
Unlocking the blockchain

A global legal and regulatory guide
to distributed ledger technologies

Chapter 2: Digitizing the insurance value chain

A preview of R3 and Norton Rose Fulbright's white paper

The background of the lower half of the page is a dark red field filled with abstract digital patterns. It features glowing binary code (0s and 1s) scattered throughout, along with several overlapping, semi-transparent circular and elliptical shapes that resemble stylized orbits or data paths. The overall aesthetic is futuristic and tech-oriented.

Overview

Interest in blockchain and distributed ledger technologies has grown dramatically over the last twelve months. This has triggered growth in investment in businesses operating in this area and marked engagement from all industry sectors (and financial institutions in particular) in blockchain and distributed ledger technologies and their disruptive potential. Such engagement has led to the development of increasingly sophisticated proof-of-concept use cases and notable live deployments.

Against this backdrop, a number of regulators have been focusing on the benefits, challenges and risks posed by blockchain and distributed ledger technologies and how these might operate within the existing regulatory framework. Any proposed deployment will need to take into account such regulatory considerations and a range of other legal issues. In view of this, Norton Rose Fulbright's global blockchain and distributed ledgers practice group has produced a global legal and regulatory guide to blockchain and distributed ledger technologies.

This guide will be published in a series of chapters, covering the following topics and use cases:

Topics	Use cases
an introduction to blockchain technologies	insurance
the regulatory considerations	clearing and settlement
the IP and IT issues	securitisation and trade receivables finance
litigation and dispute resolution considerations	identity (including data privacy issues)
competition/anti-trust issues	digitizing the insurance value chain
tax considerations	supply chain management
	DAOs (decentralised autonomous organisations)

We hope that you will find this second chapter on 'Digitizing the insurance value chain' insightful and would welcome the opportunity to discuss any aspect of it with you in greater detail.

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If you would like to receive Chapter 2 and register for the subsequent chapters, please contact julie.frizzarin@nortonrosefulbright.com.

Chapter 2:

Digitizing the insurance value chain

Introduction

Digitizing the insurance value chain

Recently there has been a noticeable acceleration of interest from the insurance industry and technology developers in the potential use cases for blockchain and distributed ledger technologies in the insurance value chain.

The global insurance industry is a highly regulated industry. It is heavily dependent on large amounts of data and cooperation between multiple market participants. Traditional insurers are confronting issues such as decreasing profitability, market saturation and the costs associated with legacy technology systems.

Unfavourable macroeconomic factors, harsher regulatory capital requirements and a soft market inundated with excess capital has led insurance market participants to look to technology to reduce costs, increase competitiveness and profitability, and to improve customer experience.

Digitizing the insurance value chain through the use of blockchain and distributed ledger technologies has the potential to revolutionise the insurance market, from the way insurance products are distributed, underwritten and administered, to the way the market is regulated.

When considering the use of these technologies, industry players will need to fully appreciate the challenges and risks. Any proposed deployment will need to take a broad range of legal and regulatory factors into consideration. Collaboration with regulators will also be necessary to ensure that regulatory frameworks evolve in step with the direction of travel of the industry.

Perhaps even more exciting than the benefits of digitizing the value chain is the potential for innovative new products and new business models which could prove revolutionary to the industry. Much like the expansion of applications for the world wide web from two initial use cases – sending emails and file transfer – at its launch to the seemingly limitless use cases available today, distributed ledger technologies present a fertile ground for an explosion of innovation in the insurance industry.

In view of this, Norton Rose Fulbright, in association with R3, have published this second chapter in the Unlocking the Blockchain series, exploring the potential blockchain and distributed ledger technologies use cases in the insurance industry.

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Recognized for our industry focus, we are strong across all the key industry sectors: financial institutions; energy; infrastructure, mining and commodities; transport; technology and innovation; and life sciences and healthcare.

Wherever we are, we operate in accordance with our global business principles of quality, unity and integrity. We aim to provide the highest possible standard of legal service in each of our offices and to maintain that level of quality at every point of contact.

About R3

R3 is leading a consortium with over 70 of the world's largest financial institutions to develop groundbreaking commercial applications for the financial services industry that leverage the appropriate elements of distributed and shared ledger technology.

Operating in New York, London and Singapore, the R3 team is made up of financial industry veterans, technologists, and new tech entrepreneurs, bringing together expertise from electronic financial markets, cryptography and digital currencies.

The R3 Lab and Research Centre has quickly become a centre of gravity for collaborative research and testing of distributed and shared-ledger inspired technologies, and is where R3 works with its partners to define, design and deliver the next generation of financial infrastructure.

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