RiskStream Collaborative

Surety Bonds Blockchain Summit

December 1, 2021

The Institutes
RiskStream Collaborative™

Antitrust Statement

The following guidelines are provided to assist you in complying with the antitrust laws as you participate in any activities and meetings of The Institutes RiskStream Collaborative. Congress and the state legislatures have enacted antitrust laws to encourage competition among businesses. These laws forbid agreements among competitors in the marketplace which restrict a company's freedom to make independent decisions in matters affecting competition.

Representatives of insurance companies may freely recommend and take coordinated action on matters relating to state and federal legislation, either to support or oppose such proposals. For example, legitimate topics of discussion at a meeting may include an industry position on legislative issues, methods for lobbying and testimony or meetings with state legislators, regulators or non-insurance groups to pursue these objectives. Representatives of insurance companies can also discuss non-legislative subjects, such as technology, research and methodology.

However, representatives and other participants in RiskStream Collaborative activities and meetings must still remember that their respective companies may be competitors in the marketplace, and they must exercise care in discussing non-legislative subjects, as even innocuous discussions could later be misinterpreted as illegal collusion among the companies. The main rule of thumb for representatives and other participants in RiskStream Collaborative activities and meetings is to remember that they should not discuss, formally or informally, any matters relating to individual company rates, underwriting, coverages or marketing by way of their discussions about blockchain transactions and activities. That is, information can be exchanged on a wide variety of subjects, but if the exchange relates to the future competitive behavior of an individual company or will affect the independent business decisions of companies that are meeting, such information exchanges should be avoided. The best advice to representatives and other participants in RiskStream Collaborative activities and meetings is to stay within the formal agenda and to avoid any informal or formal discussion relating to specific company plans.

Welcome & Introductions

Thank you!

ICISA

PROFESSIONALS IN SURETY BONDING
NASBP
EST. 1942

SURETY ASSOCIATION OF CANADA
YOUR BONDING RESOURCE

PASA APF
Asociación Panamericana de Fianzas
Panamerican Surety Association

SFAA
THE SURETY & FIDELITY ASSOCIATION OF AMERICA

Agenda

Agenda

- Goal of Summit
- RiskStream Collaborative & RiskStream Labs Overview
- Overview of the Surety Bond Initiative
- Problem Statement
- Surety Bond Business Process Flows and Pain Points
- The Potential for a Blockchain Solution
- Next Steps | Timeline for Engagement
- Q & A

Goal of Summit

Goal of Summit

Summit Goal

Running in parallel to the Surety Bond Power of Attorney Verification Phase 2 Lab, this Summit kicks off the ***next phase of the continuing journey to a global solution to facilitate, promote and expand digital bonding.***

The goal of today's session is to:

- ✓ Define a high-level problem statement related to the current process that this Lab will help solve for
- ✓ Verify all key stakeholders in the process
- ✓ Identify pain points related to the existing bond execution and delivery process
- ✓ Business process flows and areas where there are opportunities for blockchain

RiskStream Collaborative & RiskStream Labs Overview

The Institutes RiskStream Collaborative

The Institutes RiskStream Collaborative is creating an insurance-oriented ecosystem by leveraging a scalable, enterprise-level blockchain network, streamlining the flow and verification of data required for commonly shared business processes across carriers, producers, and reinsurers.

Members & Consortium Participant Categories as of Close of 2020:

30+, P&C and L&A Members*:* Carriers, Producers & Reinsurers

Educational Series
- Non-Fungible Tokens

Labs
- First Notice of Loss Data Sharing
- Surety Bond
- Certificate of Insurance
- Reinsurance Bordereaux Reporting
- Mortality Monitor
- Licensing & Appointments

Summits
- Chief Claims Officers for FNOL
- Chief Executive Officers for FNOL
- Licensing & Appointment
- Mortality Monitor
- State Insurance Verification
- Surety

Research
- Mortality Monitor Viability Study

Webinars
- AAIS
- AIPCA
- Amazon Web Services
- CPCU Society
- Future of Risk
- Hyperledger Global Forum
- IIABA/ACT
- Insurance Thought Leadership
- Kaleido
- National Conference of State Legislature
- Society for Insurance Research

RiskStream Participant Categories & Ecosystem

Providers

a. Consultants
b. Software Devs.
c. Platforms
d. TPAs
e. Analytics
f. Startups/InsurTechs

Non-Profits

a. Associations
b. Academia
c. Consortia

The Institutes
RiskStream Collaborative™

Members

a. Carriers
b. Producers
c. Reinsurers

Collaborators

a. Legal Entities
b. Banks
c. Energy Companies
d. Obligees/Beneficiaries
e. Other

Civics

a. Regulators
b. Governments

RiskStream Labs: Surety Bonds

The Institutes
RiskStream Collaborative™

LABS

Providers

a. Consultants
b. Software Devs.
c. Platforms
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Members

a. Carriers
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Collaborators

a. Legal Entities
b. Banks
c. Energy Companies
d. Principals
e. Beneficiaries/Obligees
f. Other

Civics

a. Regulators
b. Governments

The Institutes RiskStream Labs Process

Summit

Summit

Open stakeholder invite to discuss potential use case and determine interest in a Phase 1 Lab

Labs Process

AB Decision to proceed

Phase 1

Open stakeholder invite, low-frequency working groups

Stakeholder Decision: Cost-coverage PoC

Phase 2

Build PoC with Solution Provider

AB Decision to proceed

Phase 3

After PoC, consider production build

Phase 1

Session 1

Collaborate

- Provide an introduction & overview on RiskStream Labs
- Present Goals & Timeline for Lab Phase 1
- Explain blockchain/DLT capabilities & business benefits for the use case
- Overview of the use Case, key stakeholders & problem statements
- Review current business process and discuss pain points & opportunities

Session 2

Assess

- Review and assess straw-man PoC (new workflows)
- Identify opportunities to enhance efficiencies in the new workflow utilizing blockchain/DLT
- Define value proposition of new process
- Define potential business model benefits/revenue
- Business video concept & planning (optional)

Session 3

Decide

- Present Business Video (optional)
- Review all content created from concept proposal, the benefits to business/revenue model
- Review vendor selection process, associated costs for Labs Phase 2 & share cost options
- Discuss the process and estimated timelines for the decision to move ahead to Phase 2

The Institutes RiskStream Labs

1. Low resource requirements
2. Low cost PoC
3. Rapid PoC implementation
4. Rapid results

Overview of the Surety Bond Initiative

Surety Bonds | Use Cases Across Entire Insurance Value Chain

*Use Case concepts provided to RiskStream during RiskStream Roundtable discussions with associations and industry players on Surety Bonds

Products, Pricing & Distribution	Underwriting & Risk Management	Policyholder Acquisition & Servicing	Claims Management	Finance Payments & Accounting	Regulatory & Compliance
Custom Bonds (Shipping / Payment of Tariffs)	New Policy Applications	Electronic Bonding Delivery (Standardizing)	FNOL Record Sharing Among Parties (Breach of Contract)	Multi-Party Invoicing (Obligee > Contractor > Broker > Surety Co.)	Agent Licensing & Qualification
Bail Bonds	Data Sources for Underwriting (Oracles)	Power of Attorney (Bond Agent)	Determination of Default (Smart Contract)	Collateral Monitoring	Power of Attorney (Verification Process)
Payment Performance Bonds	Reinsurance	Policy Renewals (Bond Renewal & Continuation Certification)	Dispute / Arbitration Process Resolution	Co-Surety Agreements (Co-Insurance)	Validation of Bond
License & Permit Bonds	Financial statements, WIP reports, and workflow	Mid-Term Policy Changes	Subrogation Processing / Indemnification Processing	Financial statements, WIP reports, and workflow	
Bid Bonds	Indemnification Validation	Single Entry Account Information (Billing / Bond / Account information) Customer Portal		Accounting Validation Between Agencies and Carriers	

Data Sharing Key:

Member Types: Carrier, Producer, Reinsurer

Buyer: Principal

Ecosystem Types: Provider, Civic, Non-Profit or Consortium, Collaborator Industry

Surety Bonds Use Case Overview

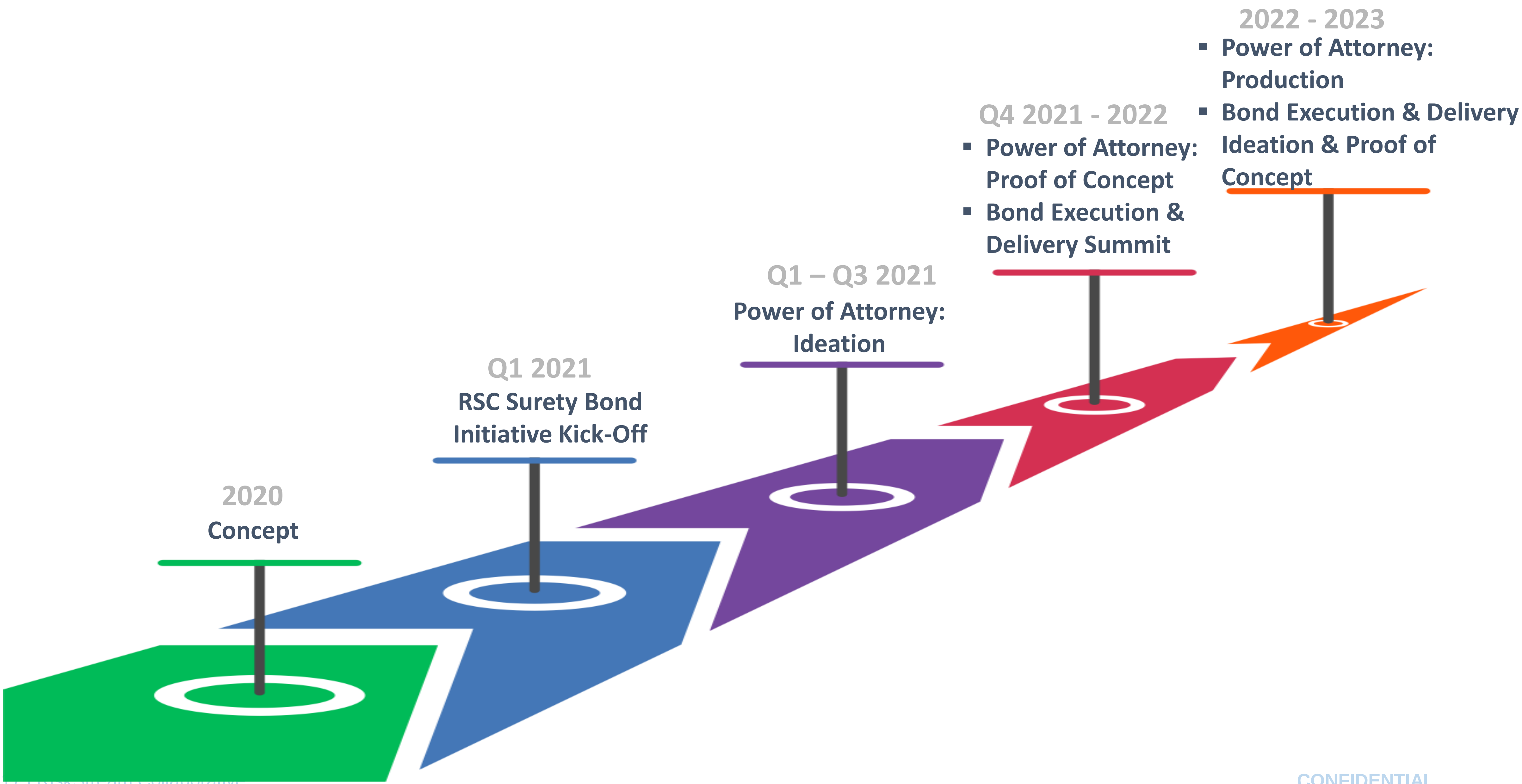
OBJECTIVE:

Revolutionize the Surety industry to **increase efficiency, accelerate digital transformation**, and eliminate redundancies by offering a **single source of truth** for power of attorney

CAPABLITIES:

- Enables **instant notification** across the multi-party channel, eliminating delays and reducing turn-around
- Eliminates duplication of work and **ensures accurate** and shared comprehensive data
- **Optimizes resources** through fewer touchpoints and rework efforts
- Offers a **highly scalable** solution, **securely connected** and **available** to key participants in the POA/ Surety Bond ecosystem.
- Ensures the highest standard of **data privacy and security** through safe**, secure, trusted, and transparent** permission-based technology

Surety Bond Roadmap



Defining the Problem

Problem Statement | Draft

The current process of executing and delivering a surety bond is expensive, time consuming, inefficient, and still largely a paper process. Although executing surety bonds electronically is not a new practice,

* Beneficiaries (obligees), principals, agents/brokers, and sureties are increasingly using different bonding systems of their choice, but this often requires other stakeholders to subscribe to and work within those systems as well, without having a choice.

* The increasing number of disparate stakeholder systems involved creates an interoperability issue, duplicated work, and an increased risk of error.

* Additionally, the Bond execution processes across the globe have various specificities.

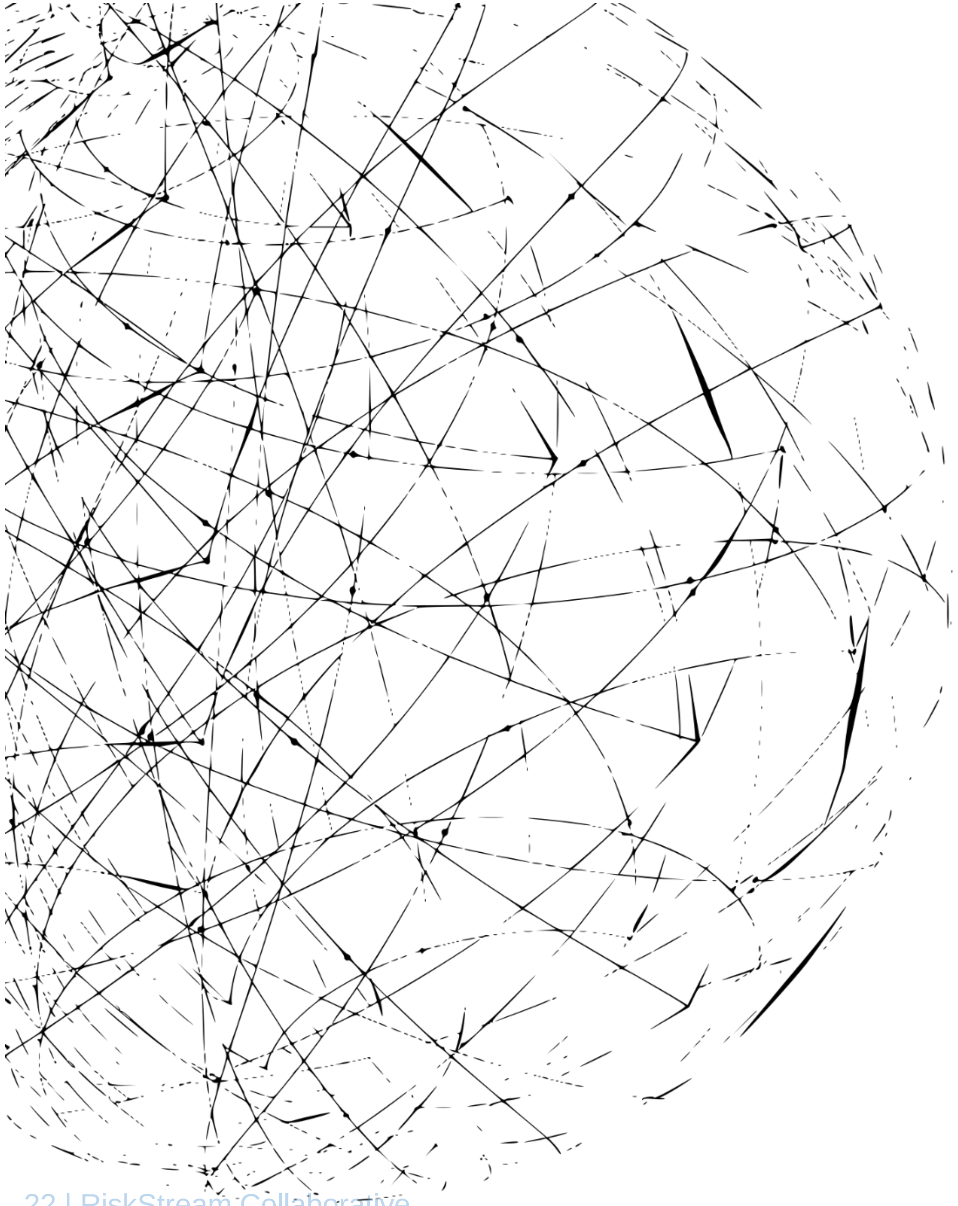
The lack of a highly scalable, universal solution that is securely connected to other stakeholders exacerabes operational efficiency gains, accuracy, security and trust.

Key Surety Bond Stakeholders

Surety Bond Personas | Working Draft

Persona	Role & Responsibility
Surety	• Grants authority to Brokers/Agents and/or employees who are authorized to sign bonds • Must register, maintain and verify employees and agents/brokers who they've authorized to issue & sign bonds on their behalf • Files Power of Attorney • Provide the validation of Bond with Beneficiary/Obligee
Agent/Brokers	• Must have Power of Attorney from the Surety Company in order to legally issue and sign bonds on behalf of that Surety • Requests Power of Attorney authority from multiple Surety companies • Executes, signs and delivers bond with Power of Attorney to the Principals
Principal	• Requires the bond in order to fulfills the obligation to perform the required work and therefore is the purchaser of the bond • In many jurisdictions, the Principal must sign the bond • Provides the Obligee/Beneficiary with the executed bond (with or without Power of Attorney)
Beneficiary/Obligee	• Entity requiring the Bond as protection in the event the Principal fails to perform and the Surety steps in • Requires a valid bond with Power of Attorney
Chamber of Commerce & Various Jurisdictions	• Registers and files Power of Attorney provided by Sureties • Provides validation of the Power of Attorney on file to Beneficiaries or other interested parties
Solution Providers / Vendors	• Provide the solutions to electronically transact surety bond business

The Surety Global Market



Global market has various processes:

- Asia Pacific
- Canada
- Europe
- Latin America
- USA

Surety Bond Business Process Flows

High-level Surety Bonds Process: Power of Attorney PoC Use Cases

1

Obligee seeks work to be performed
Obligee requires a surety bond as protection to cover financial damages in case the principal (individual or company) fails to live up to it’s obligation to perform the work or supply the goods.

2

Principal / contractor seeks bond coverage
The principal / entity filling the obligation to perform the work requires bond for the benefit of the Obligee. Principal seeks agent/broker for bond coverage.

3

Agent/Broker Requests POA
Request made to Surety company to receive power of attorney so they are authorized to execute and sign bonds on behalf of the surety company.

4

Surety Approves POA Request
Surety receives request and grants POA to Agent/Broker. Notifies Agent/Broker and provides POA forms.

5

Agent/Broker Provides Bond to Principal
Agent/broker executes Surety bond; provides bond with Power of Attorney form to Principal.

6

Principal Provides Bond to Obligee
Principal signs bond and delivers executed bond with Power of Attorney to Obligee.

7

Obligee Validates POA
Obligee validates POA via the global industry blockchain.

Key: DLT Benefit · # Current Scope for POA POC · # Future Functionality · # Out of Scope

Surety Personas:

Policy Owner / Principal · Insurer / Surety · Agent / Broker / Producer · Other Insurers · Other Producers · Collaborators (Obligee / Beneficiary) · Solution providers / Vendors · Regulators

POC Scope

High-level Surety Bonds Process: Use Cases for Bond Execution, Delivery & Validation

1

Beneficiary Seeks Work to be Performed
Beneficiary requires a surety bond as protection to cover financial damages in case the principal (individual or company) fails to live up to it's obligation to perform the service or supply the goods.

2

Principal / Contractor Seeks Bond Coverage
The principal / entity filling the obligation to perform the work requires bond for the benefit of the Beneficiary. Principal seeks agent/broker for bond coverage or goes direct (in direct markets).

3

Agent/Broker/Principal Requests Bond
Request made to Surety company to approve and execute bond for Principal.

4

Surety Registers POA with Applicable Regulator ("The European Model")
Surety grants POA to their employees who are authorized to sign bonds and notifies applicable regulator.

5

Applicable Regulator Accepts and Files the POA ("The European Model")
Once registered and filed, the applicable regulator based on the jurisdiction retains the POA on file and notifies the Surety of acceptance.

6

Surety or Agent/Broker Executes Bond
Provided to principal **with or without** POA attached.

7

Principal Provides Bond to Beneficiary
Principal signs bond (when required) and delivers executed bond to beneficiary.

8

Beneficiary Validates Bond (and POA Optional)
Beneficiary validates the bond via the global industry blockchain. (POA validation already covered in prior use case)

Key: DLT Benefit | # Current Scope POA POC | # Future Functionality | # Out of Scope

Surety Personas:

- Policy Owner / Principal
- Insurer / Surety
- Agent / Broker / Producer
- Other Insurers
- Other Producers
- Collaborators (Obligee / Beneficiary)
- Solution providers / Vendors
- Regulators

Surety Bond Pain Points

Surety Bond Execution | Pain Points

- Multiple handoffs between systems and people increases time, cost, and risks. Still mostly paper.

- Electronic bonding processes have emerged but with a multitude of Obligee, Agent/Broker, and Surety systems. Oftentimes, these are third-party vendor solutions.

- Multiple data sources must be in synch, resulting in duplication of data, high touch, manual rework and potential for errors.

- Challenged with lack of streamlined processes.

- Generally a lack of security, transparency, and trust in the exchange of information.

Bond execution models differ by market:

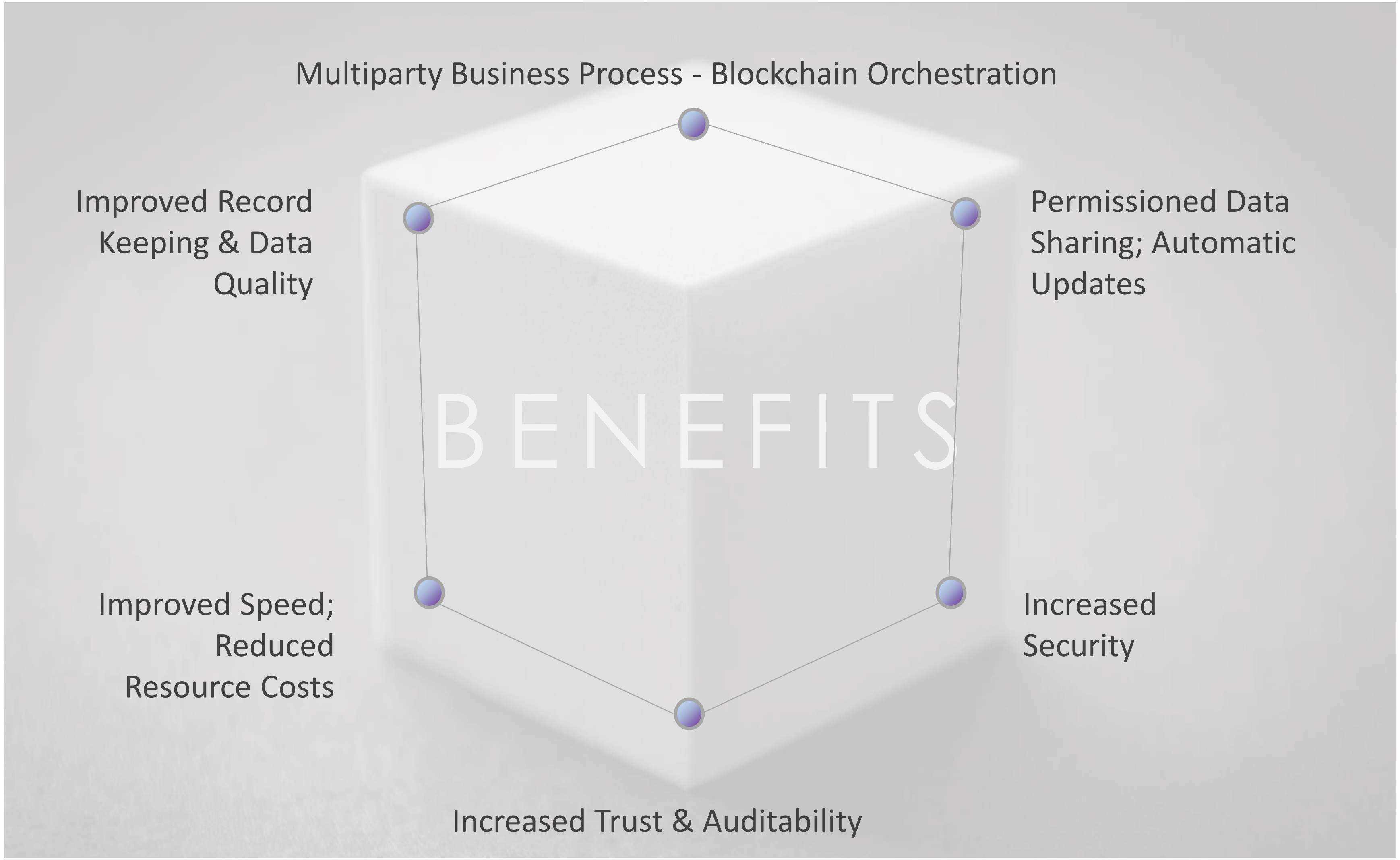
- *Surety executes bonds or Intermediaries execute bonds on surety's behalf*
- *Paper or Electronic*
- *POA attached to the bond or POA filed with Chambers of Commerce as source for validation. In some markets, neither.*
- *Signatures can be "wet", facsimile, or digital*

The Potential for a Blockchain Solution

How Can Blockchain and/or DLT Help?

Pain Points

- High Touch, Manual Processes
- Paper Processing
- Fragmented Data Sources
- Multiple Systems
- Error & Inaccuracy Prone
- Lack of Trust
- Fraud Prone
- Delays
- Lack of Streamlined Processes
- Regulatory Compliance



Next Steps | Timeline for Engagement

Surety Bond Kick-off Summit & Phase I Lab| Working Timeline and Content

We are here

Summit & Phase I Timeline

December 1 – Kick-off Summit
11-12 PM ET

1. Introduction & Overview of RiskStream and RiskStream Labs
2. Overview & History of Surety Project
3. With stakeholders, define problem statement
4. With stakeholders, discuss current business process, pain-points, and opportunities for blockchain
5. Goals & Timeline for Lab Phase 1

January 20 – Session 1
11-12 PM ET

1. Introduction & Overview of RiskStream Labs
2. Overview & History of Project
3. Goals & Timeline for Lab Phase 1
4. Explain blockchain capabilities & business benefits for the Surety market
5. Align on Use Case, Pain-Points, Opportunities
6. Discuss & align on traditional Surety Bond Verification workflows (as is) and what could be (using blockchain)

February 17 – Session 2
11-12 PM ET

1. With stakeholders, identify which parts of the process, if not all, can be improved using blockchain to enhance efficiency
2. With stakeholders, identify and define the value proposition of new process
3. With stakeholders, define potential business model benefits

March 17 – Session 3
11-12 PM ET

1. With stakeholders, review all content created from concept proposal, the benefits to business/revenue model
2. Review vendor selection process, associated costs for Labs Phase 2 & share cost options
3. Present governance model for Lab Phase 2
4. Stakeholders make a go/no-go decision

*Cost coverage payment to move forward

Decision Point
May 2021

Move Forward to Phase 2

Stop or Pivot

Advance to Lab Phase 2 Decision Point

Stakeholders review all content and make a decision to join RiskStream Lab Phase 2 - Roadmap to MVP PoC Build

Requires Cost coverage payment to move forward

Q & A

Thank you!

More information available here:

http://www.theinstitutes.org/blockchain

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