

# B3i – Blockchain Insurance Industry Initiative

## Deutsche Bank, InsurTech Conference

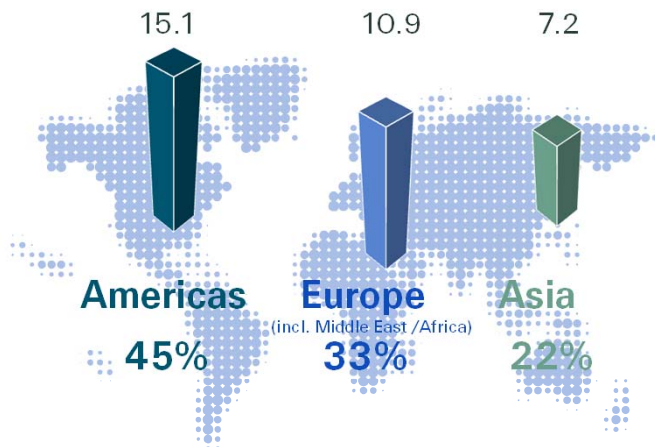
Paul Meeusen, Head Distributed Ledger Technology, Swiss Re

London, 25 September 2017



## Swiss Re is a leading and highly diversified global reinsurer

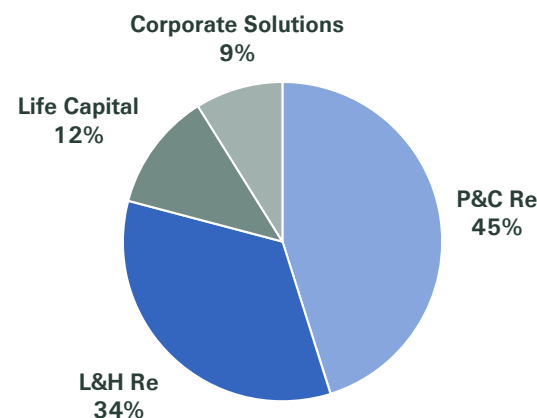
### Net premiums earned<sup>1</sup> by region (in USD bn, 2016)



of which  
HGMs incl. PI<sup>2</sup>: ~5%      ~ 4%      ~ 16%      ≈25%

### Economic Net Worth<sup>3</sup>

by business segment (in %, 2016)



Swiss Re benefits from geographic as well as business mix diversification and has the ability to reallocate capital to achieve profitable growth

<sup>1</sup> USD 33.2bn as at 31 December 2016; includes fee income from policyholders; does not reflect the exposure to HGMs through Principal Investments (PI)

<sup>2</sup> Based on additional pro rata net premiums from Principal Investments (PI) including FWD Group (14.9%), New China Life (4.9%) and SulAmérica (14.9%)

<sup>3</sup> Share of Swiss Re Group's Economic Net Worth deployed across Business Units (excl. Group Items), 31 December 2016



# Blockchain Introduction

## Standardisation and Innovation



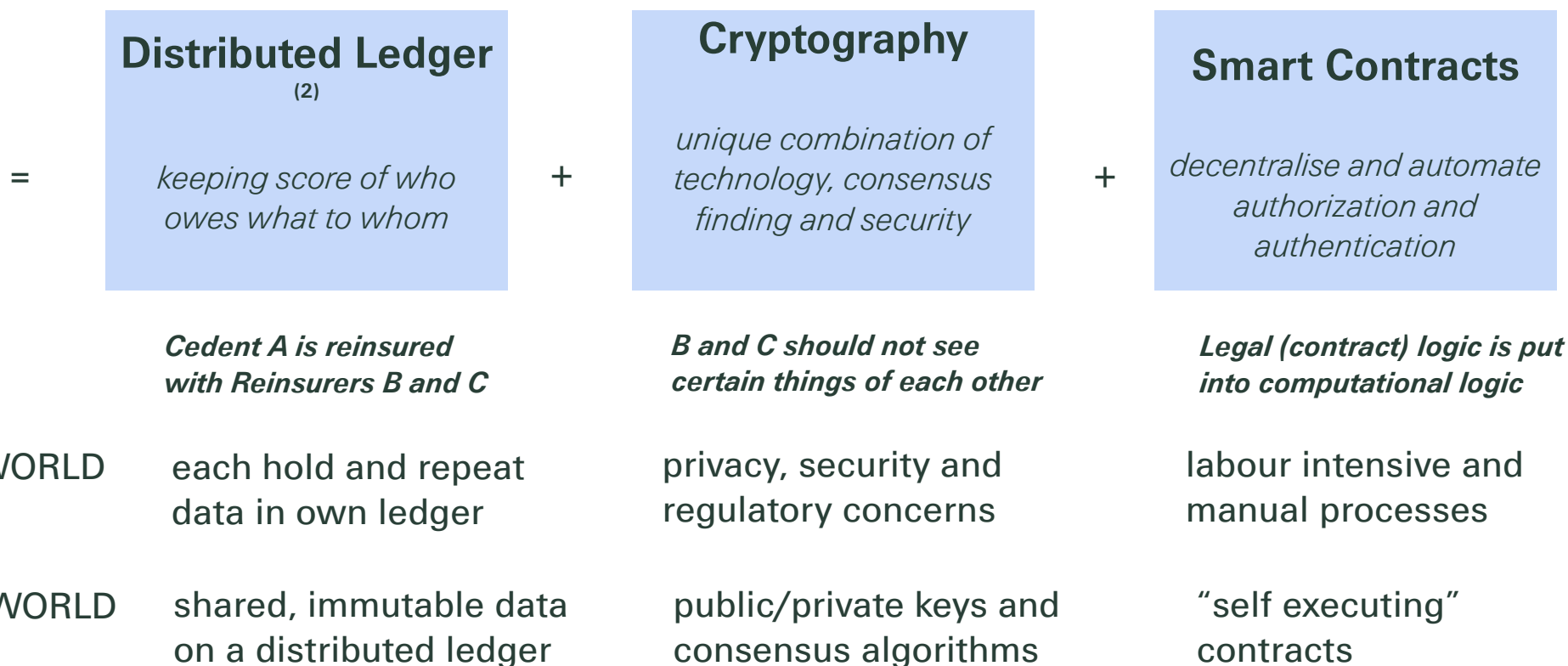
Malcolm McLean

By Maersk Line - Malcolm McLean at railing, Port Newark, 1957, CC BY-SA 2.0, <https://commons.wikimedia.org/w/index.php?curid=27640875>

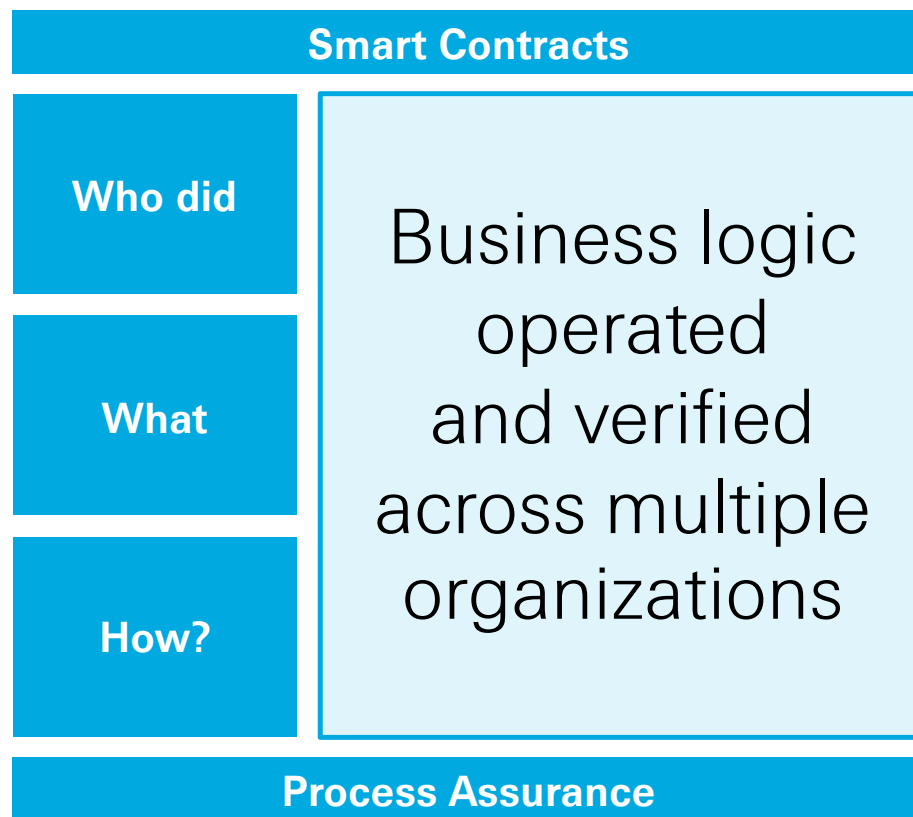
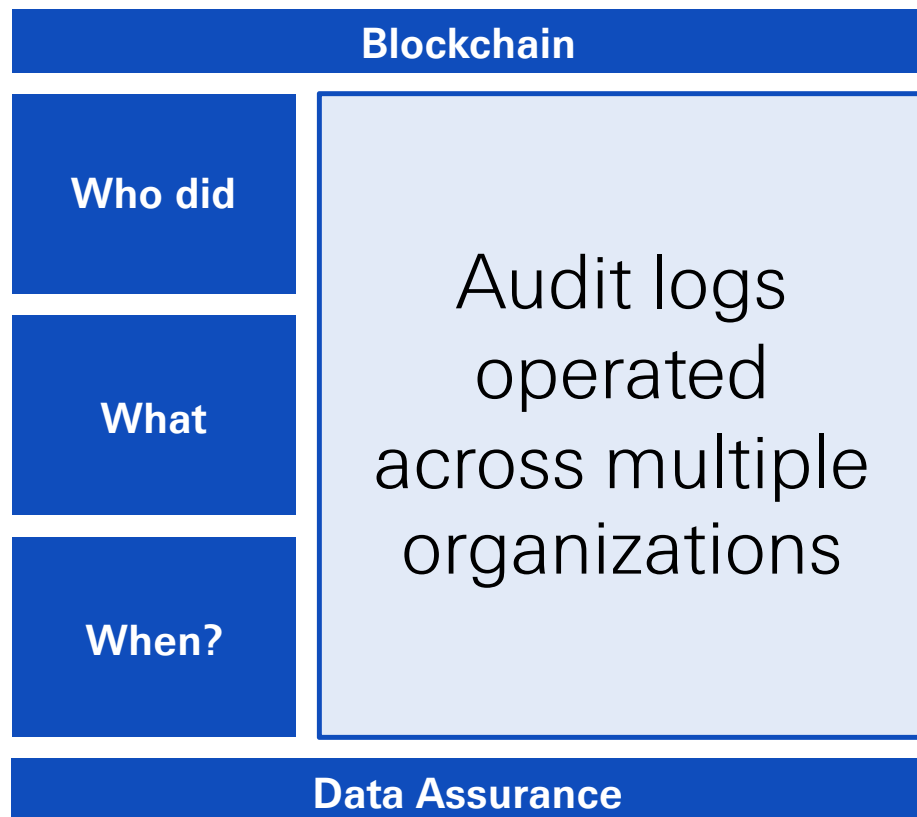
	Shipping		Insurance
<b>The Problem</b>	High goods conversion costs		High frictional costs
<b>The Challenger</b>	Trucking entrepreneur		Blockchain Insurance Industry initiative (B3i)
<b>A Standard</b>	The Container		Data Language on Distributed Ledger
<b>Customer benefit</b>	Global trade 		Affordability of protection 
<b>Mission</b>	Easier transport and trade of goods		Easier handling and trading of risks

# Blockchain in a nut shell

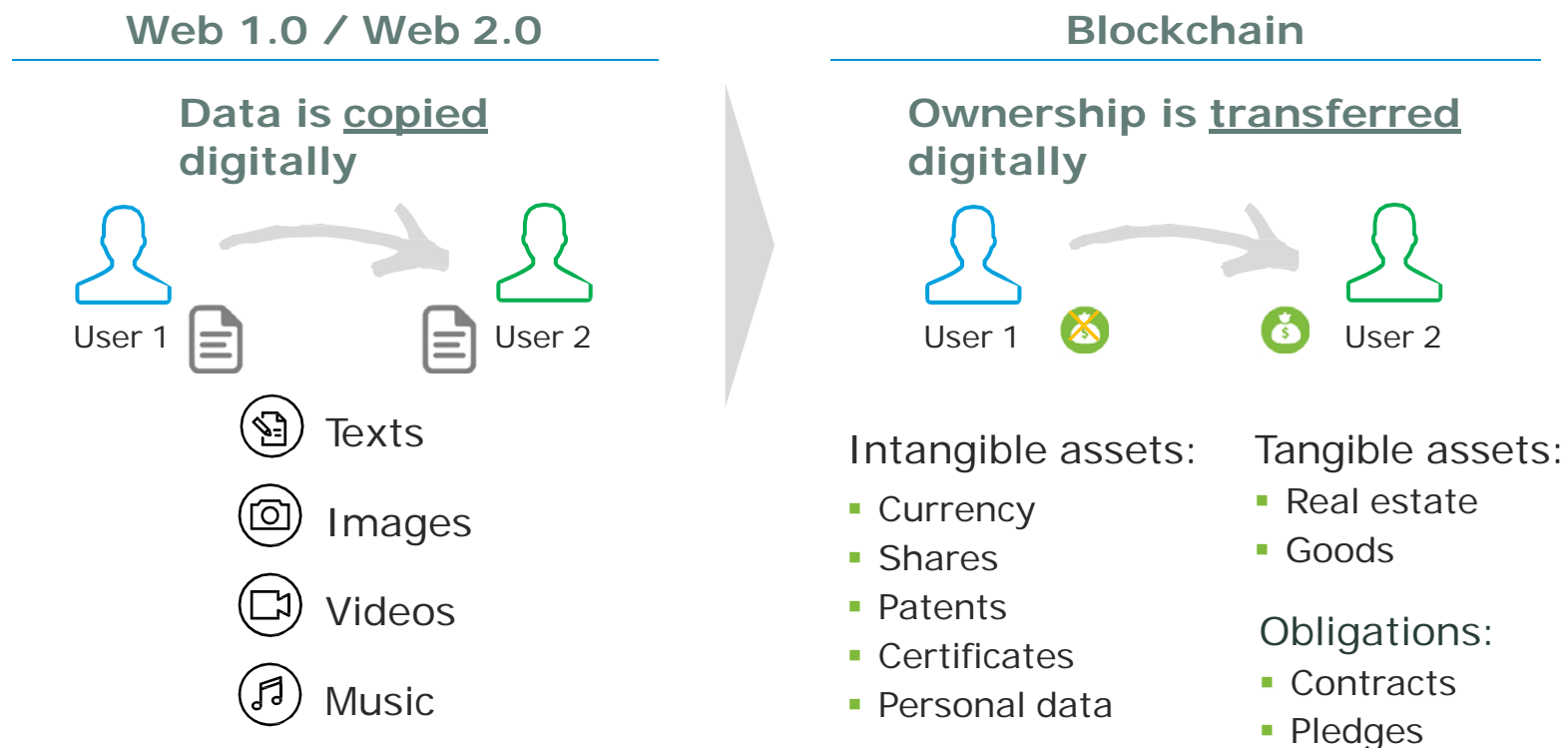
Basic [introduction](#) <sup>(1)</sup>



## Blockchain and Smart Contracts



## What has changed?



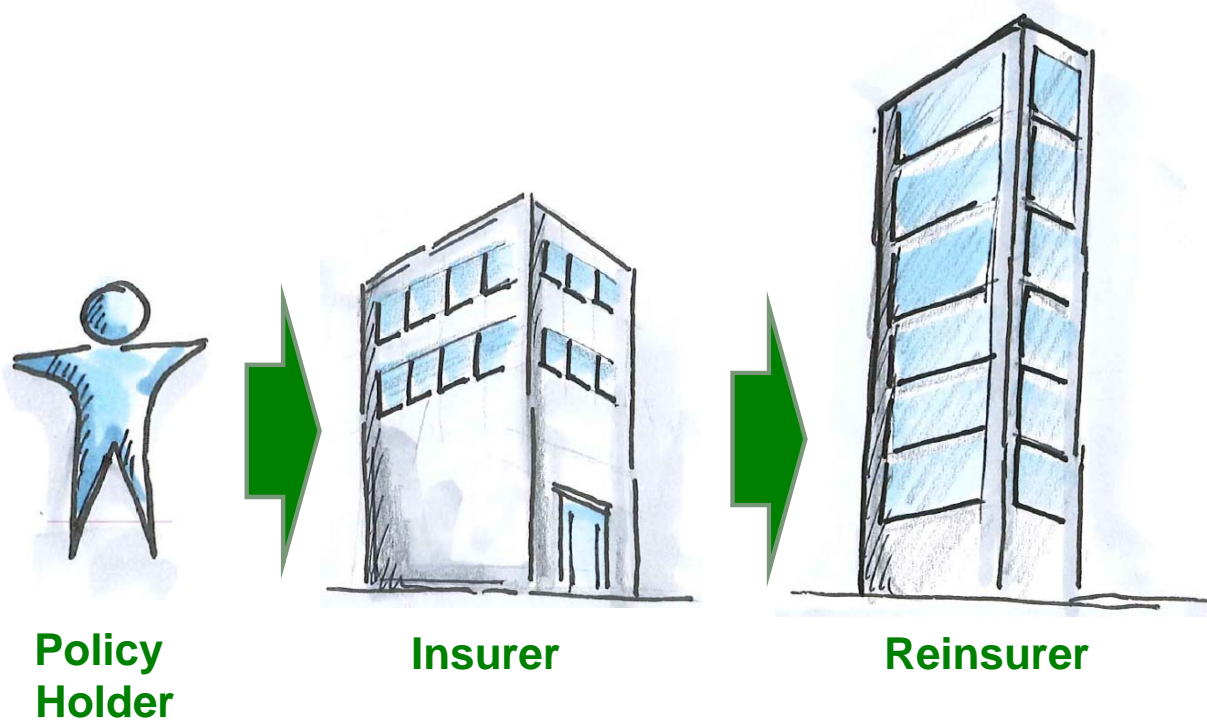
Transfer of ownership : essential to financial services.

# Business Implications to Re/insurance



## Unlocked potential

*Across the Re/insurance Value Chain*



## Efficiency potential

- Automation and digitisation
- Data standards
- Digital signoffs
- Reduced waiting times
- Reduced reconciliations

## Risk reduction

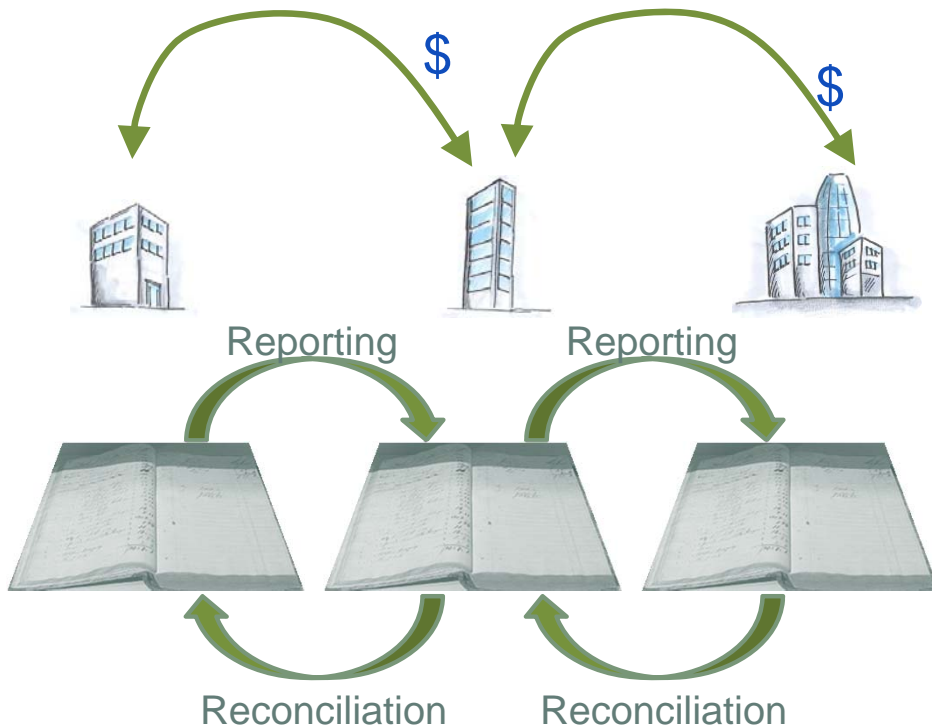
- Credit risk
- Cash flow inefficiencies
- Operational risk

More info:

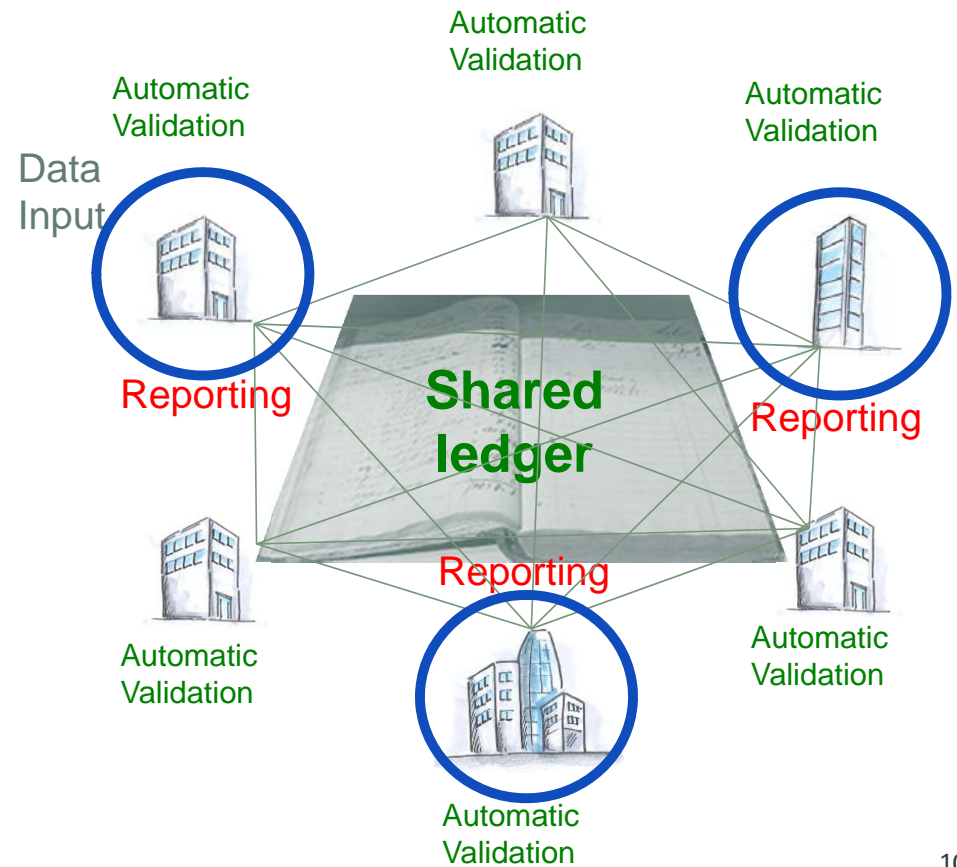
[Blockchain explained in layman insurance terms](#)

How to unlock it

## Traditional ledger



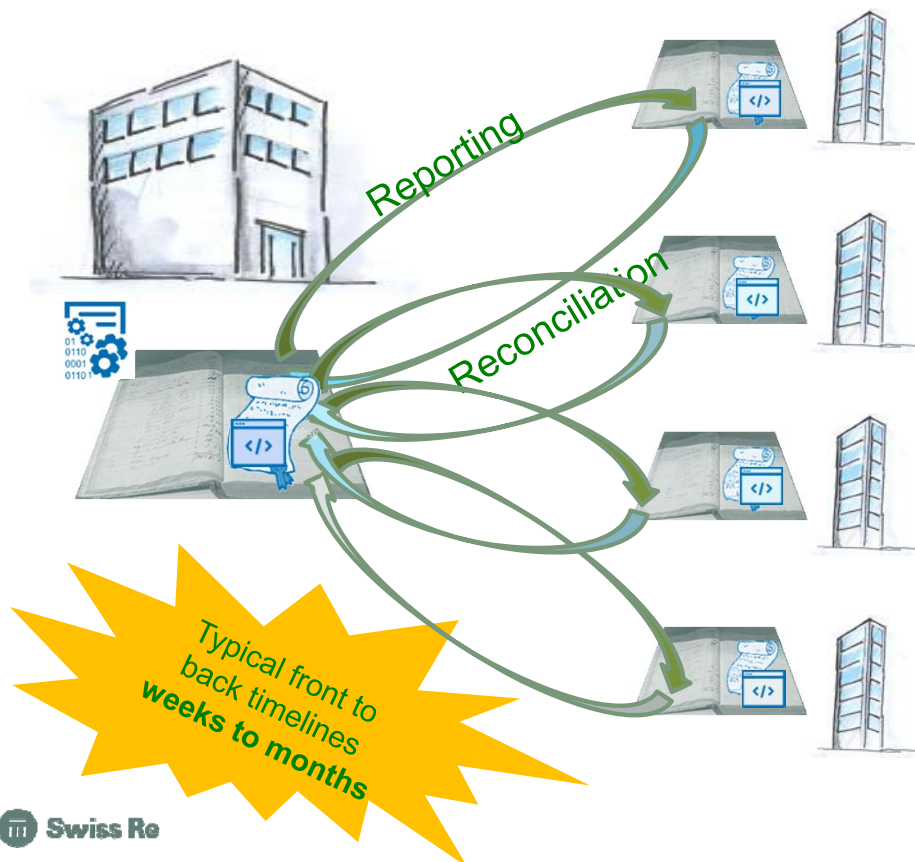
## Shared ledger



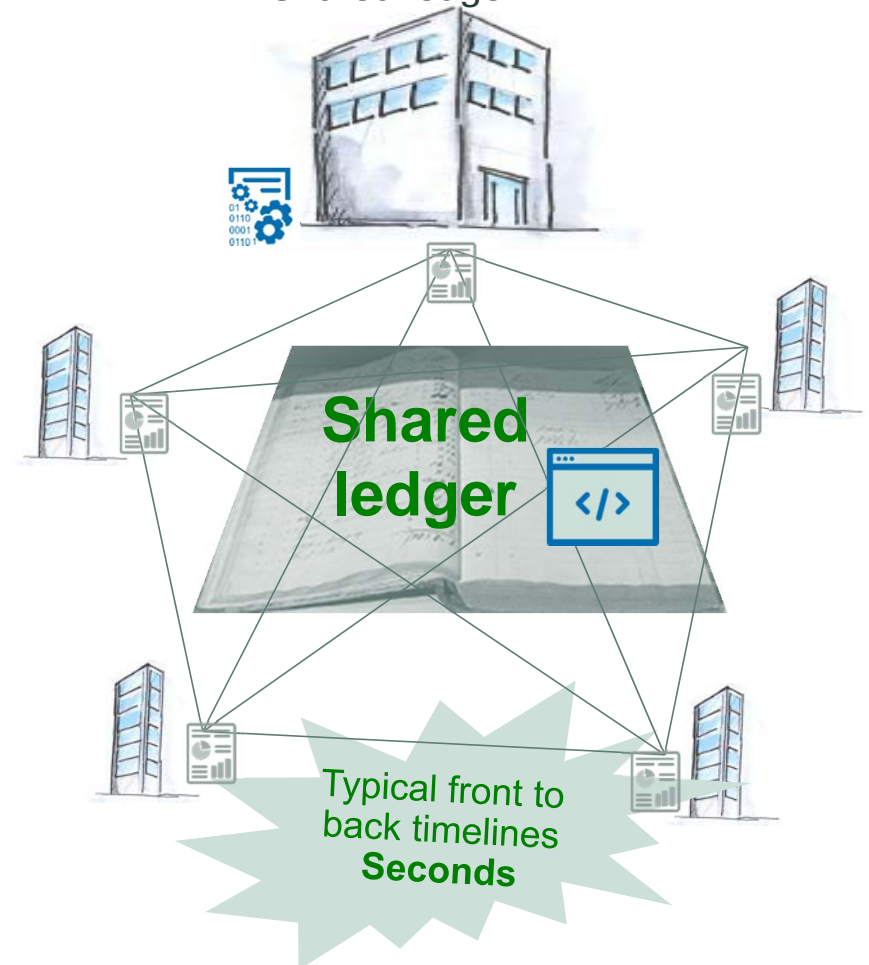
## Specifics of a Shared ledger

Establishes single version of the truth

Traditional ledger

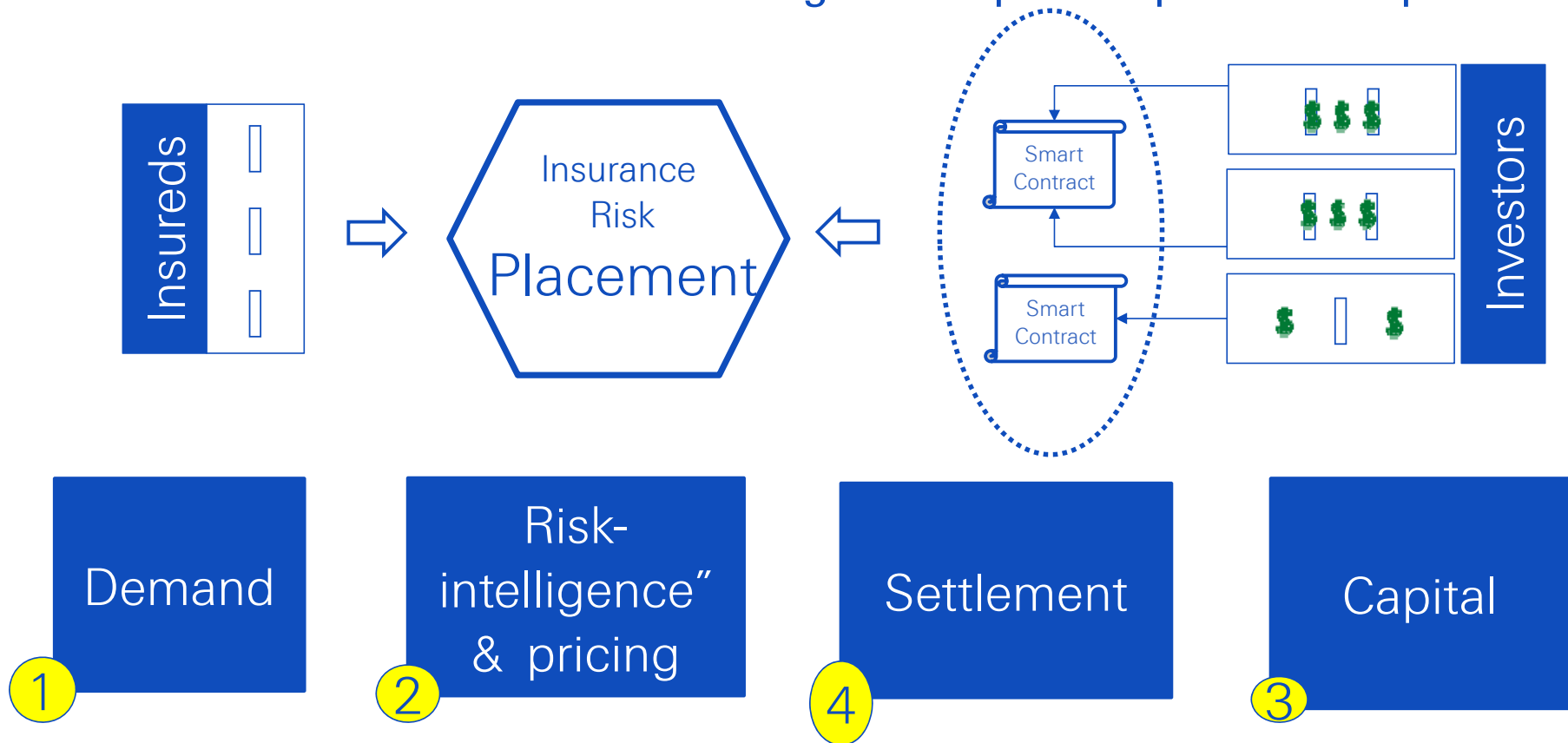


Shared ledger



## Vision

Blockchain could facilitate the emergence of peer-to-peer marketplaces





## Blockchain Insurance Industry Initiative (B3i) A true industry collaboration



- **Vision:**  
manage and trade risks better
- **Initiative launch:**  
Swiss Re hosted the foundational meeting in October 2016
- **Membership:**  
currently 15 members, with several new joiners upcoming
- **Current Focus:**  
P&C Property Cat XL prototype
- **Outlook:**
  - Pipeline of use cases including commercial and primary insurance
  - Incorporation of permanent organisation

# Benefits & Outlook

## Swiss Re expects a range of benefits



### Working Capital Improvement

Faster and more efficient premium and claims settlement and optimised liquidity management



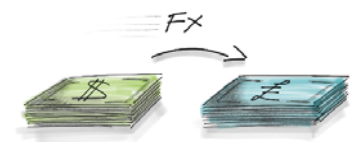
### Operational Efficiency and Risk Reduction

Reduction of contract uncertainty, reconciliations and process inefficiencies



### Quality and Integrity of Data

Normalised and high-quality data in a shared source with central control over integrity and easier auditing



### Foreign Exchange Management

Accelerated FX transactions and consistent valuation



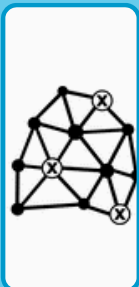
Positive Impacts:

- **Combined Ratio** – conservative estimate of -0.5%
- **Improved liquidity**
- **Risk Reduction**



## Wider Industry Benefits

### What



- distributed technology
- smart automation
- lower frictional costs
- reduced risk

### Why



- more affordable insurance
- closer to risk pools
- new generation of customers

	Traditional Insurance Platform	Distributed Ledger Insurance Platform
Cost		
Speed	2 - 8 weeks	4 - 24 hours
Scalability		
Trust		

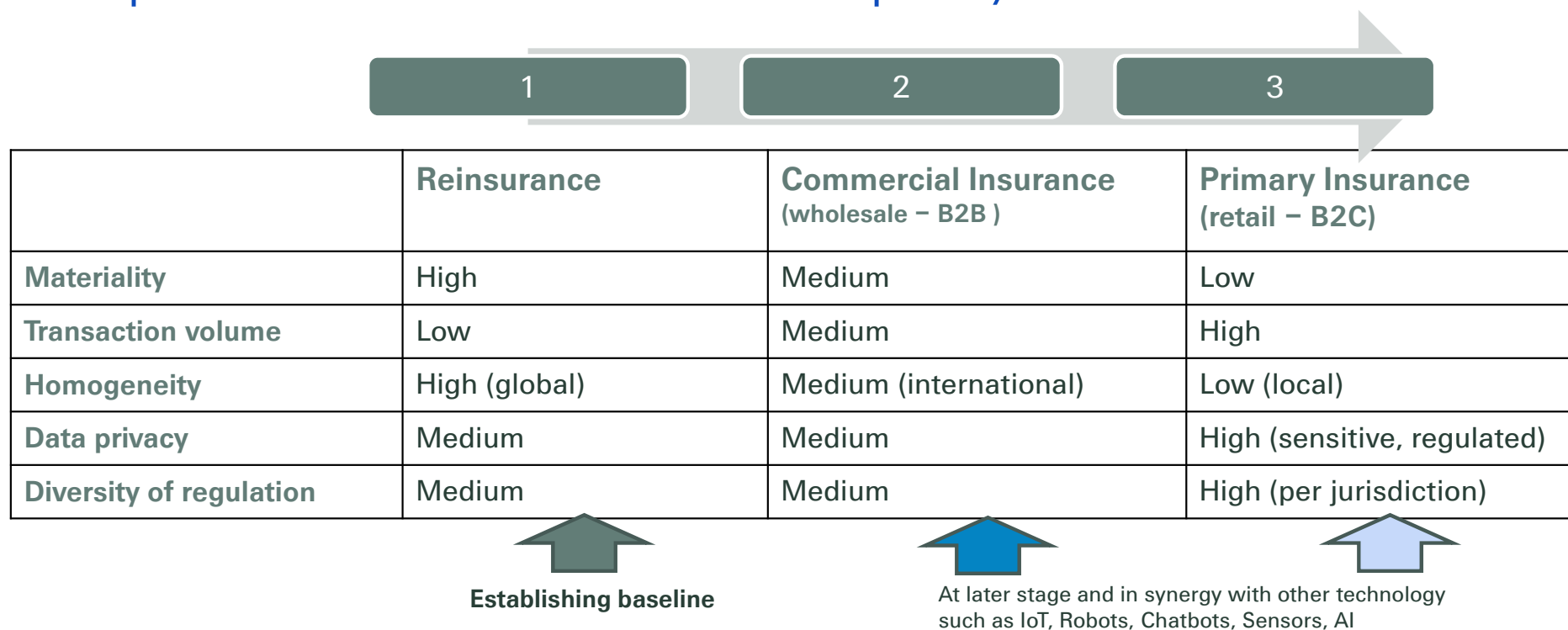
Cost of alternative funding >

Cost of reinsurance = f (price adequacy, frictional costs ↓)



## Outlook

“Masterplan” – how we see use cases develop in re/insurance



- Gradual expansion of blockchain applications across industry value chain
- Reinsurance good starting basis with less diversity and ability to reach scale quickly
- Commercial insurance expected as next transition stage, then primary

Thank you

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