

AAIS Testimony for North Dakota House Industry Business & Labor Committee

This written testimony is submitted, regarding Senate Bill No. 2151, from the American Association of Insurance Services (AAIS), a non-profit national, modern insurance advisory organization. We do not submit this testimony in an effort to lobby in support of or opposition to the bill, but as subject matter experts with regards to technology platforms that could support efforts to increase transparency with regard to the auto insurance marketplace in North Dakota.

As you consider Senate Bill No. 2151, before you today, you will consider the use of blockchain technology in the study regarding uninsured motorist issues. While blockchain or distributed ledger technology is not widely understood yet, we believe it will have the same transformative effect as the internet has had on commerce and industry.

As a national advisory organization, we act as a statistical agent on behalf of companies that submit data to state insurance departments. As such, we have a great deal of experience in understanding data issues in the property and casualty insurance market. We recognize the hardship that all parties, including government and insurers, in supporting transparent data insights while protecting proprietary information. Through our role as a modern advisory organization, AAIS has worked closely with Commissioner Godfread as well as other insurance regulators and companies like Travelers and Hartford to develop this type of technology for insurance data reporting through blockchain.

A blockchain or distributed ledger technology platform essentially allows for data insights to be obtained without data leaving a secured environment and with much more frequency than the traditional method of reporting data.

Think of it as a network of data warehouses. Each company has their own data warehouse or repository, instead of all the parties uploading relevant data to a centralized point for analysis and inspection, the seeker of information can ask a question through this ledger network by code we call a smart-contract or extraction patterns. This "code" executes against all the data warehouses that have the information we need simultaneously, and an answer is delivered through the network ledger. For example, the DOT could have their warehouse with vehicle registration information and companies could have their warehouse with the policy information for a car. Instead of the insurance company reporting that information on a quarterly bases to the DOT and the work to match this "batch" data to the registration, the question asked through the network could be as simple as does this car (registration) have insurance right now? The answer can be relayed as yes or no without someone's insurance data ever leaving the insurance company's possession or the DOT's data ever leaving its secure environment.

We have included some information about the AAIS blockchain platform, openIDL, that will be used for regulatory reporting, however, this platform has been donated to become a project under the Linux Foundation. This commitment means that openIDL will become part of one of the largest open-source communities in the world and the insurance industry can continue to develop additional applications of this technology to address many of the problems around data where there is need for security, privacy, and transparency.

Respectfully submitted,

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