Wealth Management Insurance Products in Metaverse

Wealth in Metaverse

Even in the nascent stage of Metaverse there is a significant number of digital and virtual assets. A sample list is provided in Figure 1 below.

Figure 1: Examples of *Assets* in Metaverse

Virtual Assets:

- Works of art and other non-fungible tokens (NFT)
- Avatars and digital persona(s)
- Metaverse Real Estate (using NFT the certificate of ownership)
- Metaverse residents who purchase or create and will own personal and/or business virtual property (e.g. virtual real estate)
- Pictures, logos, illustrations, animations, audiovisual media, presentations, digital paintings, documents, emails
- In-game tools (e.g. Minecraft Tools)
- In-game currencies (e.g. V-Bucks in Fortnite)

Digital Assets:

- Cryptocurrencies
- StableCoins
- Central Bank Digital Currency (CBDC)

Personal Virtual Assets:

- Personal Data
- Personal financial accounts bank accounts, payment cards, investment accounts, loyalty rewards programs
- Health and Medical Data
- Social media accounts
- Avatars and digital persona(s)
- Domain Names
- Websites
- Blogs, podcasts, articles
- Photos, videos, intellectual property, eBooks, works of art, non-fungible tokens (NFT)
- Metaverse Real Estate (with NFT as the title or deed)

Digital Business Property:

- Every online account registered to a company
- Any form of digital property owned by a business
- All digital assets owned by online stores, & online stores utilized by individuals or businesses to sell items
- Clients' information and history

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And the list continues to grow as Metaverse continues to evolve. Alongside its evolution new terms and definitions are being created. And out of necessity a few of the new terminologies were defined by the U.S. Government. Similar activities to clarify and fine-tune definitions and the context in which they are utilized were and are being undertaken by various governments, organizations, and regulators around the globe.

An excerpt from an executive order issued by the U.S. government contains some definitions relating to digital assets, and is provided in Figure 2. This is a very important and critical step in any type of value exchange or commerce in Metaverse. Lawmakers, regulators, and many other associations and advisors will need to continue their efforts in developing commonality in terminology, definitions, and usage.

Figure 2: U.S. Government's Definitions for Digital Assets

An Excerpt from the "Executive Order on Ensuring Responsible Development of Digital Assets" Issued by President Biden on March 9th, 2022

Sec. 9. Definitions. For the purposes of this order:

(a) The term "blockchain" refers to distributed ledger technologies where data is shared across a network that creates a digital ledger of verified transactions or information among network participants and the data are typically linked using cryptography to maintain the integrity of the ledger and execute other functions, including transfer of ownership or value.

(b) The term "central bank digital currency" or "CBDC" refers to a form of digital money or monetary value, denominated in the national unit of account, that is a direct liability of the central bank.

(c) The term "cryptocurrencies" refers to a digital asset, which may be a medium of exchange, for which generation or ownership records are supported through a distributed ledger technology that relies on cryptography, such as a blockchain.

(d) The term "digital assets" refers to all CBDCs, regardless of the technology used, and to other representations of value, financial assets and instruments, or claims that are used to make payments or investments, or to transmit or exchange funds or the equivalent thereof, that are issued or represented in digital form through the use of distributed ledger technology. For example, digital assets include cryptocurrencies, stablecoins, and CBDCs. Regardless of the label used, a digital asset may be, among other things, a security, a commodity, a derivative, or other financial product. Digital assets may be exchanged across digital asset trading platforms, including centralized and decentralized finance platforms, or through peer-to-peer technologies.

(e) The term "stablecoins" refers to a category of cryptocurrencies with mechanisms that are aimed at maintaining a stable value, such as by pegging the value of the coin to a specific currency, asset, or pool of assets or by algorithmically controlling supply in response to changes in demand in order to stabilize value.

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The decentralized nature of Metaverse makes for a challenging commercial environment. And the ongoing differences in approaches or even ideologies regarding decentralized versus centralized finance, unregulated vs regulated currencies and commerce makes coming to agreements on terms, definitions and usage even more challenging.

If the currencies include cryptocurrencies, stable coin, and central bank digital currency (CBDC), plus in-game currencies, in-game credits and rewards, and unique original works of virtual art, land, building, mansions and home ownership, and commercial property ownership are present, what constitutes wealth in Metaverse?

What methods will be used to determine the worth or value of each Metaverse digital and virtual asset be measured?

There are no easy answers to these two questions, especially if worth, value, and wealth in Metaverse are to be measured strictly by the practices and measurements used in the physical world. Wealth valuation is even more complicated if one was to calculate the aggregate wealth a business or an individual possesses in both worlds. Needless to say much work remains ahead in the area of assets valuation as Metaverse evolves.

Asset Valuation Methods

Barter existed in Metaverse long before any other type of purchase with a currency. And it continues today especially among artists, gamers, designers, avatar and content creators, and many other types of Metaverse *players* (the term *player* denotes a participant in an ecosystem and applies to individuals, businesses, associations, organizations, and all others who are active in Metaverse). Players engaging in a barter assign a value to an asset they own or wish to acquire based on their level of experience, via peer advice, their own 'market analysis', and gut feel or intuition.

Traditional methods in the physical world can be leveraged for valuing virtual assets or goods, and these include market-based, or income-based, or asset-based, or network-based, or cost of production-based, valuations.

There are also valuation methods used today in the physical world for intangible assets. They include income approach, incremental earnings method, relief from royalty payments method, differential income approach, profit split approach, and several others.

Many of the virtual assets in Metaverse today fall in the area of Specialty Insurance most especially fine art, rare paintings, books, sports memorabilia, unique and novel items and specialty insurers have methods that can be leveraged for estimating the asset value, insurable risk, and replacement value.

Concept of Time in Metaverse

Asset ownership can be forever in Metaverse. As long as the virtual asset exists (and not removed by the asset owner, and the access to the asset is not intentionally or accidentally blocked or corrupted) it will continue in perpetuity. Time is fluid in Metaverse, and the ownership period for an asset can range from defined to perpetuity. This poses an interesting challenge to valuation of an asset over Metaverse time, and a challenge for creating insurance policies where policy coverage periods can and will vary.

The concept of aging with respect to things and avatars and personas is yet another interesting twist and new actuarial tables will have to be created.

Existing Wealth Management Services

There are wealth management services in the physical world that will remain relevant in Metaverse. They can be leveraged as a starting point for creating Metaverse-specific wealth management services. Figure 4 provides a short list of wealth management services which witn some imagination and innovation can be used in Metaverse. Most certainly completely new wealth management services will have to be created especially given the nature of time and fluidity of asset value in Metaverse.

Figure 4: Relevant Wealth Management Insurance Services in Metaverse

- Wealth Valuation
- Financial Advice
- Tax Planning
- Investments
- Custodial Services
- Ownerships and Trusts
- Estate Planning

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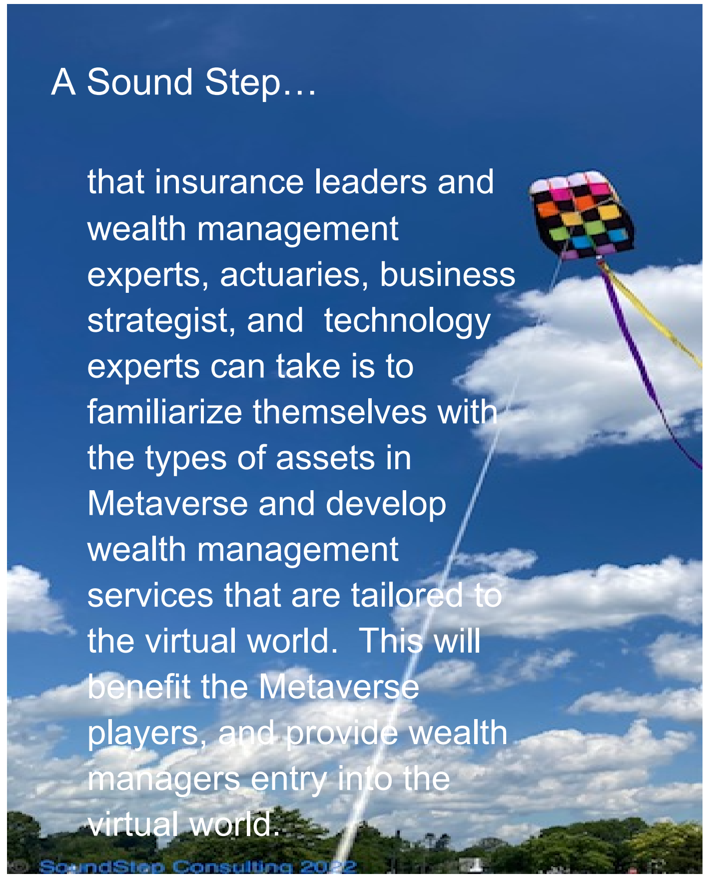
With respect to *financial advisory services* Metaverse players (business, individuals, investors, gamers, etc.) can also benefit from the expertise of today's financial advisors. So many financial losses could have been prevented in the cryptocurrency world if experienced financial advisors were consulted. With respect to virtual assets, especially non-fungible tokens, artists, designers, content creators, avatar and persona developers can benefit from financial advice with respect to the protection of the value of their creations, and the types of barter and value exchange transactions they enter or could enter into. Custodial services are within relatively easy reach. There are insurers today who offer vault storage type of services to protect private key data - the crucial component of cryptography.

The Metaverse players need wealth managers that can leverage the other services listed in Figure 4 and convert them into services that they can utilize in the virtual world.



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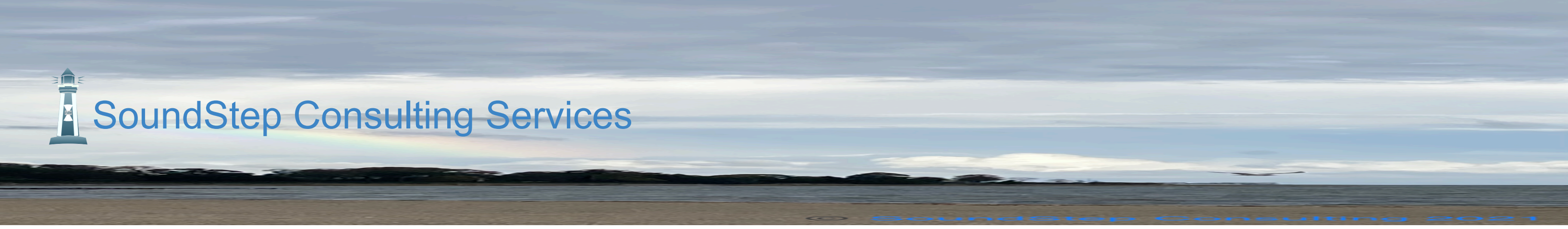
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