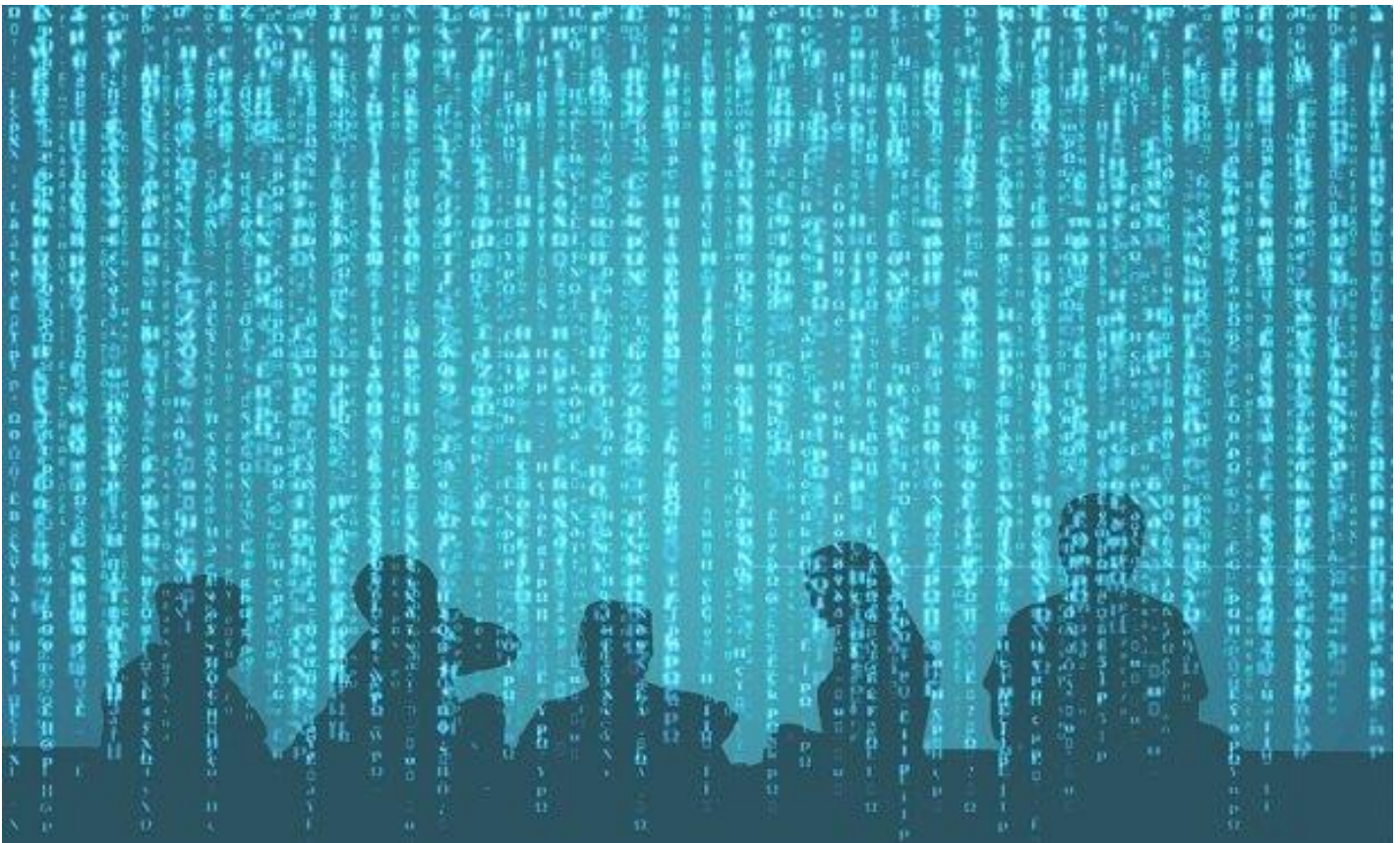


## PROPERTY CASUALTY 360°

Written BY John Sarich // January 17, 2019

# Where to look for the first insurance blockchain adopters

The insurance industry now understands that blockchain technology is highly accurate and has virtually boundless potential.



Previously cumbersome processes such as claims, big underwriting cases and reinsurance stand to benefit from blockchain adoption. (Shutterstock)

While there's been a lot of back and forth on the issue of blockchain, from what it actually is to whether it would be more effective than other technologies currently prevalent in insurance, by now we've established that blockchain is already under consideration for adoption by several major insurance companies.

Indeed, insurance is leading the way in its adoption. The industry is gaining the understanding that blockchain is a highly accurate general ledger technology that — somewhat like Google Docs — can be shared selectively with users.

What hasn't been addressed yet, however, is exactly *how best* insurance can make use of the new technology:

- What is revolutionary about it for our industry?
- What will the first application be?
- Or perhaps: What is the killer application that will lead to its widespread adoption?

### **First out of the gate**

I'd like to posit that blockchain will not, in the foreseeable future, be replacing current insurance technologies wholesale. It's far more likely to be used as a transport layer to move existing portions of policy administration data into a more efficient, accurate and selectively shareable format. That said, blockchain's time appears to be here. Marsh & McLennan already has a blockchain-based application that automatically produces certificates of insurance. It's a relatively minor use of the technology, considering its capabilities. But it's working incredibly accurately, and may set a new industry standard for blockchain use in insurance certificates.

Other processes that are far more cumbersome — claims, big underwriting cases, reinsurance— stand to benefit even more from blockchain adoption. The hallmark of big underwriting and reinsurance cases is a mass of information, all of which has to be collected and managed. This data changes all the time, because new information is submitted throughout the life of the case—and all of it has to be kept current. The strength of blockchain for this type of use is in its effective management of ecosystems of information, allowing for high-level communication and collaboration.

### **Claims use case**

Imagine how well blockchain would smooth out the rough edges of ocean marine cargo insurance on a ship. The vessel carries many containers, all belonging to different parties, all holding various goods. There's a massive bill of lading on that boat. One container might contain wristwatches; another one, dishes; another one, silverware; another with blankets. Virtually anything that's made outside the U.S. that's coming into one of our ports. The sheer mass of these details adds up to big risk.

The shipping company has to keep track of everything because if they have a claim, they'll need to know whose container got damaged, lost or fell overboard, and the value of the goods in question.

## What about user experience?

In addition to building systems in blockchain from the ground up, at first, there will be many instances where the technology can be used in stages, to augment or replace parts of a system.

Again, blockchain applications can be seen as a transport layer — namely, a place to which you'll be able to export existing data in your system and enable it to run far more efficiently, and with broader management and file sharing capabilities.

To illustrate, let's say that you want to upgrade some of your policy administration files to blockchain. Whatever software you have that creates a process flow can be substituted — licensing, commissioning, and compliance verification are all areas that would particularly benefit. Once your files are uploaded to blockchain, all of that data can be managed in an amplified setting, with the secure, selectively shareable ledger blockchain offers.

Transactional, collaborative, and highly secure — all prized qualities in the insurance industry — blockchain also holds out the promise of managing far more complex data loads than even the most modern conventional technology can.

**Blockchain in insurance is here**, and it's here to stay.

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## End of Article ##

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