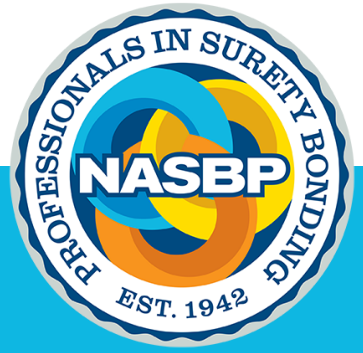
What the HELL is Blockchain and Why do we keep talking about it?!?!?

BETTER TOGETHER

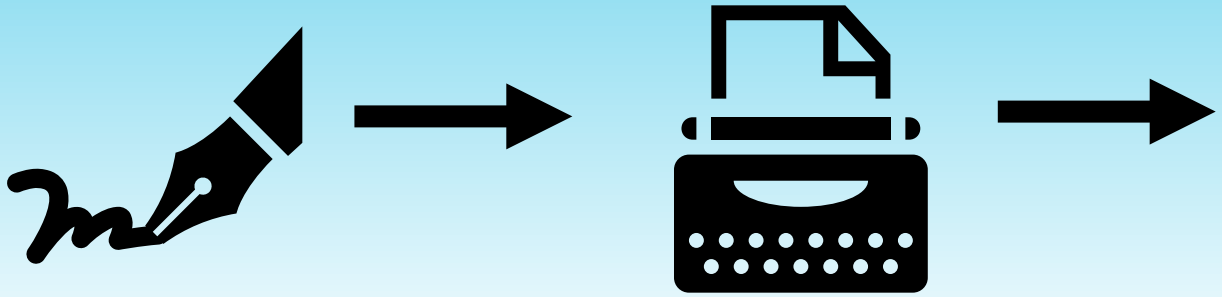
Blockchain does not:

- Match client-surety partners
- Underwrite
- Consult and educate clients on matters affecting their bond program
- Negotiate surety programs
- Review contracts or bond forms



BETTER TOGETHER

Why do we keep talking about it?



Bond No. _____

PERFORMANCE BOND

KNOW ALL MENT BY THESE PRESENTS: That we _____
_____, Principal, and _____, Surety, are held and firmly bound unto _____, Obligee, in the sum of _____ Dollars ($_____) for the payment of which we bind ourselves, our legal representative, successors, and assigned, jointly and severally by these presents.

WHEREAS, Principal has entered into a contract with Obligee, dated _____ _____ for _____
_____
_____
copy of which contract is by reference made a part hereof.

NOW, THEREFORE, if principal shall faithfully perform such contract or shall indemnify and save harmless the Obligee from all cost and damage by reason of Principal's failure so to do, then this obligation shall be null and void; otherwise it shall remain in full force and effect.

Signed, sealed, and dated this _____ day of _____, 2007

_____ (Seal)
(Principal)

By _____

_____
(Surety)

By _____
Attorney-in-Fact

PDF

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BETTER TOGETHER

What is Blockchain?

A blockchain is a database that stores encrypted blocks of data then chains them together to form a chronological single-source-of-truth for the data.

Digital assets are distributed instead of copied or transferred, creating an immutable record of an asset – changes can't be made.

What is Blockchain?

The “block” of data is decentralized, allowing full real-time access and transparency to the public

A transparent ledger of changes preserves integrity of the document, which creates trust in the asset.

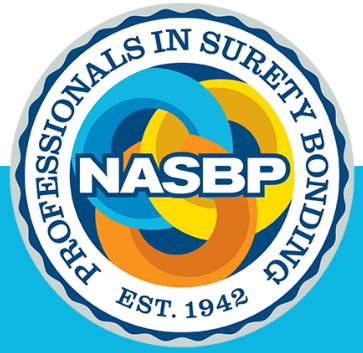
Like Google Docs

When a Google doc is created and shared with a group of people, the document is distributed instead of copied or transferred. This creates a decentralized distribution chain so everyone can access the document at the same time. No one is locked out while someone else is making changes – all changes are being recorded in real-time, making changes completely transparent.

What is an NFT?

Non-fungible tokens (NFTs) are assets on a blockchain with unique identification codes and metadata that distinguish them from each other.

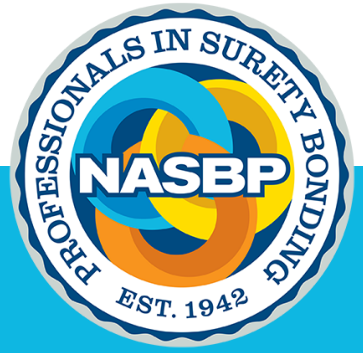
They cannot be traded or exchanged like cryptocurrencies, which are identical to each other and, therefore, can serve as a medium for commercial transactions.



Why do we keep talking about it?

- Transparent
- Highly Secure
- Efficiency and cost savings
- Easy validation

- Not having to sync multiple systems
- Immediate confirmation of execution and use
- Supports remote work environment



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London STOCK EXCHANGE

EURONEXT

EURONEXT PARIS

The American Stock Exchange®
An NASD Company

MILA
MERCADO INTEGRADO LATINOAMERICANO

NYSE
New York Stock Exchange

HKE
HKEx
香港交易所

Nasdaq

TMX | Toronto Stock Exchange

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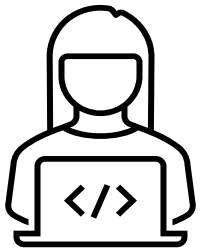

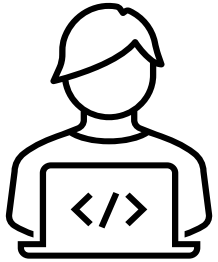

Bond No. _____

PERFORMANCE BOND

KNOW ALL MENT BY THESE PRESENTS: That we _____ _____, Principal, and _____, Surety, are held and firmly bound unto _____, Obligee, in the sum of _____ Dollars ($_____) for the payment of which we bind ourselves, our legal representative, successors, and assigned, jointly and severally by these presents.

WHEREAS, Principal has entered into a contract with Obligee, dated _____ _____ for _____ _____ _____

copy of which contract is by reference made a part hereof.

NOW, THEREFORE, if principal shall faithfully perform such contract or shall indemnify and save harmless the Obligee from all cost and damage by reason of Principal's failure so to do, then this obligation shall be null and void; otherwise it shall remain in full force and effect.

Signed, sealed, and dated this _____ day of _____, 2007

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(Principal)

By _____

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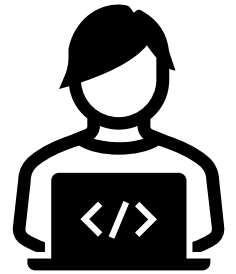
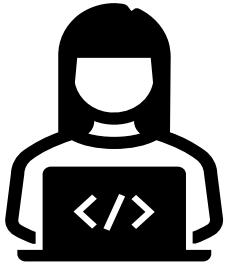
(Surety)

By _____
Attorney-in-Fact





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Global Surety Industry Blockchain Initiative

ICISA

PASA APF
Asociación Panamericana de Fianzas
Panamerican Surety Association

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SURETY ASSOCIATION OF CANADA
YOUR BONDING RESOURCE

SFAA
THE SURETY & FIDELITY ASSOCIATION OF AMERICA

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Global Surety Industry Blockchain Initiative

The Institutes®

The Institutes RiskStream Collaborative was created by **The Institutes**, a non-profit, 100+ year-old organization that provides educational support, resources and leading research to help those in risk management and insurance better serve the public.

The Institutes®
RiskStream Collaborative

The Institutes RiskStream™ Collaborative aims to create an ecosystem within the risk management and insurance industry that leverages a scalable, enterprise-level blockchain/digital ledger technology framework to streamline the flow and verification of data in order to lower operating costs, drive efficiency from improved processes, and enhance the customer experience

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RiskStream Members & Participants

P&C Members
- Carriers
- Reinsurers
- Producers

L&A Members
- Carriers
- Reinsurers
- Producers

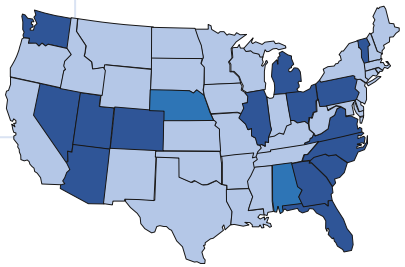
Non-Profits
- Associations
- Consortia
- Academia

Providers
- Builders
- Connectors
- Enablers

Civics
- Regulators
- DOI
- Government

Collaborators
Non-insurance entities that work with the insurance industry

…Program to be announced soon



*As of 2020

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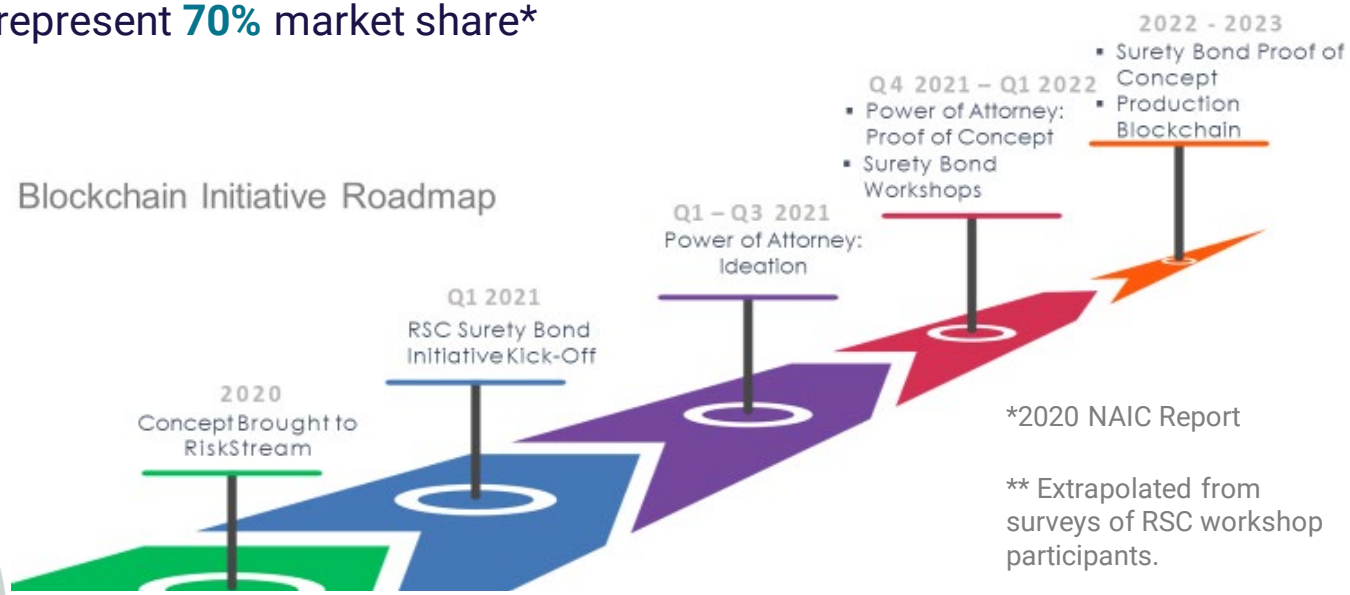
Global Surety Industry Blockchain Initiative

Industry Support & Engagement

+170 Global organizations participating

- **63** Sureties
- **5** Reinsurers
- **83** Agencies/Brokerages
- **8** Industry Associations
- System Vendors, CPAs, Universities and the SBA

27 Organizations funding and participating in the Power of Attorney proof-of-concept represent **70%** market share*



*2020 NAIC Report

** Extrapolated from surveys of RSC workshop participants.

Estimated Industry Averages (USD)

5M+ Bonds/Yr.**

95% issued on paper

- $20 to execute
- $10 to deliver
- 2 days to deliver

5% issued digitally

- $8 to execute
- $2 to deliver
- Immediate delivery

Potential Opportunity

- **$95M+** annual cost savings

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RiskStream Surety Steering Committee

- Purpose: To steer surety industry use cases and make recommendations to RiskStream Collaborative's P&C Advisory Committee.
- Activities include but not be limited to:
    - Solution provider engagement
    - Obligee engagement
    - Timing for construction
    - Funding models
    - Legal & regulatory requirements.

Current Members To-Date
Chubb
Cincinnati Insurance
EMC
Everest Re
ICISA
Intact
Liberty Mutual
Marsh
NASBP
Nationwide
SFAA
The Hartford
Travelers
W.R. Berkely

How It Will Work

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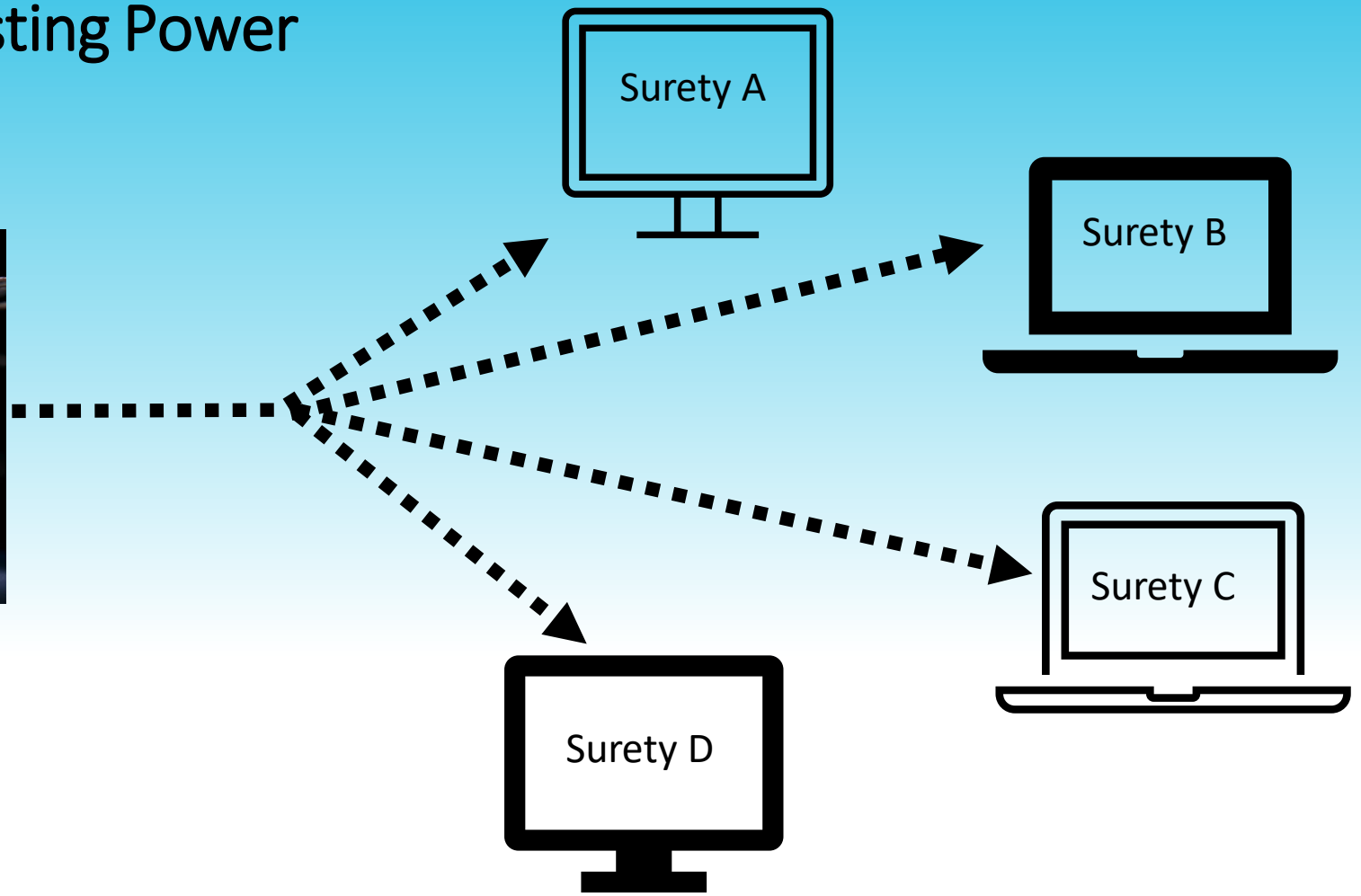
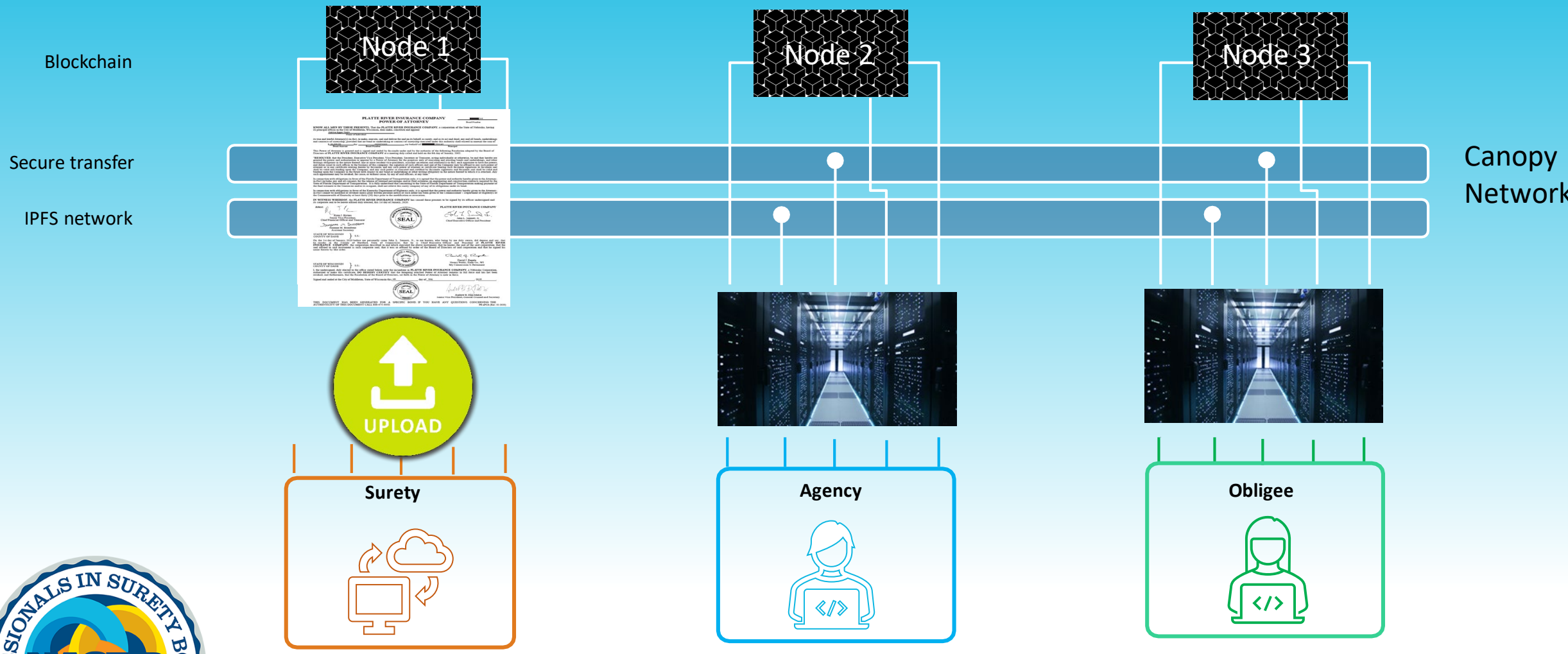
Agent or Broker Requesting Power Of Attorney



Surety's Response to Agent/Broker Requesting Power Of Attorney



BETTER TOGETHER

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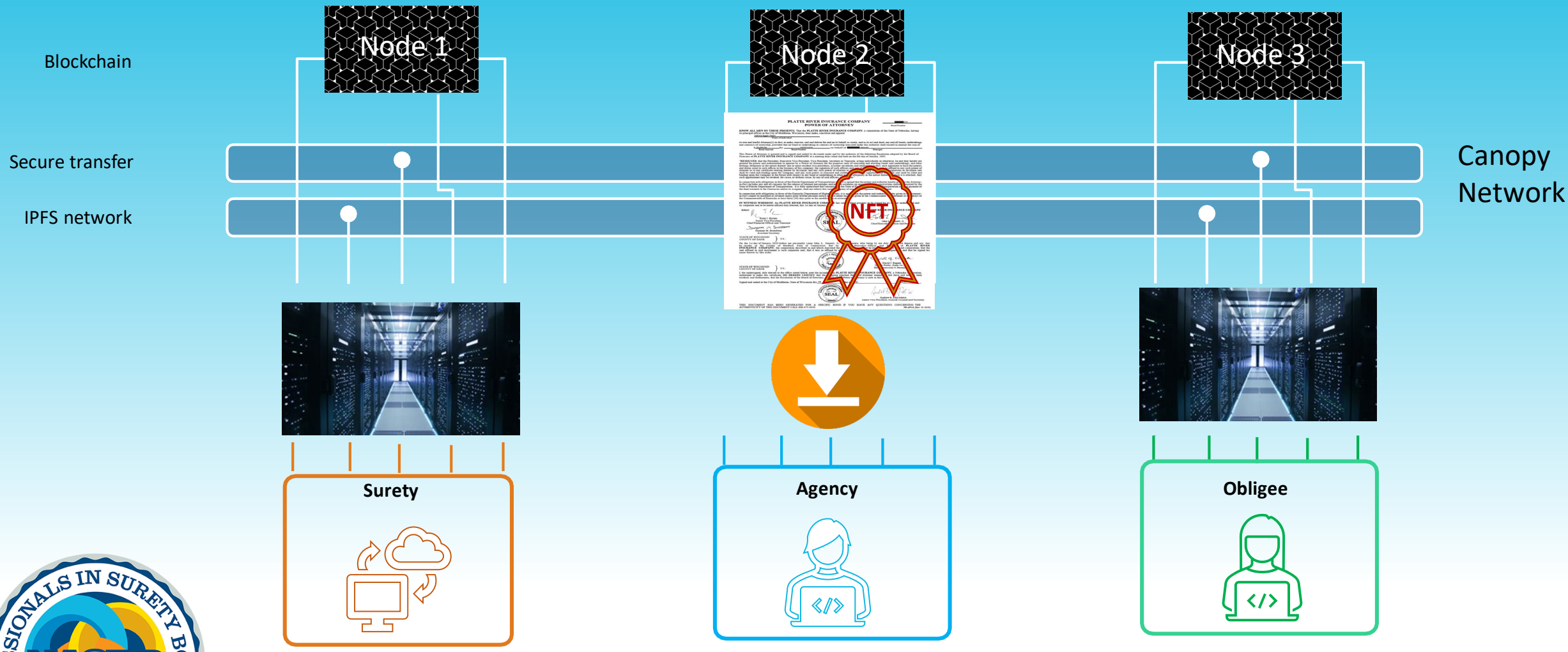

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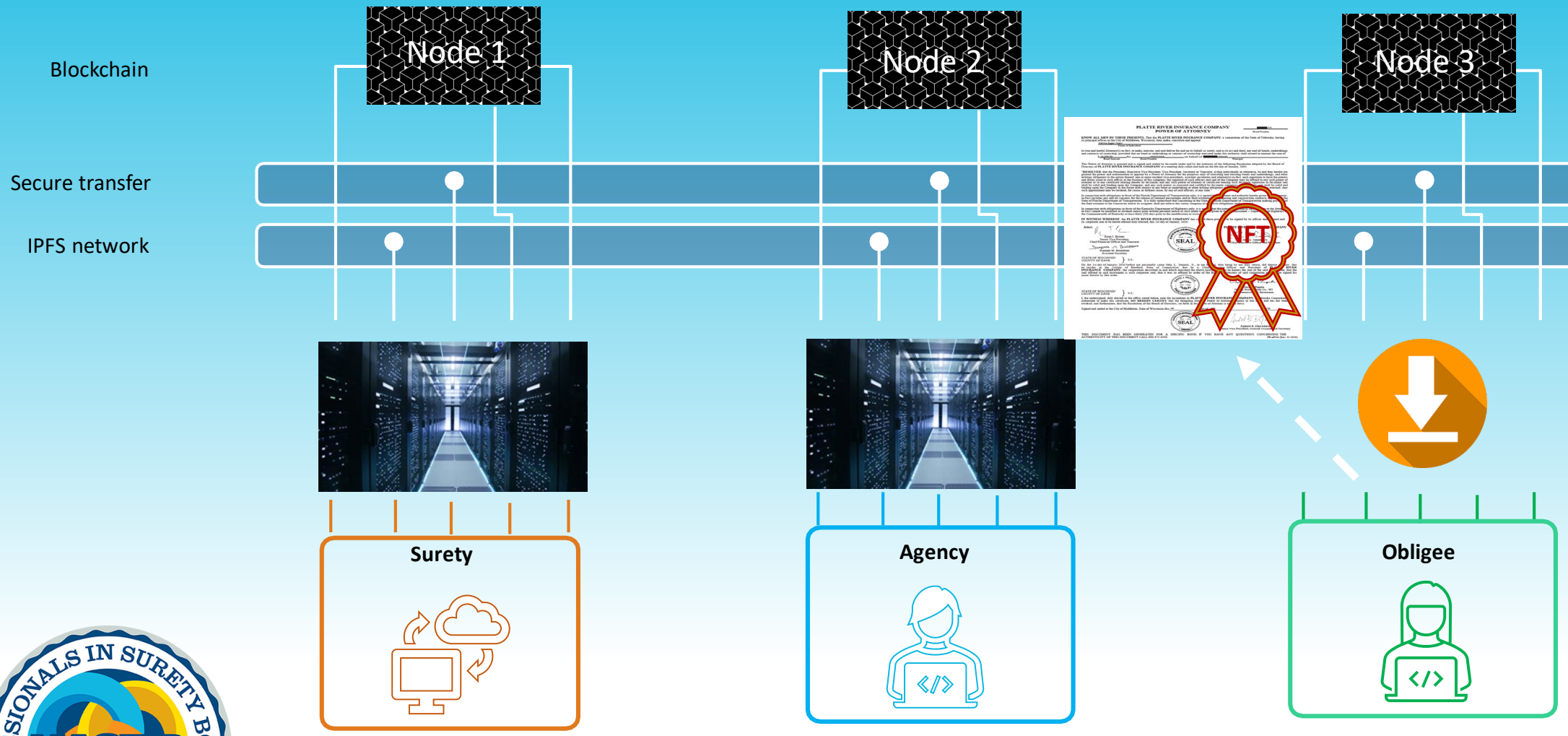
Obligee Verification: Power of Attorney



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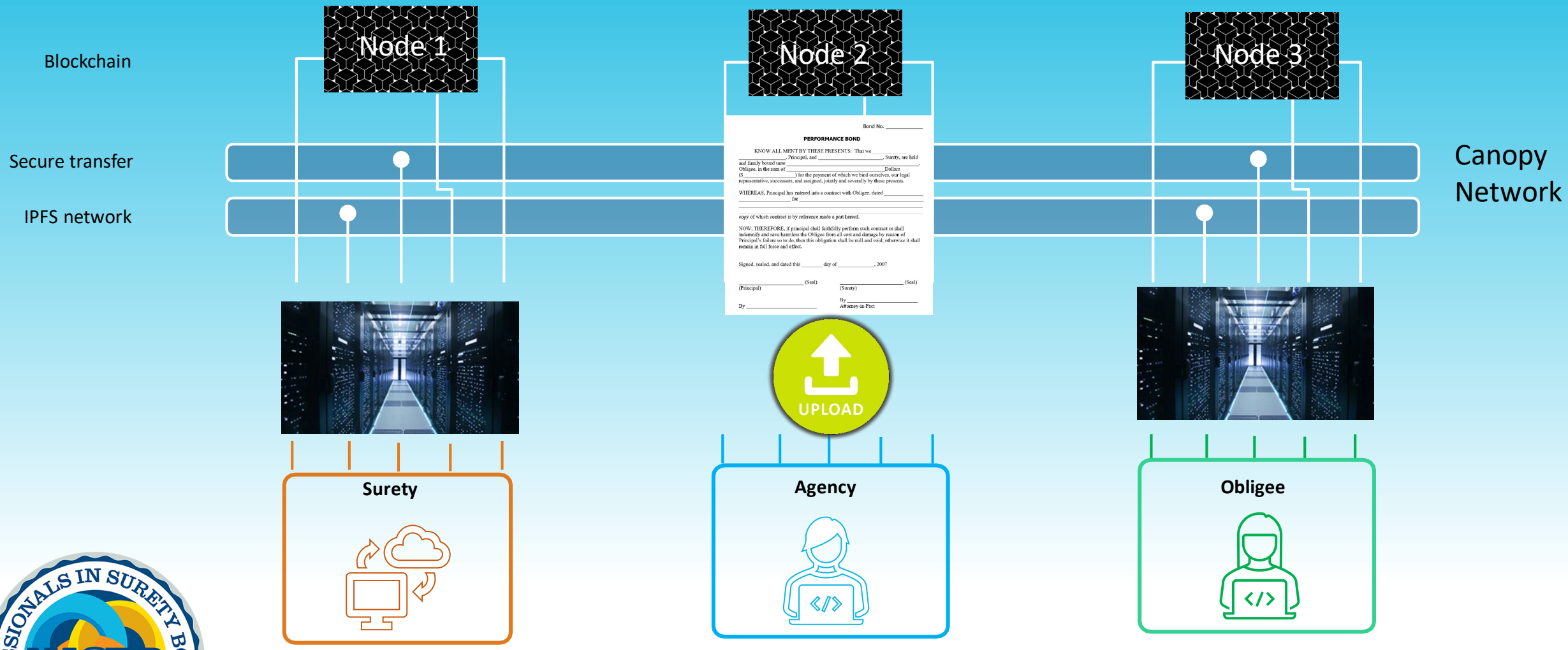
Agent or Broker Executes Surety Bond



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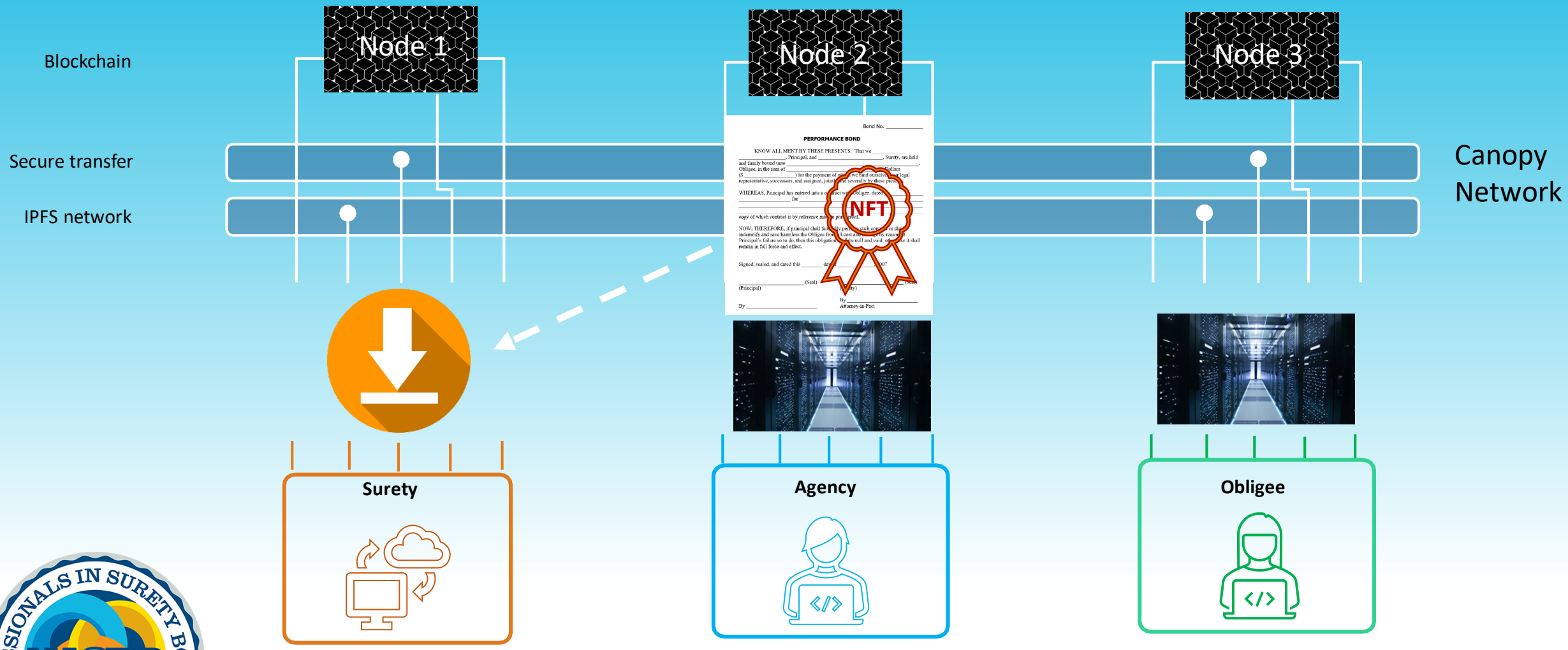
Surety Notified of Executed Bond



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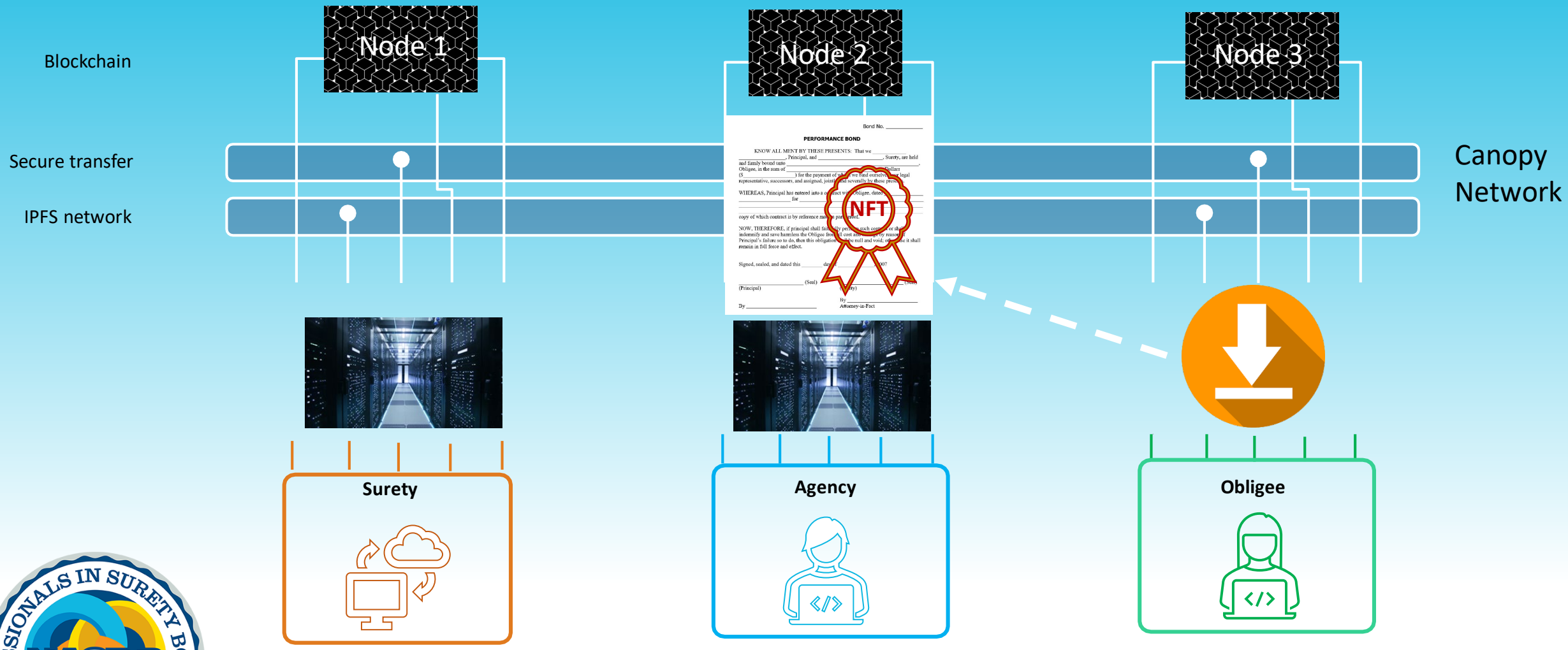
Obligee Verifies Executed Bond With Their System



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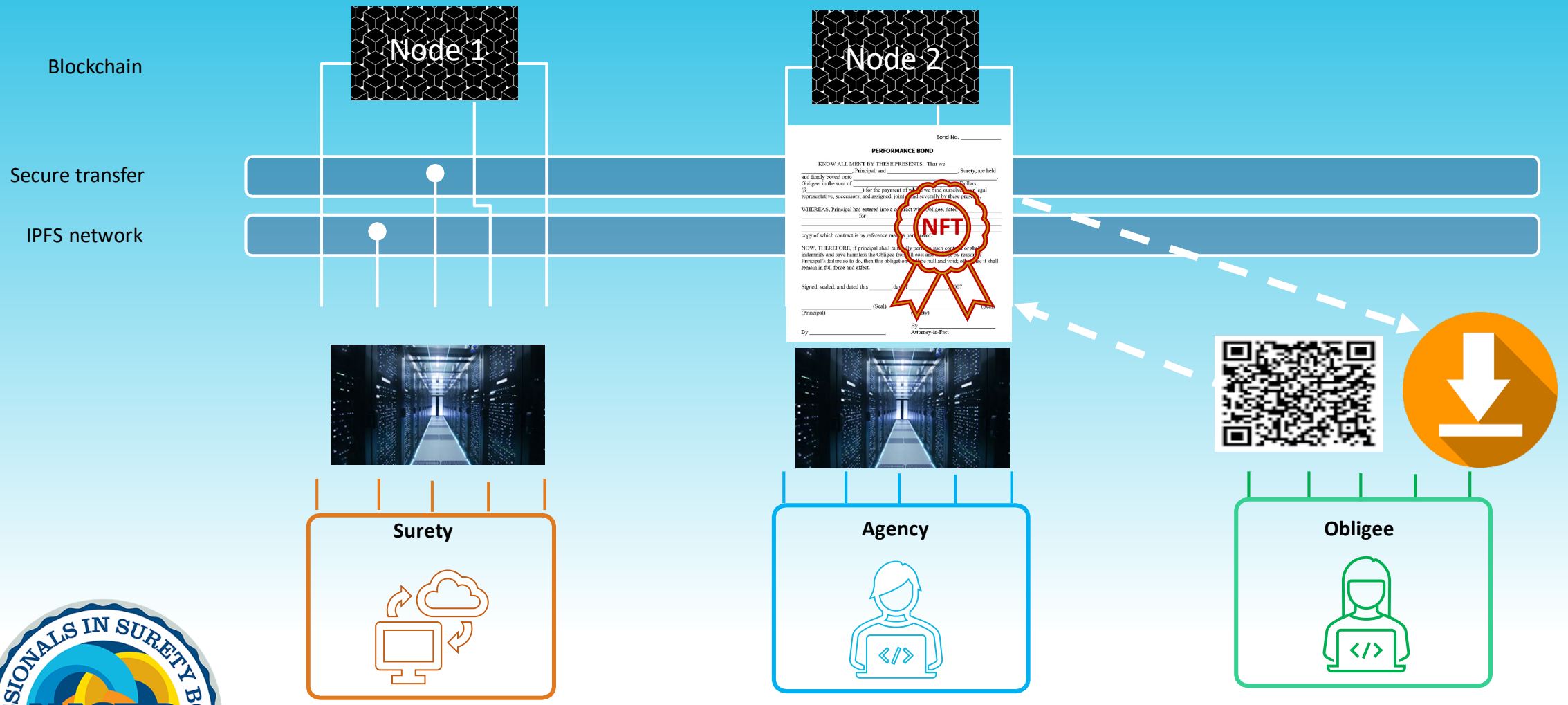
Obligee Verifies Executed Bond With QR Code or D-App



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Value Proposition

Not replacing existing systems; solution will integrate into your existing environment

Integrate once and be able to connect with all participants of the business network

Shared single source of data, where data is decentralized

Secure, private permissioned data exchange

Sensitive data stored off chain

Transparency, immutability traceability “audit trail”

Standardization

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Next Steps

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Surety Bond Validation Proof of Concept (POC)
Proposed Design & Scope

The proposed POC Scope includes the following areas:

- Sending the surety bond after its issued via the blockchain to the appropriate stakeholder
- Demonstrating various stakeholders' delivery workflow
- Including an option to attach the Power of Attorney to the surety bond
- Notifying the applicable stakeholders of any changes or updates made to the surety bond throughout the process
- Validating the bond and its signatures via the blockchain

Lab Phase 2 | Projected Working Group Timeline (Subject to Change)

Advance to Lab Phase 2

Launch

Stakeholders review all content and decide to join RiskStream Lab Phase 2 - Roadmap to MVP* - PoC Build

Requires Cost coverage payment to move forward

Phase 2 - Bond Verification Proof of Concept

June (1 mtg/month)
1. Review and refine workflows with each unique persona
2. Define requirements
3. Define Data Fields

July (2 mtgs/month)
1. Refine & sign-off on POC requirements
2. Review and refine stakeholder value proposition

August (2 mtgs/month)
1. Build & Adoption POC
2. User Acceptance Test Plan

September (2 mtgs/month)
1. POC Access
2. UAT Testing
3. POC Release / Delivery / Sign-off

Advance to MVP Production Build

Decision Point

Advisory Board decision to advance towards MVP - Build

Requires membership and Cost coverage payment to move forward

*Minimal Viable Product

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Are you interested

in engaging??

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Taking the Next Step: Surety Bond Validation POC

INFLUENCE

INNOVATE

LEARN

Duration & Resource Commitment for POC Lab

- Estimated 8 virtual sessions over a 4-month timeframe
- Participation consists of attending bi-weekly, one-hour working group sessions to develop requirements for the proof of concept (2 hours per month)
    - Resource: Ideally business SME who can assist in the design of the POC
    - Sub-working group sessions for requirement gathering (as needed)
- Mock systems, UI, and dummy data are used to visualize and test the POC.
    - Since the POC will not require access to existing systems or data, IT resources at the discretion of the organization
    - Opportunities to participate in deep-dive tech sessions

Next Step: Proof of Concept – Bond Phase Strawman Cost

Member & Associate Member Types

RiskStream Members	Phase 2 Estimated Cost*
Sureties / Carriers / Reinsurers	Up to $2,500 max
Large Broker Distributors	Up to $1,000 max
Agents	No Cost to signed members

RiskStream Associate Members	Phase 2 Range Estimated Cost*
Non-Profits / Associations / Gov. Entities	No Cost
Solution Providers / Collaborators	Up to $2,500 max

Non-Members & Non-Associate Members

RiskStream Non-Members	Phase 2 Estimated Cost*
Sureties / Carriers / Reinsurers	Up to $8,000 max
Large Broker Distributors	Up to $6,000 max
Agents	Up to $500 max

RiskStream Non-Associate Members	Phase 2 Estimated Cost*
Non-Profits / Associations / Gov	No Cost
Providers / Collaborators	Up to $8,000 max

* The more participants, the potential to lower the cost per participant. Responses requested by May 16, 2022.

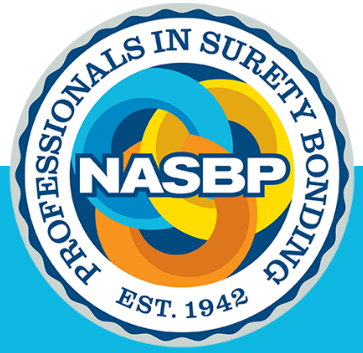
What's Next?

- Finalize pricing based on participation
  - Need engagement interest by ***Friday, May 13, 2022***
- Agreements & Invoicing to Begin **– *Late May 2022***
- Communications on Launch Date will take place **May – June 2022**
- Onboarding for Surety Bond Verification POC Phase 2
  - **Target launch late June**

More information available here:

http://www.theinstitutes.org/blockchain

Sandy Hampel: Hampel@theinstitutes.org



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Questions?

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