

LONDON MARKET GROUP

Representing the Insurance and Reinsurance Market in London

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Survey to investigate the potential of smart contracts for wholesale insurance

LMG announced today that it is sponsoring a research project designed to investigate the potential for 'insurance contracts of the future' - helping contract participants reduce the friction and uncertainty of the current administrative processes.

Z/Yen will lead the research, working with the London Market Target Operating Model (LM TOM) to bring together a range of wholesale brokers, insurers, re-insurers and transaction processing organisations to create a common view of the potential benefits that smart contracts could bring. The study will look both at enhancing existing processes, and at the future potential of new products and processes taking full advantage of the capabilities of smart contracts running on mutual distributed ledgers (blockchains).

Justin Emrich, CIO of Atrium Underwriters and sponsor of the innovation workstream within the LM TOM said: "There is significant hype around blockchain and smart contracts these days. It is the 'next big thing' according to the technology world, so we have commissioned Z/Yen to assist us all in understanding the potential application of these technologies in wholesale insurance."

Professor Michael Mainelli, Executive Chairman of Z/Yen, said: "We are delighted to have been commissioned to undertake this research. The London wholesale insurance community is thinking ahead about a combination of new technologies that could transform the way we do business with clients, rather than just leaping on the blockchain bandwagon".

The study will be published before the end of 2016. An additional output will be a "Simple Executive's Guide To Smart Contracts" aimed at enabling insurance professionals to understand better the underlying technology capabilities and begin discussing what this new technology could bring by way of rewards, and risks.

ENDS

Notes to editors

'Smart contracts' are generally associated with mutual distributed ledgers (s, aka blockchains), although they can also be implemented in conventional systems architectures

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‘Smart contracts’ are sections of executable code embedded in computer records, which execute when the conditions agreed amongst the relevant contracting parties are met. For example, a deposit product could trigger repayment with interest when the current time changes to a particular date or a weather insurance contract could make a payment when a particular weather station records readings above a trigger rate.

Achieving practical smart contracts is problematic for a variety of reasons: for example, errors in data feeds which trigger execution of the code, liquidity and pooling implications, control and revocation, status in law, security, and determination in the event of exceptions. However, smart contracts are already being used in insurance in simple ways, such as replacing lawyers holding escrow data with pieces of code time-releasing data.

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