



Smarter insurance automation

Shared facts to put trust and certainty at the heart of insurance automation

Trust is the cornerstone of all insurance transactions. You need to have trust in the party you are doing business with. You also need to trust that everyone involved in the transaction is acting on the same information. That includes the risks being insured, policy coverage or payment status. With increased trust in the underlying business transaction established, back-office processes can be automated through the execution of smart contracts and trusted payments to provide contract certainty.

Take, for example, parametric or usage-based insurance. Once the policy conditions have been agreed, the ongoing risk assessment, usage and premium billing can all be carried out automatically. That data can also be shared immediately with relevant parties and payments executed instantly, ensuring the whole process is more efficient and transparent.

Smart contracts have the potential to transform the way insurance is transacted throughout the underwriting and claims process. Essentially, smart contracts are a self-executing agreement between two parties written in computer code and managed on a distributed ledger. Take the example of a business interruption policy covering the vaccine supply chain. An insured event could automatically trigger a claims pay-out.

The main benefit of smart contracts is their ability to execute processes within the value chain automatically. By interacting seamlessly with external technology, such as the internet of things and sensors, they can speed up and streamline the flow of data needed at each step. Once a trusted third-party source has verified an event, for example exceeding certain

rainfall or wind speeds limits, payment is automatically triggered.

The second component is the control of payments in the form of premiums or claims payouts. Advances in payment technologies bring efficiencies and certainty to the premium collection and claims payment processes, ensuring the right amount of money is transferred and received as agreed. This is key to avoid reconciliations and provide transparency. As well as improving traditional cash payments, it enables new value transfer methods such as digital currencies.

Here are the views of three experts:

Richard Phipps, senior project and delivery lead, property and specialty underwriting, Swiss Re, says: "There's an opportunity to create solutions using distributed ledger technology (DLT) to exchange data across the value chain in a trusted and secure manner. DLT offers the benefit of ensuring 'what I see is what you see', without needing to operate and keep the industry's data in a single centralised place. So it brings the benefits of centralised, but without the dangers of centralised."

Antonio Di Marzo, head of products at B3i, says: "Smart contracts have the capability to interpret clauses and other data into logic and conditions. It's this function within distributed ledgers, which are able to automate shared processes, significantly reducing the need to reconcile data and ultimately trigger the contract under a given set of conditions."

Peter McBurney, co-head of technology consulting, Norton Rose Fulbright, says: "Seeing the same data and the same shared facts means you can eliminate the task of data reconciliation.

And the outcome enables a rich reimagining of business processes. We've seen this achieved across precious materials, energy, finance and insurance. In each case, DLT has kickstarted ecosystems to come together and completely rethink the way they do business."

However, while 80 per cent of the global insurance and reinsurance industry are using R3's Corda DLT platform, they are still only scratching the surface in terms of its application. The technology can be used throughout the insurance process from distribution, underwriting, administration and endorsement to claims, finance and treasury. Specific examples include proof of insurance, placement, policy adjustments, reinsurance, claims history and management, anti-money laundering and fraud prevention, and payments.

By using the latest distributed ledger and blockchain technology, Corda enables the entire insurance process to be quicker and more secure while also reducing administration costs. Importantly, the platform ensures the seamless transfer of assets across the value chain, and that contracts have legal validity and can be used for claims adjudication.

For more on this topic, read our **industry roundtable write-up 'Foundations for Smarter Insurance'** at info.r3.com/

