



AAIS Testimony for North Dakota Senate Transportation Committee



This written testimony is submitted, regarding Senate Bill No. 2302, 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. 2302, before you today, you will encounter subsection (5) which would establish a mechanism to verify motor vehicle insurance for renewal of registrations electronically. Likewise, we are currently monitoring SB 2151, UMPD study, presented to the Senate Industry, Business and Labor Committee earlier this week which approached the use of blockchain technology in the study regarding uninsured motorist issues. These two provisions are not mutually exclusive in that they seek to create better conduits for the use of insurance data in supporting a healthy auto insurance market in North Dakota through the use of technology platforms.

When we observed the comments and testimony given in the committee meeting earlier this week, we felt it necessary to offer greater insight into the use of blockchain/distributed ledger technology. 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.

Security and timeliness are always issues when we are transferring large batches of data in the insurance ecosystem. I am not aware of any current insurance verification system that could produce insurance data on a more frequent basis than perhaps monthly but more probably quarterly.

A blockchain or distributed ledger technology platform essentially allow 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 every leaving its secure environment.

The illustration above is not theory, AAIS has developed this type of technology for insurance data reporting and we have worked closely with Commissioner Godfreed as well as other insurance regulators and companies like Travelers and Hartford to create the first Insurance Regulatory reporting through blockchain.

I personally sit on Florida's Blockchain Task Force and have presented information as well as sat through hours of testimony on the topic. It's a difficult and complex technology to explain in a short letter. I am not a technologist; I am an attorney and former insurance regulator in Florida. While I have seen enough through our own development to understand the technology better, I offer you the observation that I don't need to understand every nuance and you don't either. However, what is important is, once we recognize and accept the greater strategy of making data work for us and not us working for the data, we will embrace it.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "R S Westcott", with a long horizontal flourish extending to the right.

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