



TECHNOLOGY

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The Blockchain and LIMRA

My guess is that you probably have heard of “the blockchain.” You may have no idea what it is, have a general understanding of it, or know a lot about it. If the latter, you probably know more than I do. If you aren’t very familiar with blockchain, I’ll provide a basic overview of what it is and describe LIMRA’s plans for supporting the industry’s use of blockchain technology.

Blockchain technology is referred to as a “distributed ledger.” I never really found that very helpful until I heard someone recently explain why. Blockchain is a “ledger” because it can be used to document financial transactions, which may have ledger-like entries such as debits and credits. It’s “distributed” because there is no central ledger like an accountant might have. Rather, there are several parties that all have an identical record of each transaction or entry. One of my favorite explanations of blockchain is to imagine that you and I and several others each have a blank piece of paper. When one of us writes something on it, whatever is written simultaneously appears on each of our sheets of paper.

There are several advantages to using blockchain technology:

- *It can cut out the middleman.* I could transfer money to you and there would be an undisputed record of this funds transfer across all parties, or nodes, in the chain. In this case, there would theoretically be no need for a bank.
- *It is secure.* Each transaction is encrypted and, because it is stored on multiple computers, it would be virtually impossible to edit that record on each of them. This also means that it is important the information be correct when it is recorded as it becomes the undisputed version of the truth.
- *It keeps all parties aware of each transaction.*
- *It can save time and reduce costs.*

The most well-known use of blockchain is the cryptocurrency Bitcoin. However, the technology need not be limited to cryptocurrencies or even financial transactions; it can also be used to store information and files.

The potential uses of blockchain in financial services are many, including fraud detection, claims management, new distribution models, and payment processing.

At LIMRA, we’ve heard many of our members express interest in blockchain. To answer that call, we created the Blockchain Advisory Council, which held its first meeting on September 7. We believe it is in the best interest of the industry to control the strategy, planning, and data, rather than giving that control to a third party.

In addition to creating the advisory council, we recently formed a partnership with The Institutes. They are an association that provides research and education to the P&C industry, similar to the way LIMRA serves the life and retirement industries. The partnership will allow us to leverage The Institutes’ RiskBlock™, a blockchain-specific technology platform. This will save us and our members considerable time and money in building out the technological infrastructure needed to support blockchain.

Through this partnership, we can help the industry explore and adopt blockchain initiatives by focusing on developing use cases. Although we are at the beginning of this journey, working with the Blockchain Advisory Council we have already generated a short list of potential use cases to pursue. Please contact me if you’re interested in learning more about this initiative and how your company can get involved. 🌐

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