

Insurance



The insurance industry is urging to bring the digital transformation to the next level in the light of users' increased expectation, escalated competition environment, complex compliance requirements, more sophisticated fraudulent claim cases, fragmented data sources, and complicated liability assessments. Thanks to Distributed Ledger Technology's (DLT) "system of truth" property, by applying DLT to various insurance applications, we are able to support secure data recording, streamlined workflows, and enhanced privacy assurance.

The industry problem

In 2016, the Hong Kong Police Force uncovered a motor insurance fraud case in which over 1,000 forged motor cover notes were issued to unsuspecting members of the public, leading to more than 700 victims.

In response to this, the Hong Kong Transport Department, Police Force, Insurance Authority and HKFI discussed the underlying issues of how the fraud was carried out. They determined that with no easy ways for car owners to verify the authenticity of their insurance documents, coupled with no effective means for facilitating authenticity checks, the issue could be fabricated in a repetitive way.

Enhancing speed, security and customer experience in motor insurance authentication processing with DLT

CryptoBLK, together with the Hong Kong Federation of Insurers (HKFI), has released an industry-wide motor insurance authentication system that harnesses DLT to ensure the authenticity of motor insurance documents and fight against fraudulent cases.

The system, known as **Motor Insurance DLT-based Authentication System (MIDAS)**, allows multiple stakeholders, such as insurers, brokers, policyholders and government departments, to authenticate the motor insurance policy status instantly on the same platform and spot the fraudulent behaviour.



Redefining motor insurance authentication with DLT

MIDAS is designed to serve all the motor insurance companies in Hong Kong, the Hong Kong Transport Department, and the general public, adding greater security, accountability, transparency, and representing a major milestone in the digitization efforts of the Hong Kong insurance industry.

Built on R3's Corda, MIDAS inherits the significant advantages of the platform providing data segregation, peer-to-peer layer, and data privatization, together with an intelligent design by CryptoBLK at hash-based message authentication code (HMAC), offering absolute privacy protection for both car owners and insurers without personal identifiable information (PII) resided on the DLT.

About CryptoBLK

CryptoBLK is an enterprise DLT/blockchain technology company with an extensive track record in DLT, specializing in trade finance, insurance, and cross-border payment and settlement.

We deliver secure, sustainable, and comprehensive enterprise DLT solutions, which promote digital transformation, streamlined processes, and increased efficiency for businesses and industries.

"MIDAS is the first ever industry-wide application of blockchain technology in Asia's motor insurance industry. This is a perfect instance of how Public-Private Partnerships can thrive, and in this case, to solve the issue of fake cover notes in our insurance market."

*Mr Philip Kwan, former Chairman
HKFI's Accident Insurance Association*

What benefits MIDAS can bring?

Fraud Detection

- *Multi-stakeholder review allowing better predict fraudulent activities*
- *Immutable ledger creating a clear audit trail of insurance document records*
- *Pre-determined algorithms ensuring fraud is detected objectively*

Privacy by Design

- *Data segregation without personal information stored on the DLT network*
- *Hash function ensuring data resilience while maintaining confidentiality*
- *Automated compliance with local personal data protection regulations*

Simplified and Automatic Process

- *Streamlined workflows lowering manhours needed*
- *Automatic sharing of standardized data through smart contracts*

Enhanced Customer Experience

- *QR codes design providing easy access to authentication process*
- *Real time verification reducing time lag across the network*

Looking forward

Accelerating motor insurance digitization across the value chain

As MIDAS' motor insurance authentication solution moves into production, CryptoBLK targets to go further and deeper, with an aim to provision the digitization of documents for the insurance industry. CryptoBLK is exploring the opportunity to digitize policy documents from document generation, sharing to authentication, all carried out and supported on one single trusted DLT platform. This gives high efficiency, security and trust to insurers, policy holders and government departments with just a few clicks to complete the entire verification process.

Overcoming double-dipping fraud

MIDAS is highly extensible due to its modular design. CryptoBLK is working with industry partners to enhance MIDAS so that it can tackle more concrete business problems, one of such is the double-dipping fraud.

Our partner R3 has proposed a real-time double-dipping claim verification on Corda, using the concept of notaries, which are specialized nodes that the parties can designate to validate the transaction and thus prevent double spend. The other nodes on the network cannot see any details of the transaction, which helps maintain privacy. Compared with the legacy solution, the proposed solution brings benefits such as improved efficiency, data resilience while maintaining confidentiality, quicker investigation process, and reduces fraud loss.

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