Shipping containers and B3i: what's the connection?

An overview of B3i by Paul Meeusen, Head Distributed Ledger Technology , Swiss Re; presented at the B3i launch event at Monte Carlo on 10th September 2017

In 1956 Malcolm McLean had a great idea. He ran a trucking company in the US and noticed that there were many inefficiencies in trade and transportation. Goods would be loaded on and off trucks, trains and ships multiple times on the journey to their final destination. Repackaging and reloading was required at every step of the journey. From this insight, the modern shipping container was born, reducing loading costs from 6 dollars to 16 cents per ton, a 36 fold saving that resulted in a huge increase in global trade.

This standardisation became a market utility that enabled an era of global trade never seen before. McLean made his patents available by issuing a royalty-free lease to ISO; his system went viral. In 1969 he sold his business for half a billion dollars to the company that we know today as Maersk Line.

B3i aims to solve a similar problem: our mission is to manage and trade our insurance risks more effectively and more easily. This is bold and simple at the same time. Bold because if we cannot even track our risks properly, how then how can we trade them? But simple as well, because in B3i we started with the basics: if we get our contract data right when we place and incept the risk, than we avoid a lot of unnecessary frictional costs later. As Google organises our data, we will master our risk data. Like the container, if we structure and package it right, trading becomes easier.

When someone has a great idea, using modern technology and delivered with passion, great things happen. That is exactly what we will show you today, and we have an app for that. The application is a prototype that takes your property natural catastrophe excess-of-loss contract and places it on a shared ledger. All parties have the same terms, agree them in real-time, know who has signed what line, paid what premium and reimbursed which claim. No more contract uncertainty, no more claims or cash settlement latency. That is what happens when you mutualise database infrastructure across independent entities.

I grew up in the shipping business and I heard my grandfather getting calls: where is the ship? When is my delivery? These were not friendly calls! Many years later, rather than guesswork, my father gave real-time answers having his trucks, ships and containers GPS tracked and all the answers at his fingertips; you could call that a smart contract. That, ladies and gentlemen, is what we are going to do to our risk data: at every point we will know the state of our contracts, cash and claims, and most importantly not just each of us on our own system, but together on one distributed system, one version of the truth that we all trust, because a contract always has two sides, and your receivable is my payable.

B3i sees an enormous cost saving, risk reducing and capital enhancing opportunity in this. Our prototype testing indicates a 30% efficiency gain across the counterparties involved in a re-insurance contract by reducing duplication, reconciliation and waiting time and the operational and liquidity risks that come with it.

We believe that our prototype has the foundation to be scaled in an operational environment and enhanced to more segments and lines of business, eventually beyond reinsurance towards commercial and primary insurance, reaching a much wider commercial breadth.

Our assumptions are lab based and we want to make them market based. We have invited many more insurance industry players to join our market testing later this year because this ought to be an application made by insurance people for insurance people. With this experience we will turn our pilot plan into a full business plan to establish a utility to support our entire industry.

This is the basis of the prototype we launched at our Monte Carlo event. And why really? We are not doing this just for the sake of technology but rather because we owe it to our policyholders and to those who cannot yet afford to be our policyholders: half of "natcat" exposures remain uninsured even in Europe, agro insurance often only sells because it's heavily government subsidised in high growth markets and the Kenyan farmer wants to pay his premium with Mpesa currency on his phone.

Let's listen to what our new generation of customers want. Let's be proud of how insurance was invented in the London tea houses, take the wonderful business practices and wrap new technology around them. With the container, a trucking businessman reinvented shipping. Let us reinvent our insurance processes.

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With this interesting analogy and overview of B3i, Paul "warmed up" the Monte Carlo audience for the demonstrations at the launch event. During the evening, members of the audience were able to visit three booths to hear about the details of the prototype; the actual application, the business case and how to become part of our B3i community.