

7th December 2017

B3i potential and market impact

B3i independent research provides encouraging support for a positive business case as it prepares to launch a legal entity.

Market analysis commissioned by B3i and conducted by Stern Stewart & Co during November 2017 with the 15 B3i members and 23 Market Testers produced positive results, which are considered both conservative and very material for the consortium. The survey had a 90% response rate and the results were aggregated and analysed independently by Stern Stewart in order to maintain confidentiality and credibility.

The detailed report distributed ahead of the B3i Autumn Summit in November was extremely well received by all participants. The results were also presented at the Summit and stimulated a great deal of engagement from the participants. As B3i prepares to launch as a legal entity in early 2018, the outcome of the discussions provide an encouraging platform upon which to build a robust business case for both potential users and investors.

Market share and potential

The current membership of 38 insurers, brokers and reinsurers forms the largest unaffiliated insurance market consortium so far in terms of global market share (measured by gross written premiums).

The market share of these participants represents 27% of ceded and 51% of reinsurance premiums globally. Based on internal estimates of additional interested parties joining the group, this share could rise to 43% of ceded and 70% of reinsurance premiums.

Coupled with research into comparative consortia and relevant start-ups, the study reveals that B3i is very well positioned to gain a significant foothold in the emerging Blockchain market for insurance. Key to the B3i strategy is in the evolution along two dimensions. Firstly, development of the first prototype into a market-ready product and secondly, building on the current membership size to fully penetrate the market.

Key to the success going forward is its ability to maintain the significant momentum which has been built to date. However, B3i's strong market position and awareness is likely to have a significant gravitational effect on the market globally.

The report also suggests that funding and activity in the insurance market will accelerate as prototypes mature into more compelling minimum viable products and platforms continue to develop to accommodate the technical demands of the growing developments.

The key consortia in this space, B3i, RiskBlock, EY/Maersk and the R3 Insurance vertical were only founded in the last couple of years. These groups are all developing Proof of Concepts (PoCs). More groups and start-ups are being attracted to the insurance Blockchain market. At this stage, there does not appear to be a "winner takes all" proposition as the incumbents whilst being like-minded, have varying models and target markets.

Platform relevance and benefits

The survey results provided a very positive outlook with a significant number of respondents citing a strong perception of relevance of the platform. Responding to the question "Based on what you have seen, how relevant do you see the future of B3i platform to your entire business operations?" 78% of insurers & brokers and ~91% reinsurers rated the platform as having a specific relevance to being highly relevant.

Even at the current early development stage, when the end product is not yet visible, the respondents see significant efficiency potential. The Members and Market Testers estimate \$210million p.a. administrative cost savings. This represents an average efficiency improvement of 12% of cost in scope across the value chain.

The caveat to this is that many respondents provided conservative values or estimates and therefore, it is feasible to expect greater benefits in savings. The cost reduction potential emanates mainly from a higher degree of automation of transaction tasks thus reducing headcounts.

If this efficiency improvement is extrapolated across the relevant market, then savings could potentially reach ~\$1.12billion. On account of this savings potential,

adoption of the platform could realise significant administrative cost savings for the market.

In addition to efficiency gains a number of benefits were identified in terms of relevance, these include:

- Improved data quality
- Improved claim event identification
- Improved fraud detection
- Increased customer trust
- Growth potential via wider customer base
- Higher contract certainty, auditability and transparency
- Clause standardization

Looking at the market potential in terms of volumes flowing over the platform, the respondents recognise an adoption potential across all lines of business. On average, the survey participants already estimate 27% – 53% of their portfolio volume flowing over the platform depending on the line of business. This suggests the demand for a multiline approach in the future “product roadmap”.

As B3i concentrates on delivering a market ready version of its first Property Catastrophe XoL product, it plans to integrate further lines of business for development thereafter. The survey results and feedback on use cases during the Autumn Summit have provided an excellent platform on which to build the future development roadmap.

In any event, based on stated volumes and market size, ceded premiums estimated to be in the range of \$80billion ~ \$140billion provide a very convincing case for the future success of the B3i platform.

Conclusion

With 27% ceded premiums and 51% reinsurance premiums market share B3i is the largest consortium in the market. With the imminent launch of a legal entity to take the proposition forward into an operational state, the timing is opportune to build on the existing network and to further integrate interested parties as well as identified prospects in order to create a centre of gravity in the market.

The business case supported by this survey and participant feedback will enable the group to continue the development momentum as well as attract investment funding.

The first priority is to complete the prototype development with live trades anticipated in Q3 2018. In parallel, work will continue on the creation of a product roadmap across business lines which are relevant to the potential user base in order to maximise adoption.

The research study underlines high relevance of the platform and the B3i strategy for its current community, while individual interviews confirmed the wish to be closely involved in the project going forward. This positive sentiment will be built on through close user interaction, a strong member community and open collaboration going forward while maintaining efficient decision-making and focus on the overall strategy.

In summary, the results show a very promising picture for B3i and anticipating a high potential for the platform to provide material savings and other benefits across the value chain. This provides a high degree of confidence that further potential and benefits will materialise as both the platform and the entity mature during the coming year.

The Blockchain Insurance Industry Initiative (B3i) is a collaboration of insurers and reinsurers formed to explore the potential of using Distributed Ledger Technologies within the industry for the benefit of all stakeholders in the value chain. The 15 founding members of B3i are Achmea, Aegon, Ageas, Allianz, Generali, Hannover Re, Liberty Mutual Insurance, Munich Re, RGA, SCOR, Sompo Japan Nipponkoa Insurance, Swiss Re, Tokio Marine Holdings, XL Catlin and Zurich Insurance Group. The group was joined by a further 23 insurers, brokers and reinsurers to engage with market testing of the prototype in October 2017.

The group will form a new legal entity during 2018 in order to formalise operations and development within a more agile governance structure and attract the necessary funding to take its propositions to market.

For further information please contact press@b3i.tech.