What Do You Think?

The Talk of the Town

The insurance industry has a reputation for being conservative, steady as she goes, so to speak. Avoiding trends which could result in business fluctuations has been a long-held, industry standard, but an influx of investment and innovation has InsurTech knocking down the doors of traditional insurers. This month, we asked several influencers to reflect on what the industry has been talking about recently, and to postulate about what the future may hold.

This month's question:
The hottest topics in InsurTech two years ago were telematics and IoT. Last year, the industry moved on to talking about blockchain and artificial intelligence (AI). What will the industry be talking about next year, and why?

George Freimarck, Region Head, Americas – Xceedance

"While the industry may have been talking about blockchain for a while, actual blockchain implementation will be the topic next year in the insurance world. Pilot projects are underway and consortia have come together to test distributed ledger technology (DLT), but the question remains: What are the practical objections to blockchain, and what is needed to overcome them? The industry is in the process of answering that question, but, I believe the three basic tenets of the answer are security, scale, and speed."

"The premise behind blockchain which initially made it so attractive to insurers is security. Each link in the chain, each block or node, must agree about the central truth of the transaction, value, or object of the ledger. Insurers and reinsurers have a transaction that requires full agreement from all parties, and it is hard to see that requirement changing. The immaturity of software, however, poses a problem. To date, reports of blockchain hacks are largely non-existent, however, that doesn't mean it can't happen. The real issue for blockchain users will be determining what sort of algorithms it uses, are the algorithms tried and tested, and are they susceptible to intrusion?"

"Next up in terms of objections to blockchain is scale. It's important to keep in mind that blockchain is a ledger, not a warehouse. Network overhead grows quickly if things like images (photos of property damage) get included. Relational databases with separate networked storage may be an answer."

"Finally, speed is a consideration. Since each new record entered into a blockchain has to be serialized, the rate of updates is slower than traditional databases, which can update data in parallel. Low volume businesses, like treaty reinsurance, with few if any mid-term amendments, may not be affected by this limitation. Complex commercial risks, also may not see as much amendment to terms or updating of information as to diminish the value of the system."

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