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# The Metaverse And The Insurance Industry: Three Tips For Managing Technological Changes



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The metaverse generally refers to a network of virtual, augmented and digital realities (including anything from VR environments to video games to digital marketplaces). It's quickly bridging digital and physical spaces as more companies develop ways to interact, sell products, provide entertainment and earn revenue through these virtual realms.

It's no surprise that businesses across sectors are paying close attention. As virtual economies and more transactions are made via cryptocurrencies and non-fungible tokens (NFTs) than ever, financial players are forced to ask: How does this new frontier shift the way we regard the economy and financial best practices? For insurers specifically, how does the metaverse complicate and change the way we approach risk and investment portfolios, as investments increasingly occur both in the physical and virtual worlds?

Let's talk about some new approaches in the insurance space for this technological development.

## Insurance companies can be early adopters of metaverse technologies. Where to start?

When dealing with a concept as broad as the metaverse, it can be hard to know where to start. Many of the technologies that define the metaverse are already familiar to us—VR technologies and digital twins, for instance, have become increasingly common across industries. Chances are, insurers won't become metaverse-literate overnight. Nor will

they need to. But they *should* be thinking proactively about how the influx of metaverse technologies and practices could influence all facets of their businesses.

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Starting now in the following areas could give you a nice leg up on the competition when these practices soon become table stakes:

### 1. Use virtual technologies to train and upskill insurers.

Early adopters in the insurance space have already begun upskilling their workforce using AR/VR technologies. It makes sense: Insurers have to deal with stressful, high-stakes claims (say, in the aftermath of a terrible flood, sending claims adjusters to a damaged property). In everyday life, training scenarios wouldn't involve actual visits to these sites of devastation. But in the virtual spaces made possible by AR/VR technologies, training environments become much more "real."



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The potential to harness these simulations alone could be a game-changer for insurers and could be the difference between a prepared workforce and an unprepared one (especially as climate disasters, pandemics and other catastrophes continue to put stress on insurers). As the metaverse matures, we can expect to see more insurance companies training their workforce in a controlled environment.

### 2. Insure products and spaces unique to the metaverse.

The metaverse is filled with opportunities for insurers—from digital avatars to blockchain-based tokens; there are more items, currencies and products than ever that may require insurance. Take, for instance, highly successful VR avatars, who may have a fandom and online following and may help their users accrue digital currencies in a video game environment. These avatars may be the result of great personal expense on behalf

of the user, who has purchased items such as virtual clothing, accessories and capabilities to build their avatar into its current state.

What happens if an avatar glitches or is injured within the virtual simulation—does the user lose their investments? Or can they insure virtual lives upfront to avoid losing their investment? We are only beginning to scratch the surface of risks and damages specific to metaverse environments and "individuals," and protocols around digital assets are still catching up. Establishing processes and policies around these metaverse-specific products and risks can be key for insurers looking to stay ahead of these dramatic shifts.

### **3. Create trustworthy touchpoints across both virtual and in-person environments.**

Customer touchpoints are always changing—the internet, new apps and Covid-19 have all spurred major shifts in how consumers interact with insurers. While technological advancements have often led to *less* human-to-human interaction (think: digital knowledge bases and AI call center attendants), the metaverse may surprisingly have the opposite effect. With endless potential to reimagine "real life" environments, the metaverse offers enormous opportunities for insurers to create comfortable environments that incorporate the best parts of face-to-face interaction—without asking consumers to leave their homes. Recreating touchpoints that provide consumers with simplified and "human" sales experiences could work to insurers' benefit and position the metaverse as an essential distribution platform for services and goods.

## **The metaverse comes with new risks and challenges. What should insurers expect?**

For all the opportunities the metaverse brings insurers, there will be corresponding risks. While existing insurance products cover damage in the physical world—often caused by natural phenomena—virtual spaces are made, controlled and changed by humans. Thinking through the risks associated with these spaces can be key to safeguarding insurers and their customers from foreseeable damages:

- **Malicious third parties may launch attacks.** Unfortunately, bad actors can ruin the fun for everyone. As is the case with almost every e-commerce environment, data hackers pose a risk to platform providers and customers alike.
- **Legal issues and copyright infringement are a whole new ballgame in the metaverse.** NFTs rose in popularity seemingly overnight, and policy is still catching up. Laws and intellectual property rights will need to clarify how real-world rights and virtual spaces interact, ensuring that IP ownership is upheld.
- **Server downtime and digital glitches could affect products.** No technology is perfect, and unexpected server downtime may harm virtual assets, events and data. Platform and service providers must protect and insure themselves against the risk of economic damages if customers sue for unexpected losses.

These are just some of the risks insurers need to plan for. The metaverse is expanding and insurance companies should think through how to best mitigate risk, cover damages and tap into new opportunities posed by these rapid advancements.

With early entrants already making strides in harnessing the metaverse's opportunities, insurers shouldn't ignore this next wave of change. Starting to examine, plan for and develop services that meet the times where they're at is one of the best ways insurers can enjoy success—across both physical and virtual realms.

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