **Studying up on cryptocurrency**

Given blockchain's potential to completely reconfigure the very processes being automated by current technology, it is critical to gain a broad understanding of how it is currently being used across the insurance industry. So my company recently undertook a formal academic study of blockchain.

We assembled a research team of six MBA students at New York University's (NYU) Stern School of Business, which was recently ranked [third in the nation for blockchain studies](#), along with one Harvard Business School alumnus. Our goal was to determine the role, present and future, of blockchain in the industry, and how it may impact specific use cases related to the insurance business.

We specifically chose to work with industry agnostic participants in academia, rather than from the insurance industry, believing that this would confer a fresh perspective on the project as opposed to one limited by preconceived notions about insurance and insurance technology.

## **Taking a closer look**

Before discussing the research group's findings, a few words of explanation about blockchain. It's useful to remember that blockchain is not one individual, overarching thing. There is no such thing as "The Blockchain," as there is with The Internet. Blockchain is a technology that uses a blockchain-based structure — a digital ledger technology — at its core. Blockchain is simply a new way of structuring databases that allows for increased security and accessibility.

In studying blockchain, our research group both assessed industry sentiment toward and preparedness for the introduction of blockchain. We also set up scenarios to determine how it may impact specific use cases related to the insurance business.

What was clear from the outset is that, given blockchain's ability to bring about sweeping change in certain areas of insurance, globally the insurance industry is moving toward a better understanding of its applications.

Our researchers also documented comprehensively the many insurance companies, from large multinationals to regional carriers, that are already launching projects using blockchain technology.

Clearly, innovators in our industry are broadly investing in the technology *right now*.

The strength of blockchain lies in its effectiveness as a highly secure platform that can provide a “single version of the truth” to multiple parties involved in a particular transaction or process. Because insurance organizations operate in a business that relies on multiple third parties who have access to data and information, private, permissioned blockchain-based systems hold great interest in that they can keep data secure and correctly shared with the right recipients. From claims to underwriting to distribution to customers, all have an interest in providing accurate and timely information to their respective ecosystem.

## **Ahead of other industries**

While we were not surprised that there is a broad move to adopt the technology, what did surprise us was the degree to which insurance, and financial services in general, is at the vanguard of adoption. Indeed, insurance has a great opportunity right now to position the entire industry as tech-savvy early adopters. It’s critical for our industry to keep the momentum that’s been achieved in gaining a working knowledge of blockchain, and not fall behind in the adoption curve.

Although currently in its infancy, blockchain has the potential to be a foundational technology in insurance. While the possible benefits of adopting it are numerous, as with any new system or technology, blockchain-based systems do not necessarily fall into the category of, ‘If you build it, they will come.’ These technologies still need a sub-industry of businesses built around them that can market them effectively. They face the same challenges in terms of user education and training as any new technology that has come before.

As a point of organizational focus, blockchain has more similarities to the way businesses think about their IT infrastructure, databases and data stores than to the connective tissue that is the Internet. Blockchain-based back-end systems could replace technologies like SQL databases, and we could see blockchain-as-a-service replacing current models of cloud hosting-as-a-service. Having analyzed what our researchers turned up, we predict that broad adoption will have taken hold in insurance within the next decade.

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## End of Article ##

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