B3i development and priorities
Agenda

1. Background to Blockchain and B3i
2. Current product and future applications
3. Current priorities
4. Future prospects
What Is Blockchain? 4 Technologies In 1

Distributed ledger
- Decentralized, peer-to-peer network
- Append-only distributed database - immutable
- Replicated to all participants on the network
- Shows current status as well as status over time

Consensus
- Consensus is the process by which transactions are verified
- Decentralized consensus ensures agreement on "single-version-of-the-truth" (allows for consistency among distributed ledger)

Cryptography
- Ensures that transactions are secure, authenticated & verifiable
- Verifies participants' privacy while the ledger is shared

Smart Contracts
- Programmable contracts which contain the business logic that is automatically executed when pre-defined conditions are met
- Ideal for arrangements that are: tailored, verifiable, signed, self-executing, embedded in blockchain networks

Blockchain is another way of producing, storing, managing and sharing data as a distributed and secure record of transactions
B3i – A True Industry Collaboration

- Founded to explore Blockchain
- Test hypothesis of improving efficiency
- Prototype - Property Cat XoL
- Industry network effect
- “By the market, for the market”
B3i – Timeline

Oct 16
Founded

Dec 16
Expanded to 15 members

June 17
Prototype completed

Sep 17
Monte Carlo launch

Oct 17
Joined by 23 market testers

March 18
Incorporation

1st Product
Property CAT XL
Platform

B3i Development and Priorities
B3i’s Vision

B3i will make insurance more relevant, accessible and affordable through the power of the ecosystem founded on Blockchain technology.
Objectives Deliver Strategic Needs

Key requirements to meet strategic needs

Growth
Ensure profitable growth through market access (network), innovation and new business

Quality
Increase quality and trust through common standards, data & insight, resilience and strengthened security

Efficiency
Improve efficiency of operations and save (administrative) cost
The B3i Ecosystem

Establish the B3i core platform and quickly populate the ecosystem

Establish the platform core with access for the industry to start the network

Industry ecosystem developed by B3i for the insurance market and establish partnerships for further solutions

Establish transaction service for insurance contract handling to create initial network
Value Proposition: By The Market, For The Market

- **Growth play**
  - Driving (re)insurance transformation for and with the industry

- **Efficiency play**
  - Improving transparency, effectiveness, cost efficiency and cash flows
  - Sharing across the value chain for the common benefits of the industry

- **Efficiency play / Quality**
  - Accelerating time to process for players along whole (re)insurance value chain

- **Quality**
  - Collaborating to design, ensure quality and enforce industry standards

- **Growth play**
  - Increasing access for customers to all players along value chain
  - Catalysing new (re)insurance business models
Three development phases

**Phase**
- **Build the platform**
- **Establish the ecosystem**
- **Leverage the ecosystem**

**B3i**
- Monetise product roadmap
- Realise economics of scale
- Generate value through network effects

**Customer**
- Improved efficiency and quality
- Additional revenue potential and profitable growth
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Insurance Opportunity

Mission
Provide protection

Reality
Paperwork, accounting and reconciliation
Insurance Value Chain Full Of Frictional Costs

Overly complex and expensive

Policy Holder → Insurer → Reinsurer

Inefficiencies
- Paperwork
- Lack of standards
- Cumbersome signoffs

Leading to further inefficiencies
- Delays
- Manual Reconciliations

Creating Risk & Costs
- Credit Risk
- Cash flow inefficiencies
Opportunity To Reduce Friction

Today: Information exchange via traditional ledger

Tomorrow: Information exchange via shared ledger on B3i
B3i’s First Product: A Fully Functional Prototype To Solve Current Industry Challenges

- **Draft A New Contract**
  - A shared single version of truth
  - All in one contract

- **Negotiating & Signing A Contract**
  - Digital signature
  - Full inclusion of broker

- **Automated Premium Calculation**
  - Stronger cash & credit management

- **Frictionless Claims Handling**
  - Automated
  - Zero reconciliation efforts
B3i’s First Product

Positive impact on

- Operational Efficiency and Risk Reduction
- Quality and Integrity of Data
- Working Capital Improvement
- Foreign Exchange Management

- Operational Risk
- Combined Ratio
- Cash Flow Acceleration
- Contract Certainty

→ ~30% Process Efficiency Gain
23 Market Testing Participants Joined 15 Members

Market testing phase to provide feedback on functionality and future use cases
A Truly Global Market Test

885 contracts
141 quadrillion written
111 quadrillion signed
288 loss events
138 quadrillion total losses
B3i and Market Potential: Significant Opportunities

An independent market analysis, conducted by Stern Stewart & Co in November 2017, surveyed 38 B3i member and testing participants. The results were distributed and discussed with all 38 participating firms and generally considered very positive for the consortium.

Largest consortium

→ Participants view B3i as the most significant and valuable DLT consortium: The 38 companies represent 27% ceded and 51% reinsurance premiums market share.

High relevance

→ Over 80% of those surveyed perceive platform as relevant.

Significant Potential

→ Participants estimated an initial annual aggregate of USD 30 billion premium to flow through the platform, generating an aggregate of USD 210 million annual savings resulting from streamlining the administration processes (1).

Factoring in further market adoption, the full potential is estimated as USD 80-140 billion and USD 1'120 million respectively.

Desire to adopt

→ On average, most respondents considered they would be early adopters.

(1) Survey participants reported the costs impacted and percentage saving by B3i platform usage; broker savings excluded as most brokers chose not to respond to that question.
Challenges For Scaling Up

Transformation
- Wait-and-see attitude within management
- Complete overhaul vs. Step-by-step overhaul transform
  → Management commitment and successful use cases needed

Legislation & Regulation
- Regulation authorities follow a wait and see approach
- Legal uncertainty
  → Seek legal counsel and regulators, address all possible legal solution, continuously monitor legal verdicts and new regulatory requirements

Technology
- Application of the same Blockchain technology
- Integrating AI and Big Data
- Technical progress is not yet fully satisfactory
  → Building the industry wide standard on existing standards like ACORD

Collaboration
- Building up trust between rivals for shared data base
- Benefits of Blockchain are maximized the more firms are involved in the network
  → Extensive and open collaboration between as many insurers, reinsurers and brokers as possible with winning collaboration model

User Adoption & Social Acceptance
- Social acceptance is all but certain, especially because of potential job losses and failing businesses
- Resistance of consumers
  → Internal and external change management through economic and psychological driver
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B3i Current Priorities

Incorporation
Limited company ("Aktiengesellschaft") set-up in Switzerland in progress (completed 23 March); consists of "Round 1" fundraising participants from the founding members

Partner Marketing
Private Placement Memorandum preparation as part of a "Round 2" funding to attract further investment from the founding companies and a wide industry population – Investment round just commenced; investor roadshows

Development
‘Codex 1’ – an industrial strength Property Cat XL – ready to accept contracts by Sep 2018

Sales & Marketing
Community membership and customer proposition; delivery of business model and on-boarding; brand building and awareness campaigns; conferences and events
Future B3i targeted product and service offering

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<th>Products</th>
<th>Services</th>
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<td>Deployment consulting</td>
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<td>Core platform access</td>
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<td>P&amp;C, L&amp;H reinsurance</td>
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<td>Commercial insurance</td>
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Product Roadmap

2018  2019  2020  2021  2022  2023  2024

- **Common framework**
- **Interoperability**
- Continued product evolution

- **Property Cat XoL**
- **Property and casualty reinsurance**
- **Bureau and pool business**

- **Commercial insurance**

- **Life and health reinsurance**

Legend:
- Orange: B3i core components
- Peach: Functionalities
- Blue: Lines of business
Longer Term Priorities

B3i (re)insurance transaction services
- Reinsurance (P&C, L&H)
- Internal retrocession
- Enabling & adoption services

B3i ecosystem
- Core (standards, data model etc.)
- Framework
- Interoperability
- Community

Partnership support
- Ecosystem, governance and access
- B3i integration consulting

Commercial insurance
- ILS
- B2C

Applets
- Incubation

Focus

Extension
High-Level Partnership Journey

Stage 1: Ideation
Partner brings concept. Basic research and conception.

Stage 2: Project Selection
The decision to solution on the ecosystem.

Stage 3: Product Development
Building the product or service.

Stage 4: Commercialization
Bringing the product or service to market and adapting it to customer demands.
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Future Perspective

Insurance Industry Is Evolving Towards Digital Platform Ecosystem

Today: Pen & Paper

Silos
→ No integrated systems

Pipeline
→ Manual handover between parties

Inefficient
→ Paper based transferring of risks

Drivers

Data Volume

FinTech

Technology

Customer Needs

Desire for Digitalization

(...)

Tomorrow: Digital Platform

Platform Economy
→ Business benefit increases with more parties; the power of the network

Standards
→ Setting the standard for evolving technologies; a common language to provide fluidity

Technology
→ Shared infrastructure creates efficiencies; economies of scale
A Future Blockchain-enabled Landscape

Reduced administrative costs and friction

➔ Reduced friction through secure, shared version of the truth (contracts & data)

Codifying complex contracts

➔ Codified logic (‘Smart Contract’) where feasible. Enforced version control

Regulatory transparency

➔ Openness and continuous monitoring and auditing

Digital world & paper processes

➔ Future ready, standardized data exchange with multiple participants

➔ Access to rich data set to assist modelling

Trust, digital contracts and data

➔ Trust through immutability, contract certainty and transparency of data

➔ Seriatim data access whilst preserving privacy
What Could the Future Look Like?

Customers

- Speed/Acceleration sensor
- Industrial internet
- Fire/Water/Flood sensors

Smart Sensor Network

- Self-driving cars
- Drones/Satellites
- 3D mapping trolleys
- …

Smart Device Network

- Car maintenance
- Road-side assistance
- 2nd hand car market
- Machinery maintenance optimization
- Supply chain tracking
- Parametric Insurance
- …

Core Risk Services

- Providing risk capital
- Claim adjudication
- Fraud management
- Risk pricing
- Risk prevention consulting
- …

Ecosystem Services

- Providing risk capital
- CLAIMS
- DISTRIBUTED ledgers
- …
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