(Re)insurance Fast Forward

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Senior Digital Advisor to the Chairman
February 28th, 2018

SCOR
The Art & Science of Risk

Agenda

1   **The value of standards** (ACORD source)

2   **The global Ruschlikon initiative**

3   **With B3i, less admin and more insurance**

4   **Ruschlikon & B3i**

SCOR
The Art & Science of Risk

Value of Standards (C-Level Perspective)

Improved Efficiency

Enhanced Effectiveness

Increased Flexibility & Adaptabilty

"I have had the opportunity to lead global insurance companies, brokers and service providers. ACORD data standards, forms and assets significantly enhanced operational efficiency and effectiveness across stakeholders."

William Pieroni, President & CEO ACORD

Value of Standards (*Business Challenges & Value Lenses*)
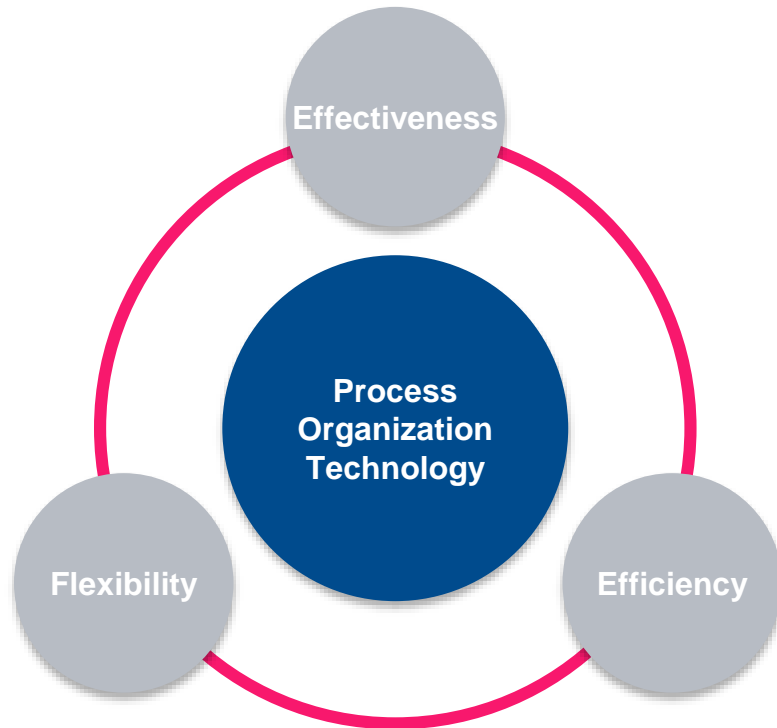
Consumerization

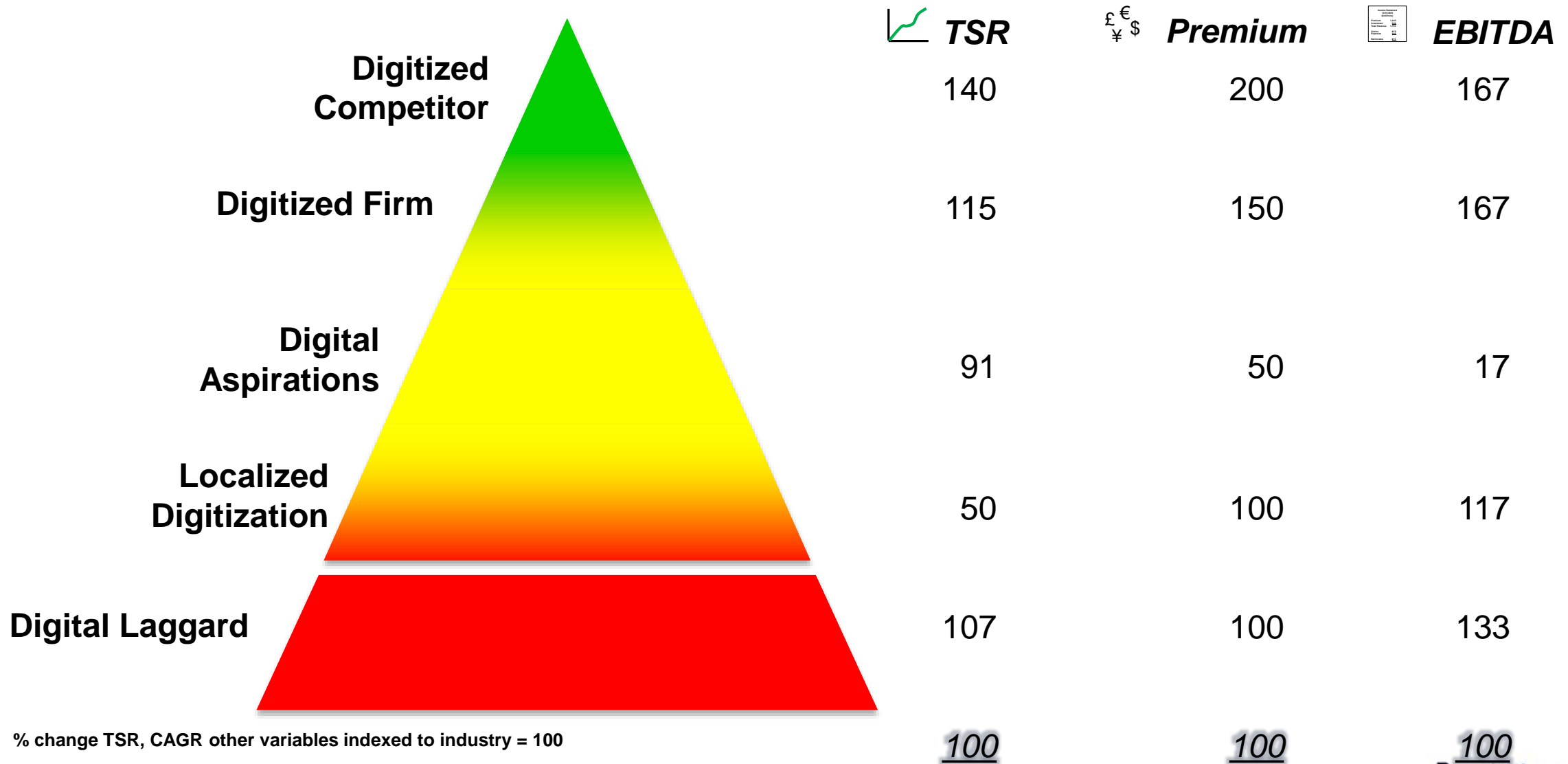Ecosystem Integration

Data & Analytics

Digitization

Effectiveness

Process Organization Technology

Flexibility

Efficiency

- **Organizations facing challenges embrace standardization to mitigate risks –** *existing and emerging*

- **Capability improvements realized across three dimensions –** *process, organizations, technology*

- **Value of standards viewed through three lenses –** *efficiency, effectiveness, flexibility*

Source: ACORD

Digitization & Insurance *(5-Year Analysis, Indexed to Industry = 100)*

	TSR	Premium	EBITDA
Digitized Competitor	140	200	167
Digitized Firm	115	150	167
Digital Aspirations	91	50	17
Localized Digitization	50	100	117
Digital Laggard	107	100	133
% change TSR, CAGR other variables indexed to industry = 100	*100*	*100*	*100*

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Ruschlikon at a glance

ACORD Data Standards & **Ruschlikon Best Practices**

Cost Reductions	Increased Efficiency	Improved Controls	Enhanced Cash Flow	Less re-work & Queries	Process Automation

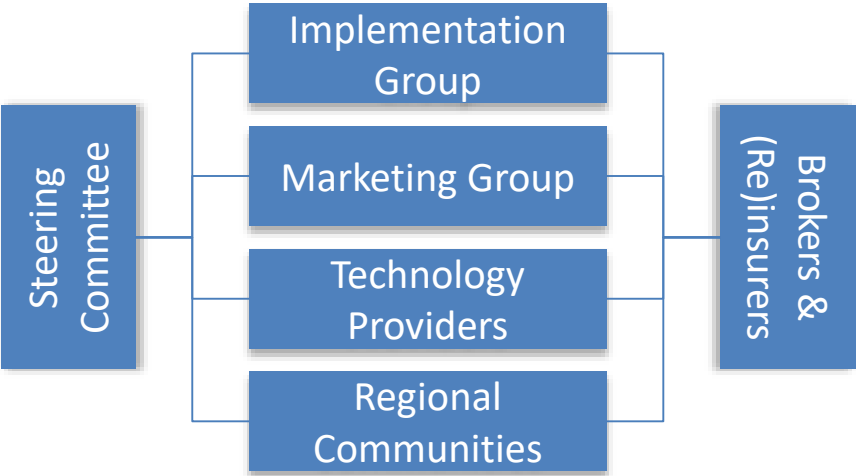**Mission:**

Connect leading players of the (re)insurance industry to streamline back office processes using ACORD GRLC Standards

- Technical Accounting
- Claims
- Settlement

Steering Committee

- Implementation Group
- Marketing Group
- Technology Providers
- Regional Communities

Brokers & (Re)insurers

6 Continents

40 Countries

100s of companies

1,000s of offices

Consistent approach, using global standards, driving worldwide coverage

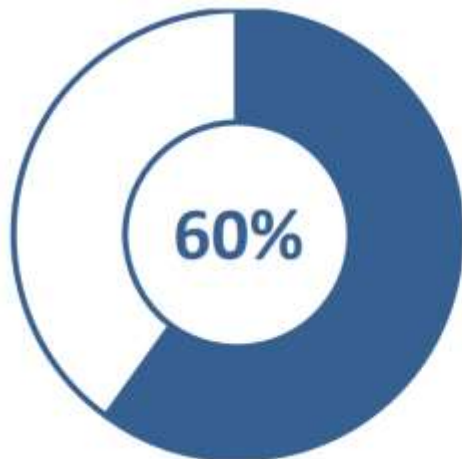Ruschlikon POWERED BY ACORD

Ruschlikon is a large global community of insurers, brokers and reinsurers reshaping the insurance, coinsurance & reinsurance industry, through the design and implementation of standard dematerialized exchanges and processes, reducing operational cost and enhancing client service
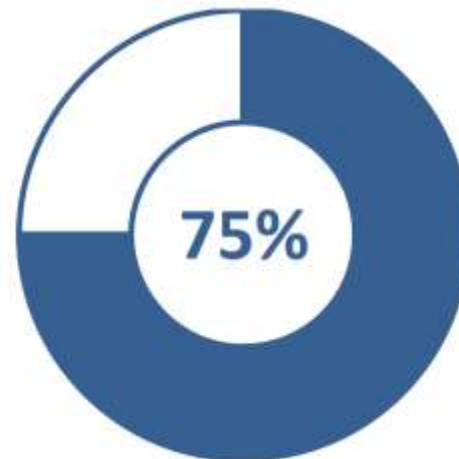
The Ruschlikon global community

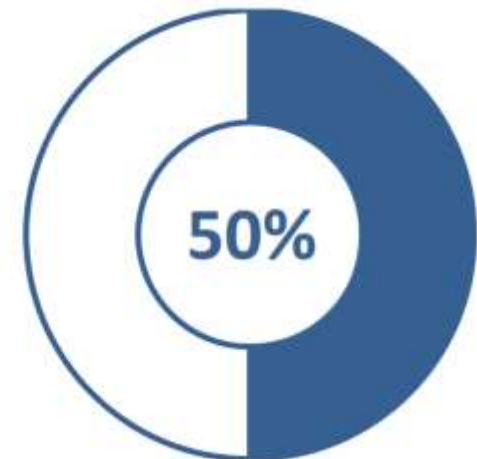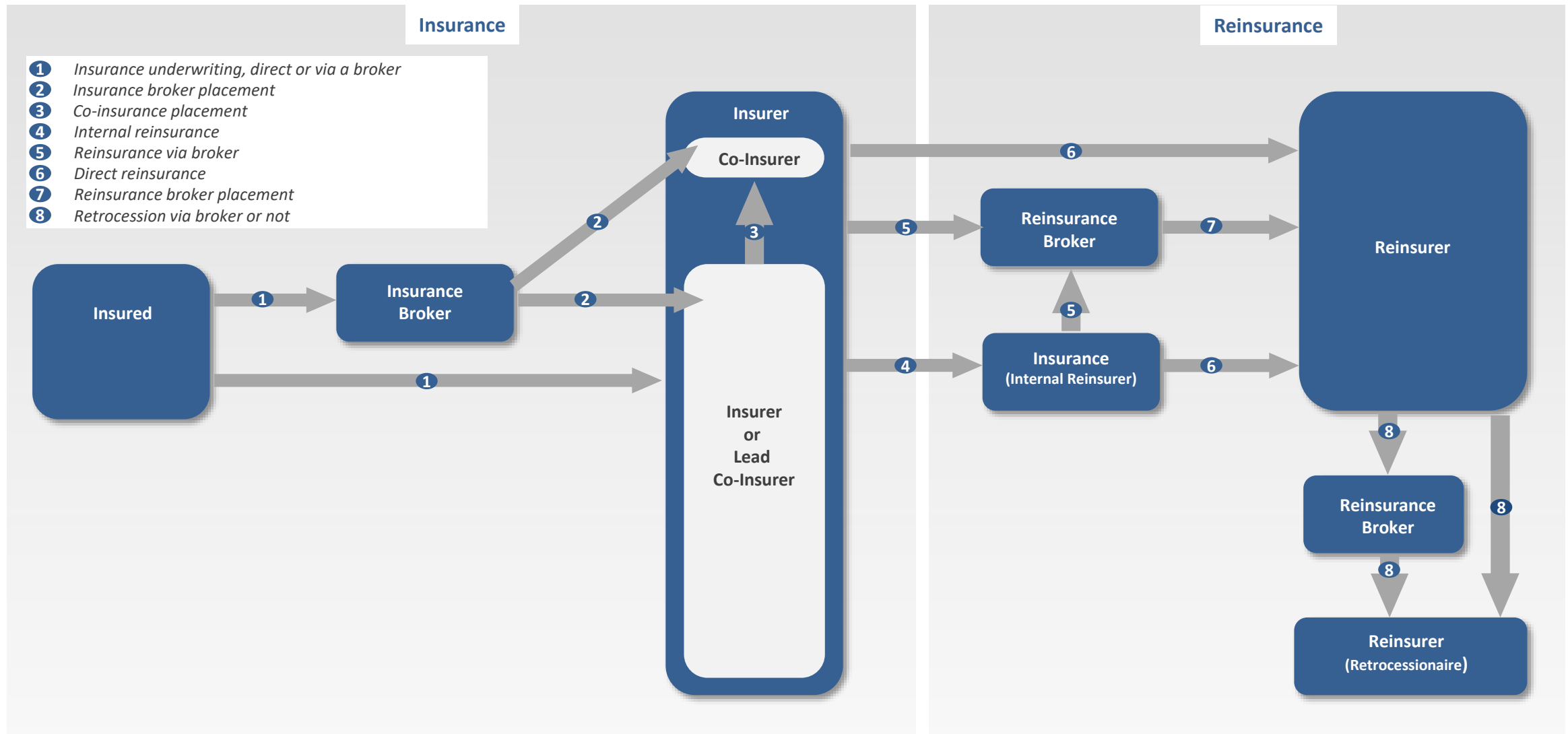| Reinsurers	Brokers	P&C Business - London
Ruschlikon reinsurers represent more than **60% of the global reinsurance market**	The 3 leading brokers are Ruschlikon members, and represent **75% of the reinsurance broker market**	The Ruschlikon carriers cover around **50% of the P&C business written in the London Market**

60%

75%

50%

"The (re)insurance end-to-end process in the digital world"

Insurance

Reinsurance

1. Insurance underwriting, direct or via a broker
2. Insurance broker placement
3. Co-insurance placement
4. Internal reinsurance
5. Reinsurance via broker
6. Direct reinsurance
7. Reinsurance broker placement
8. Retrocession via broker or not

Insured → **Insurance Broker**

Insurer
- Co-Insurer
- Insurer or Lead Co-Insurer

Reinsurance Broker

Insurance (Internal Reinsurer)

Reinsurer

Reinsurance Broker

Reinsurer (Retrocessionaire)

Ruschlikon
ACORD

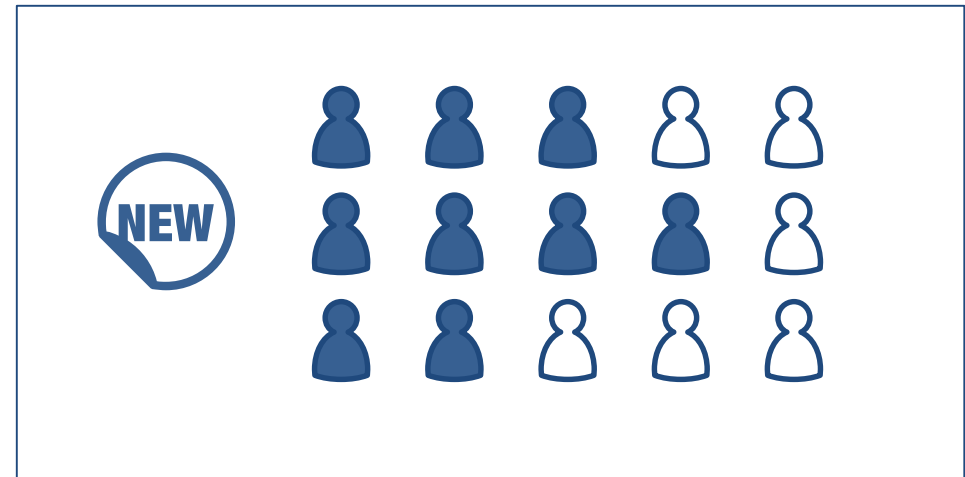# The two Ruschlikon strategic objectives

I

Increase the traffic within the community
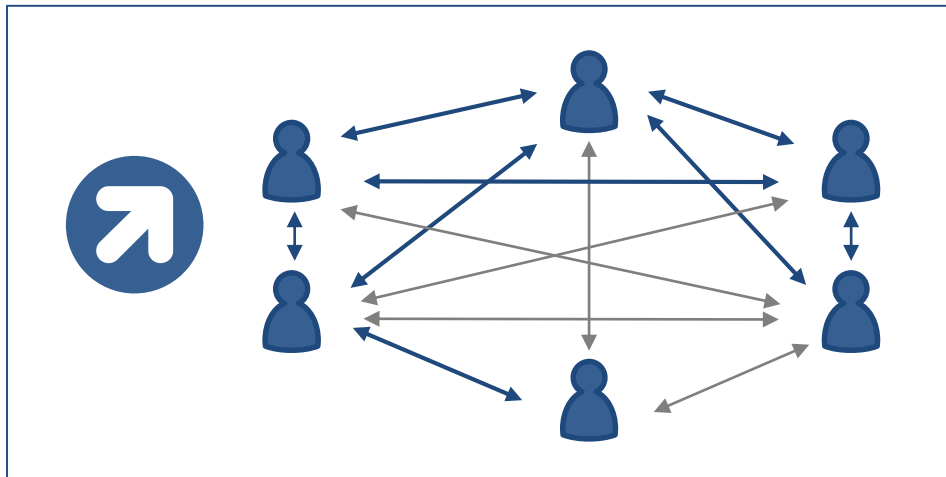
II

Enlarge the community

Where does Ruschlikon stand ? – Main KPIs

1,5m Ruschlikon ACORD GRLC Message volumes

518 Ruschlikon partners

Time to process an account

Year	Message volume	Partners
2011	215,000	
2012	700,000	
2013	1,016,095	
2014	1,003,938	89
2015	1,170,829	145
2016	1,543,866	518

e-processing is 2 times faster than paper

Paper

Electronic

Average time required to receive and book an account TA
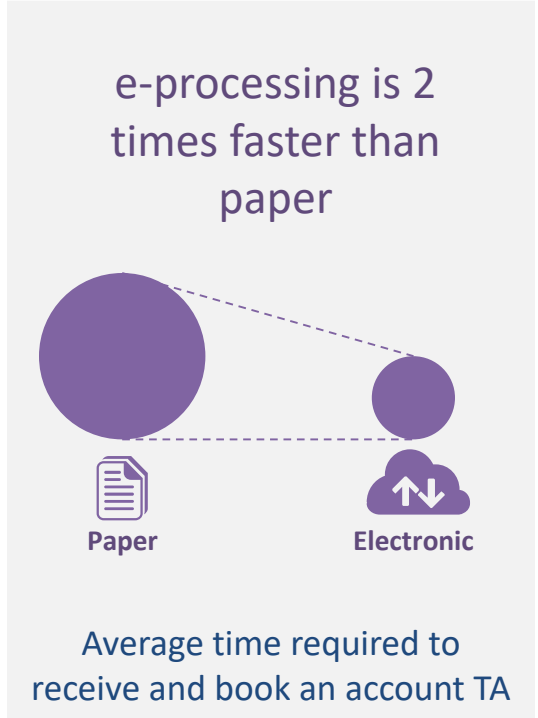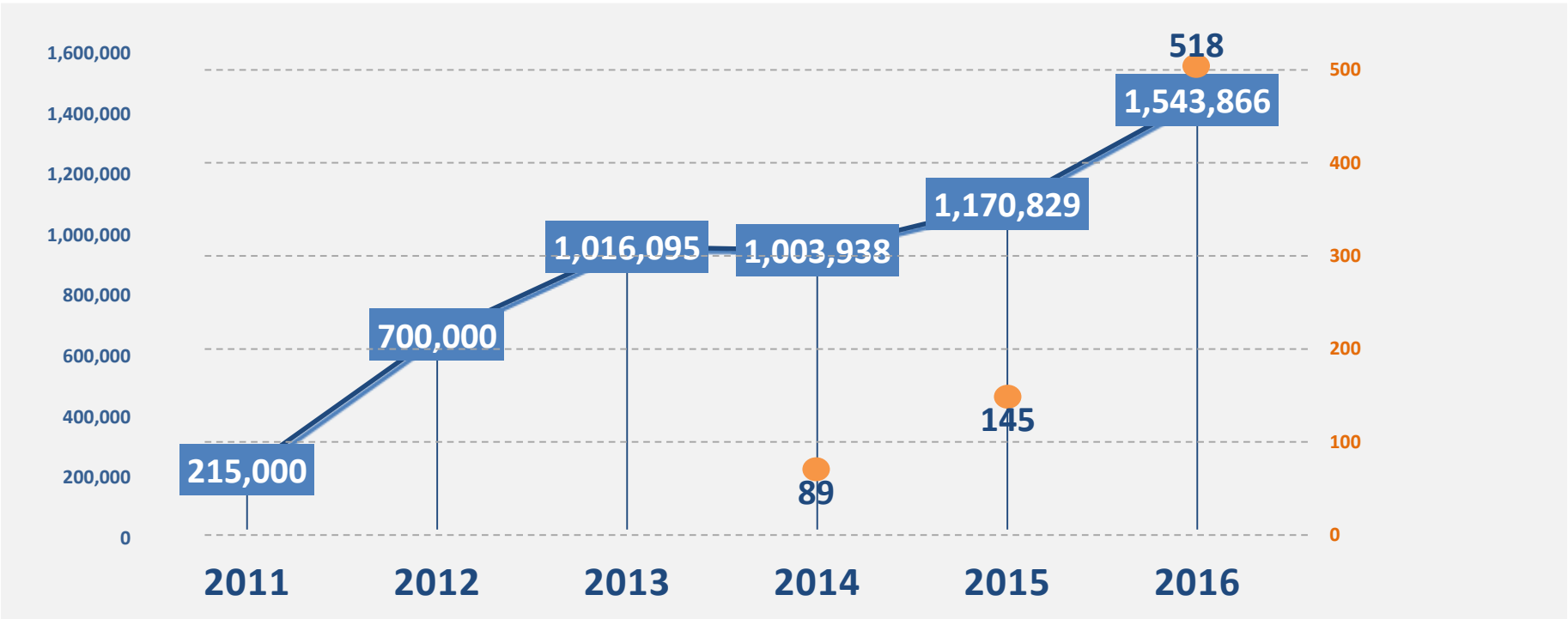
Ruschlikon organizations achieve superior financial performance

Insurers	Brokers	Reinsurers
• More timely claims payments	• Ability to focus on value-added tasks	• Reduced administrative costs
• Improved capital utilization	• Improved operating efficiency	• Higher speed-to-value
• Operating efficiency	• Customer satisfaction	• Improved customer satisfaction

Ruschlikon
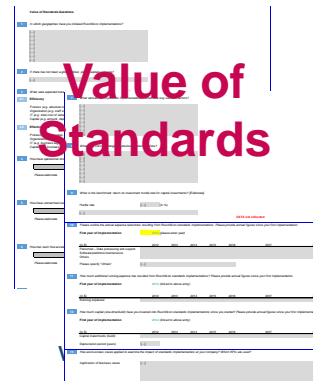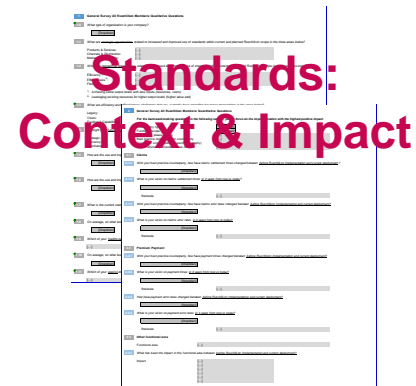ACORD

Ruschlikon has asked ACORD to help getting better visibility at the CEO level. For this, ACORD has worked out and sent to members 2 surveys on value creation

I

What's the value created by the implementation of ACORD standards ?

- Efficiency & effectiveness
- Business benefits
  - Operational risk reduction
  - Unmatched cash elimination
  - Cash flow acceleration
  - Admin costs savings
  - Return on invested capital
  - Data quality improvement
- Key success factors, risks & challenges

Standards: Context & Impact

Value of Standards

II

How is the community improving processes when implementing the ACORD standards ?

- Opportunities, maturity & challenges
- Improvements in processing time and error reduction
  - Technical account
  - Claims
  - Financial Account
  - Post Placement
- Back-office productivity

Ruschlikon
ACORD

Value of Standards

5-Year Analysis, Industry = 100

	TSR	EBITDA
Ruschlikon	**112**	**110**
Non-Ruschlikon	97	96
Industry	**100**	**100**

% change TSR simple average, EBITDA CAGR weighted by cumulative revenue, industry = 100

⮑ **Stakeholders embracing standards demonstrate superior financial performance**

Ruschlikon

Carriers
Reinsurers
Brokers & Agents
Vendors
Markets
Insureds
Regulators
Industry Associations
MGA/MGU

ACORD

Source: ACORD

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4   **Ruschlikon & B3i**

Investigate blockchain potential, Business ambition

Provide an industry-wide platform for handling (re)insurance contracts

Less admin, more insurance

Improve the way data, premium, claims, payments are disclosed, used, automated and managed

Focus on value adding client service, risk prevention and risk management

Make insurance risks more tradeable

Make insurance more affordable with an improved client experience

Investigate blockchain potential, Technology

Relevant & efficient options

B3i is a "permissioned" blockchain, only authorized players of the (re)insurance community will have access

Exchanges are secured, the recipient is the only one able to decrypt, and to identify sender and content

Transactions are certified and immutable

The open source architecture chosen for the pilot has so far proven scalability and performance, but further technology investigation will occur

Further detailed analysis will be needed to confirm security, privacy, scalability, etc… before the service opens live

B3i, a true industry collaboration

Market Testing Participants — B3i Members: AIG, SAHAM Assurance, PartnerRe, AIA, LEADWAY, QBE Re, EVEREST, GenRe, Liberty Mutual, Munich RE, RGA, SCOR The Art & Science of Risk, USAA, TAKAFUL EMARAT, Navigators, GENERALI, hannover re, Sompo Japan Nipponkoa, Swiss Re, Unipol GRUPPO, Allianz, TigerRisk Partners, ageas, Tokio Marine Holdings, XL CATLIN, Willis Towers Watson, COVéA, MAPFRE | RE, AEGON, achmea, ZURICH, SAVARe, CHUBB, JLT Re, TRUST RE, LOCALTAPIOLA, GUY CARPENTER, AON Empower Results

Expected benefits

4 major types of benefits which generates 4 bottom-line impacts:

Working Capital Improvement	Operational Efficiency and Risk Reduction	Quality and Integrity of Data	Foreign Exchange Management
Faster and more efficient premium and claims settlement and optimized liquidity management	Reduction of contract uncertainty, reconciliations and process inefficiencies	Normalized and high-quality data in a shared source with central control over integrity and easier auditing	Accelerated FX transactions and consistent valuation

- **Admin costs savings up to 30%**

- **Combined Ratio – conservative estimate of -0,5%**

- **Improved liquidity**

- **Risk reduction**

Minimum Viable Product (MVP) - Property CAT XoL

✘ *Structuring /Negotiation* → **Contract set up/Renewal**

Premium Adjustment

Post-placement contract cycle covered

Contract Finalization

Automated calculation and payment of claims

✘ *Not covered in the MVP*

Signing of the contract

Deposit premium calculation and payment
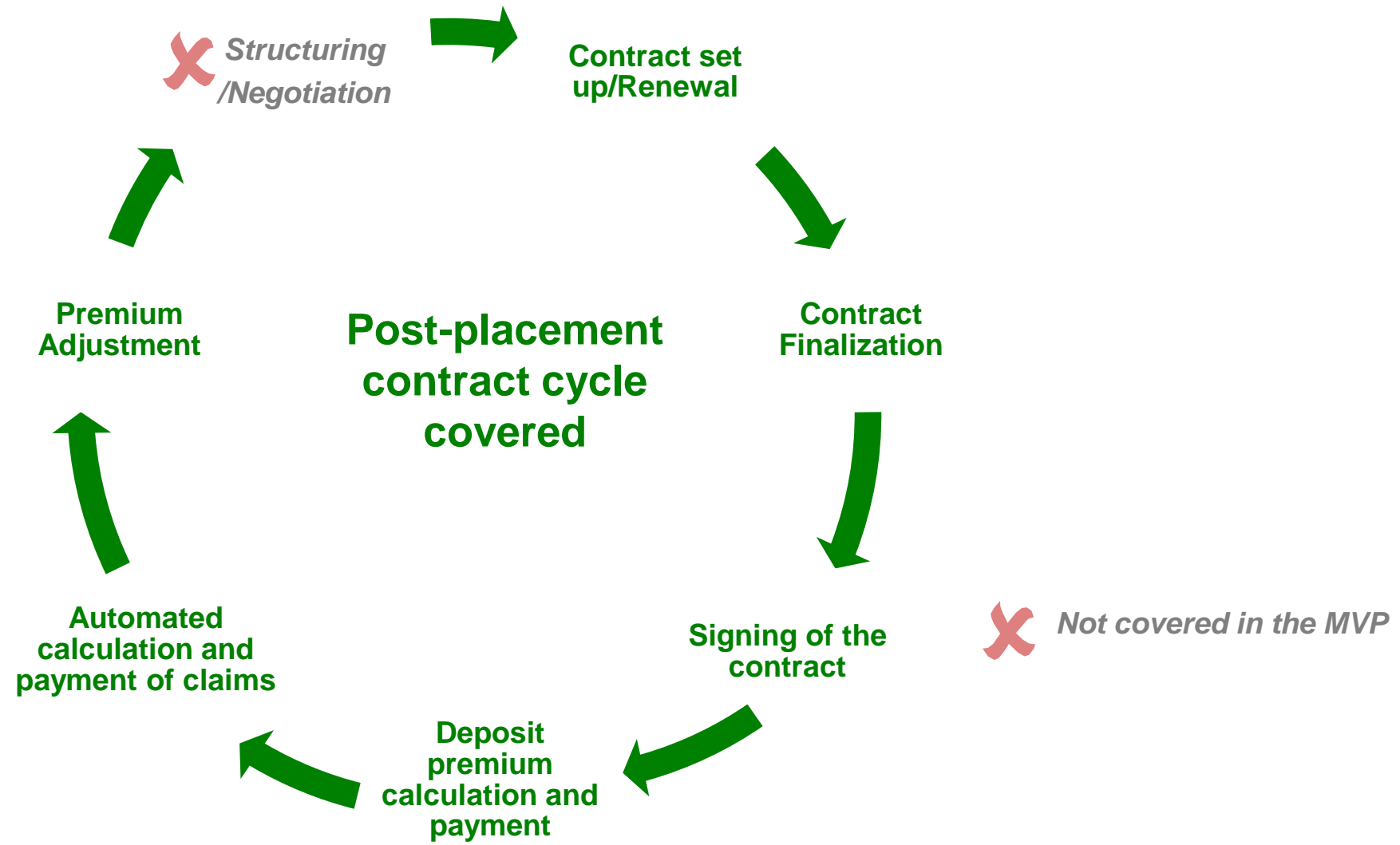
Information flows for the Cat XL MVP

B3i

Cat XoL MVP

Cedent or Broker

Reinsurer

Requests for line

ORDER

Proposed line

Signed line

POST-PLACEMENT

Contract

ACCOUNTING

Technical account

Acknowledgement

CLAIM

Claim

Acknowledgement
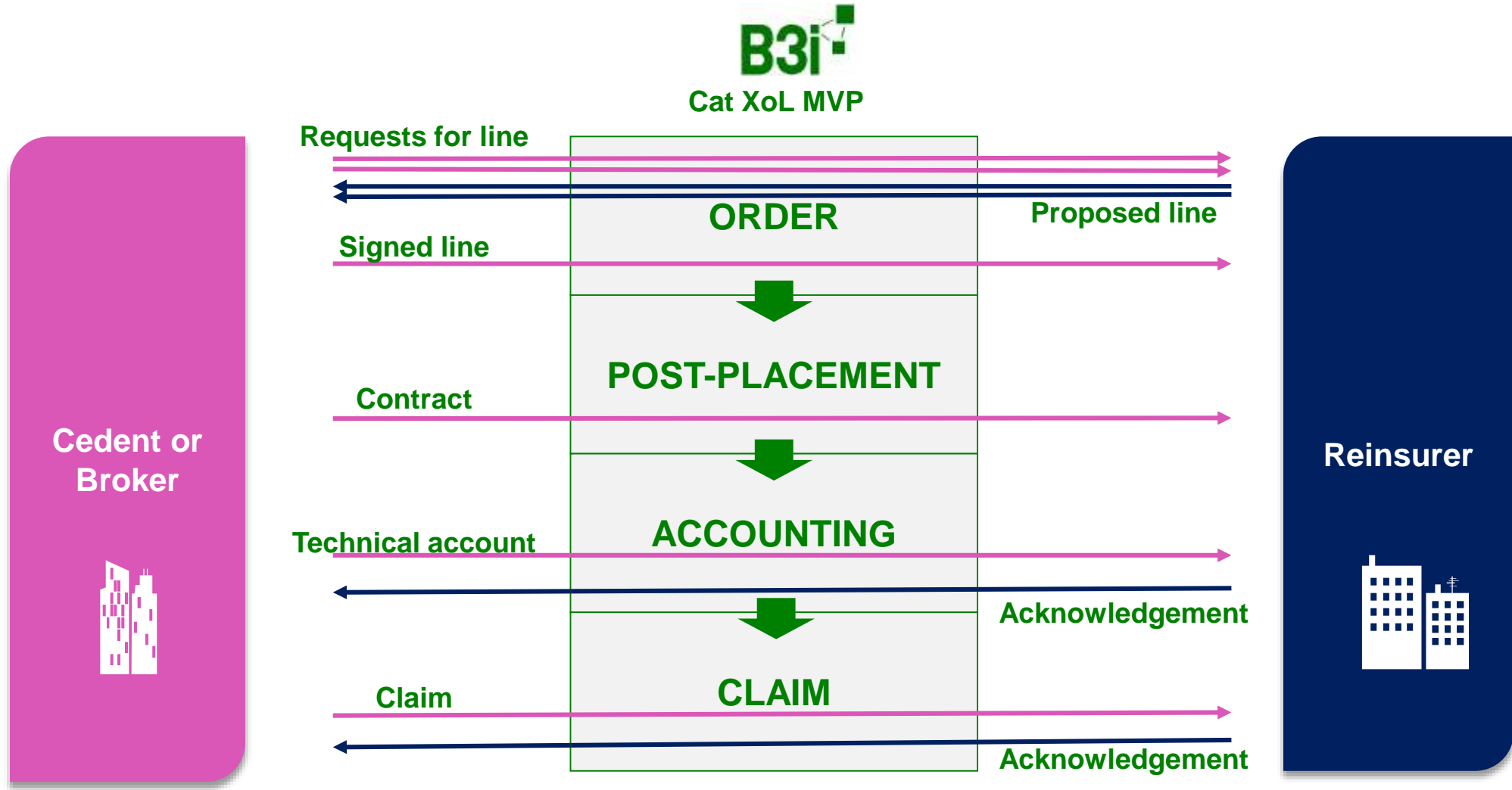
Ambition to cover the whole (re)insurance value chain

B3i

Insurance

Reinsurance

Insured → ① → **Insurance Broker**

Insurer

Co-Insurer

Insurer or Lead Co-Insurer

Reinsurance Broker

Reinsurer

Insurance (Internal Reinsurer)

Reinsurance Broker

Reinsurer (Retrocessionaire)

① Insurance underwriting, direct or via a broker
② Insurance broker placement
③ Co-insurance placement
④ Internal reinsurance
⑤ Reinsurance via broker
⑥ Direct reinsurance
⑦ Reinsurance broker placement
⑧ Retrocession via broker or not
⑨ Alternative reinsurance in Financial Markets

Financial Markets

Bank

B3i roadmap : structuring principles

- **Deliver quickly enough** to allow fast business transformation

- **Parallelize domains (internal/external reinsurance, insurance, P&C, L&H…) as much as possible** to keep the largest possible community

- **Benefit all families** (insurers, brokers, reinsurers)
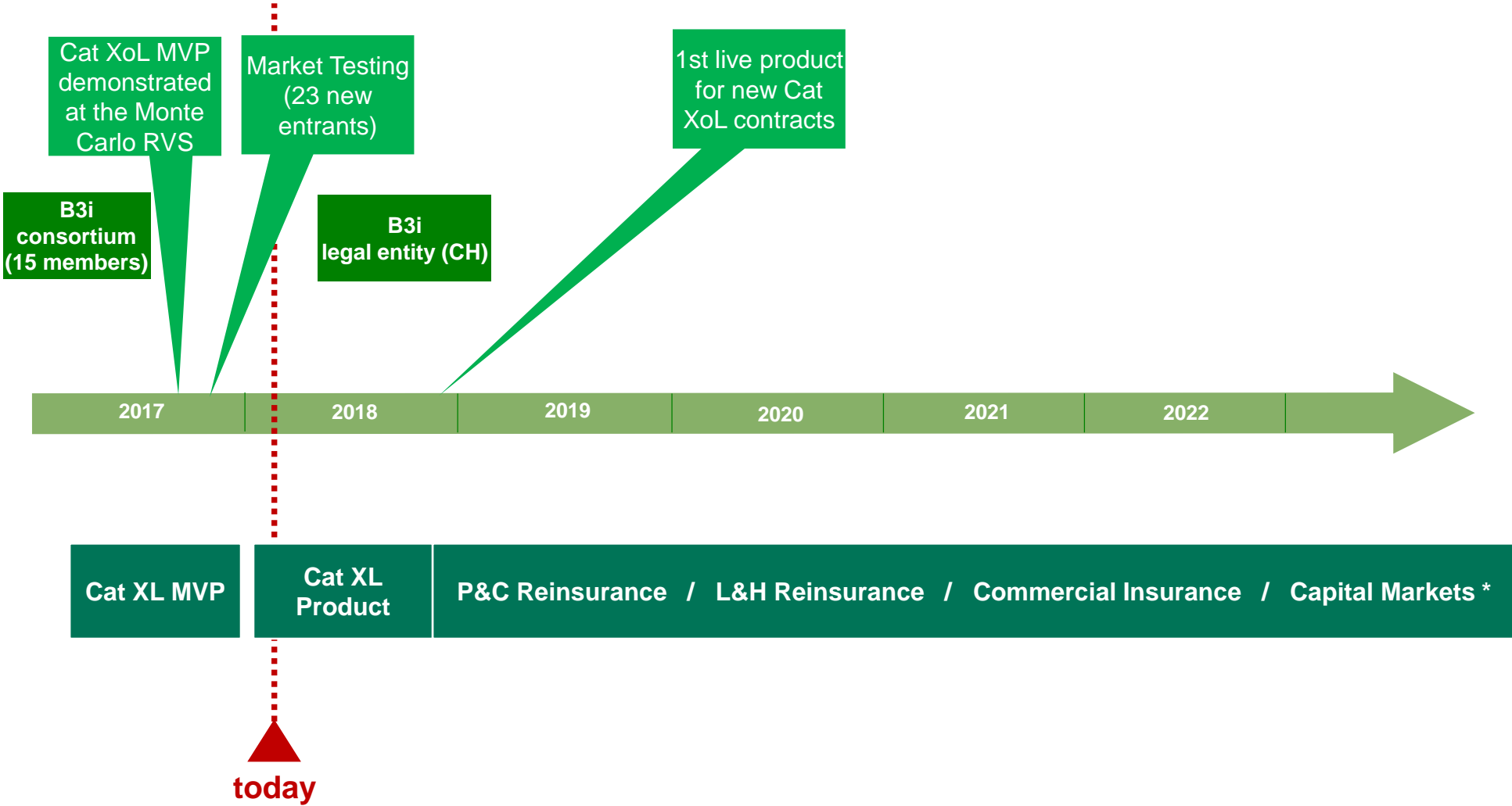
- **Build pre-requisites upfront**

- **Prioritize** considering volume, admin burden, complexity, synergy, market expectations

- **Include integration and migration considerations** to optimize straight-through-processing and market adoption

- **Address regulatory matters**

- **Initiate discussions** with local initiatives with the idea to accelerate product delivery not reinventing the wheel, analyzing if it makes sense to work together (globalization, hosting, plugs-in, appstore, certification, etc…)

B3i roadmap

B3i

Cat XoL MVP demonstrated at the Monte Carlo RVS

Market Testing (23 new entrants)

1st live product for new Cat XoL contracts

B3i consortium (15 members)

B3i legal entity (CH)

2017	2018	2019	2020	2021	2022	

Cat XL MVP	Cat XL Product	P&C Reinsurance / L&H Reinsurance / Commercial Insurance / Capital Markets *

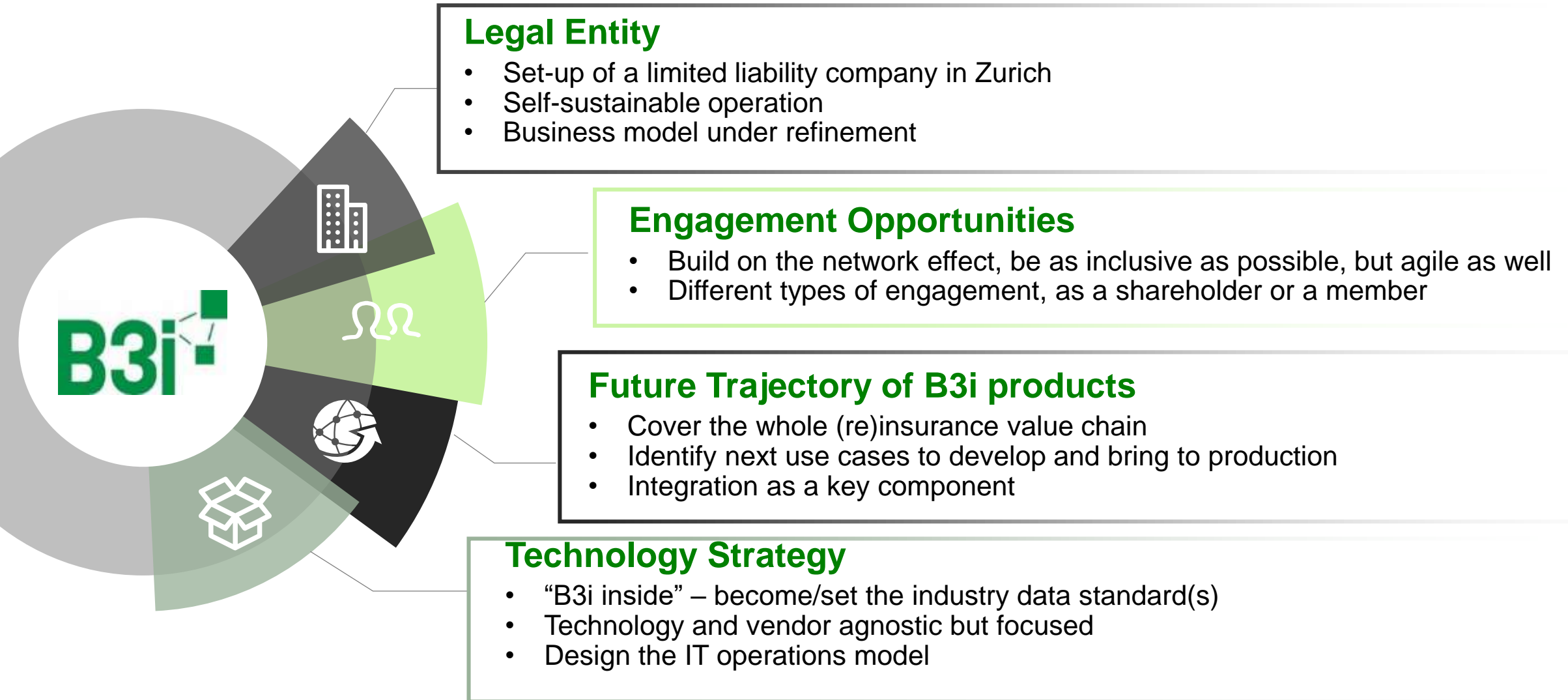**today**
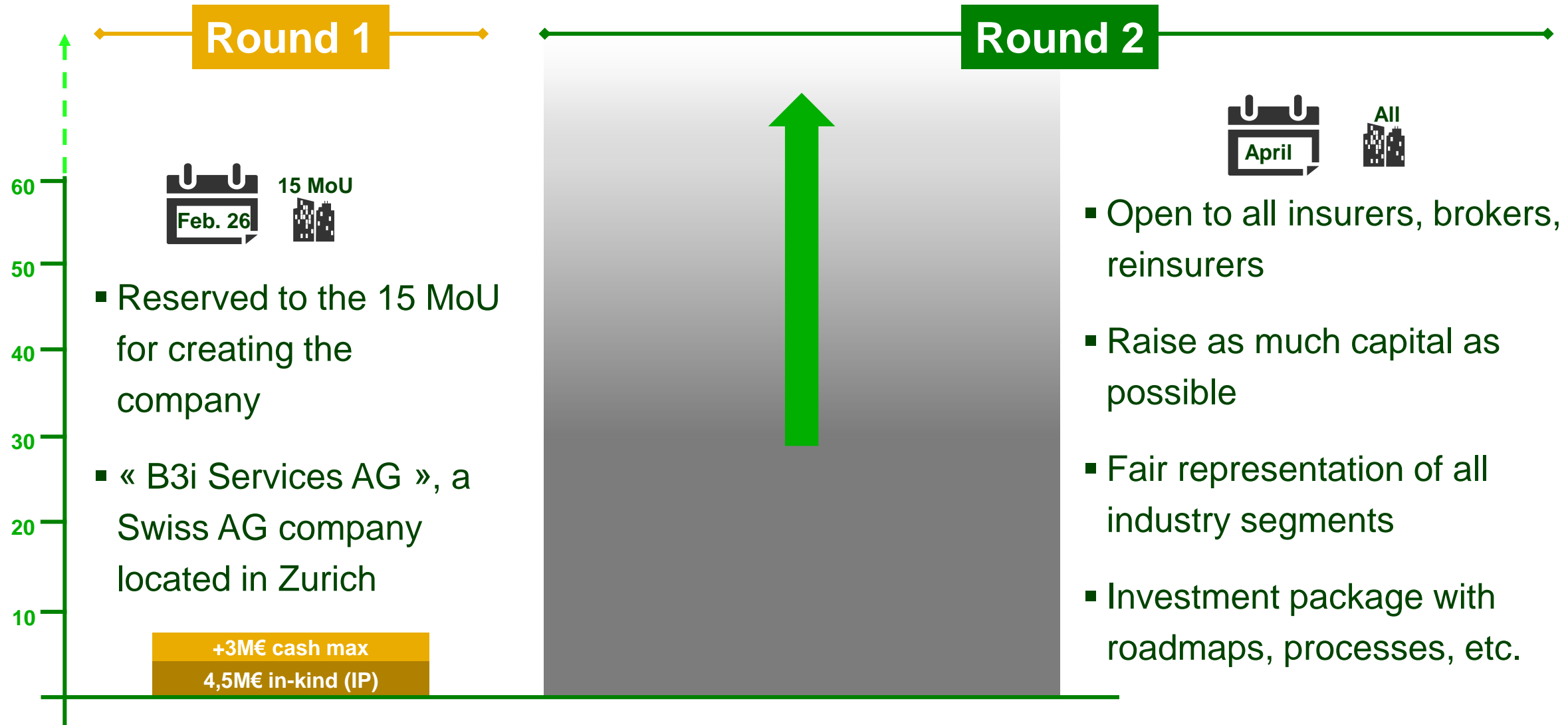
*Roadmap, i.e. sequence and timing of products still to be defined

... coming in 2018
Creation of an industry backbone platform

Legal Entity
- Set-up of a limited liability company in Zurich
- Self-sustainable operation
- Business model under refinement

Engagement Opportunities
- Build on the network effect, be as inclusive as possible, but agile as well
- Different types of engagement, as a shareholder or a member

Future Trajectory of B3i products
- Cover the whole (re)insurance value chain
- Identify next use cases to develop and bring to production
- Integration as a key component

Technology Strategy
- "B3i inside" – become/set the industry data standard(s)
- Technology and vendor agnostic but focused
- Design the IT operations model

Setting up of the B3i legal entity

B3i

Round 1

15 MoU

Feb. 26

- Reserved to the 15 MoU for creating the company

- « B3i Services AG », a Swiss AG company located in Zurich

+3M€ cash max
4,5M€ in-kind (IP)

60
50
40
30
20
10

Round 2

April   **All**

- Open to all insurers, brokers, reinsurers

- Raise as much capital as possible

- Fair representation of all industry segments

- Investment package with roadmaps, processes, etc.

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Ruschlikon and the (rei)nsurance modernization ecosystem

ACORD – Ruschlikon - B3i collaboration

P&C Insurance
L&H Insurance
Reinsurance & Large Commercial (P&C)

ACORD

- Universal Data Standards
- Blockchain commitment as part of the strategy
- Migration of data standards under blockchain
- Involvement in multiple blockchain initiatives

**Reinsurance & Large Commercial (P&C)**

Ruschlikon
POWERED BY ACORD

- A long track record of successful implementations
- ACORD Data Standards optimal usage and evolution
- Ruschlikon Best Practices, Standard processes
- All types of contracts, all LoB, all UWY

Reinsurance P&C
Reinsurance L&H
Commercial Insurance
Capital Markets
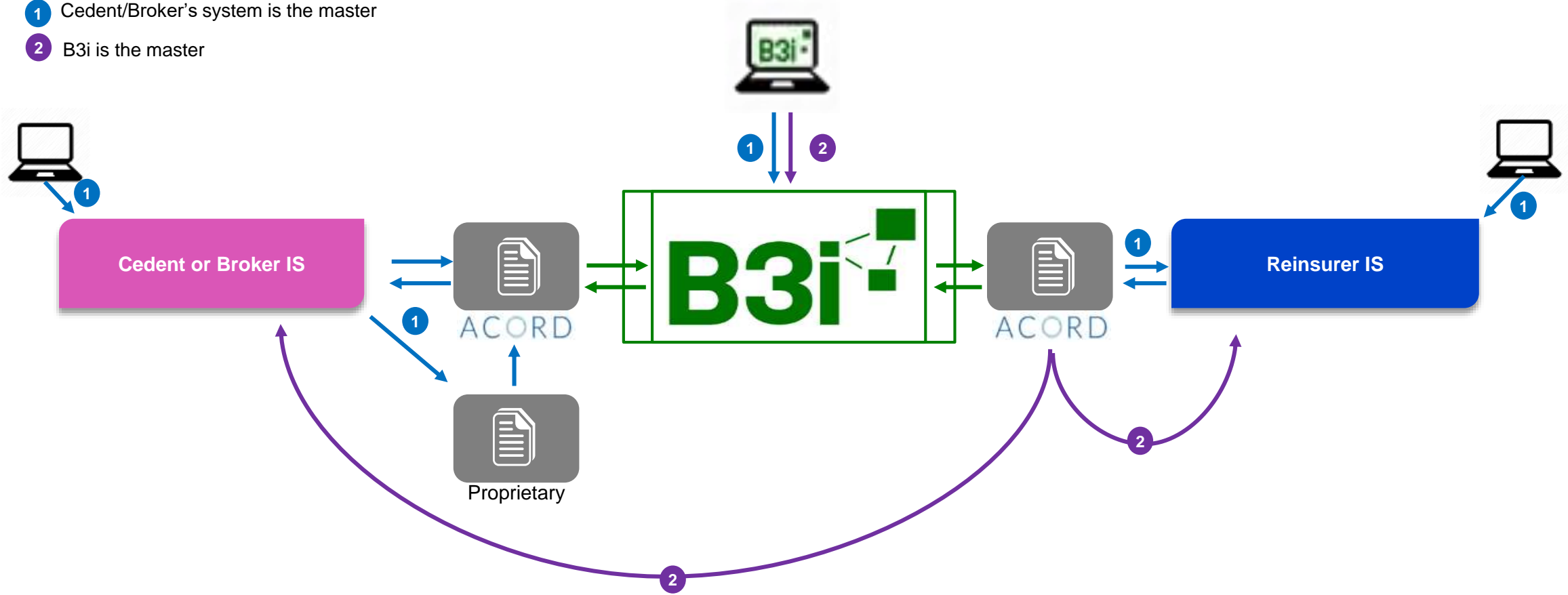**Universal/Transversal**

B3i

- DLT/Blockchain technology
- Reinsurers, Brokers & Cedents
- Cat XoL first, then future use cases to be developed
- Legal entity created
- Integration and migration still to be defined
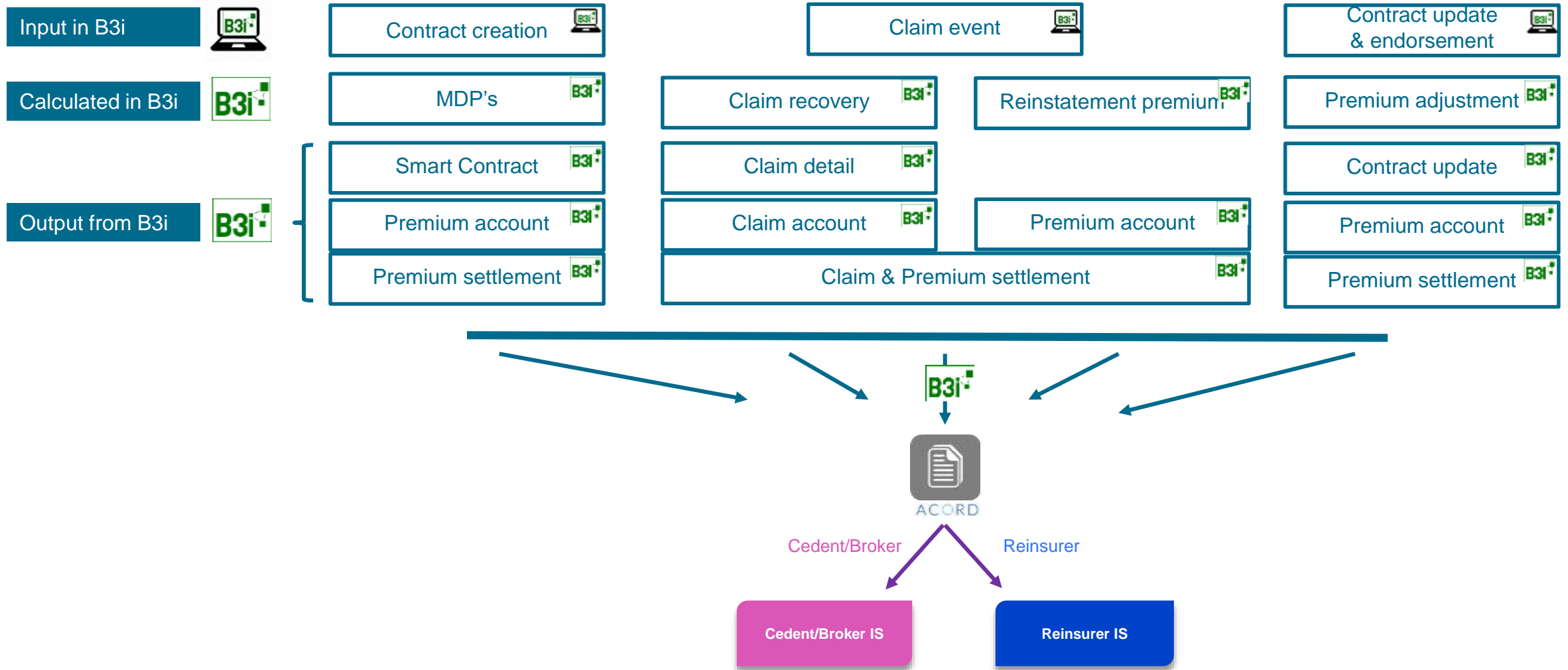
Ruschlikon integration
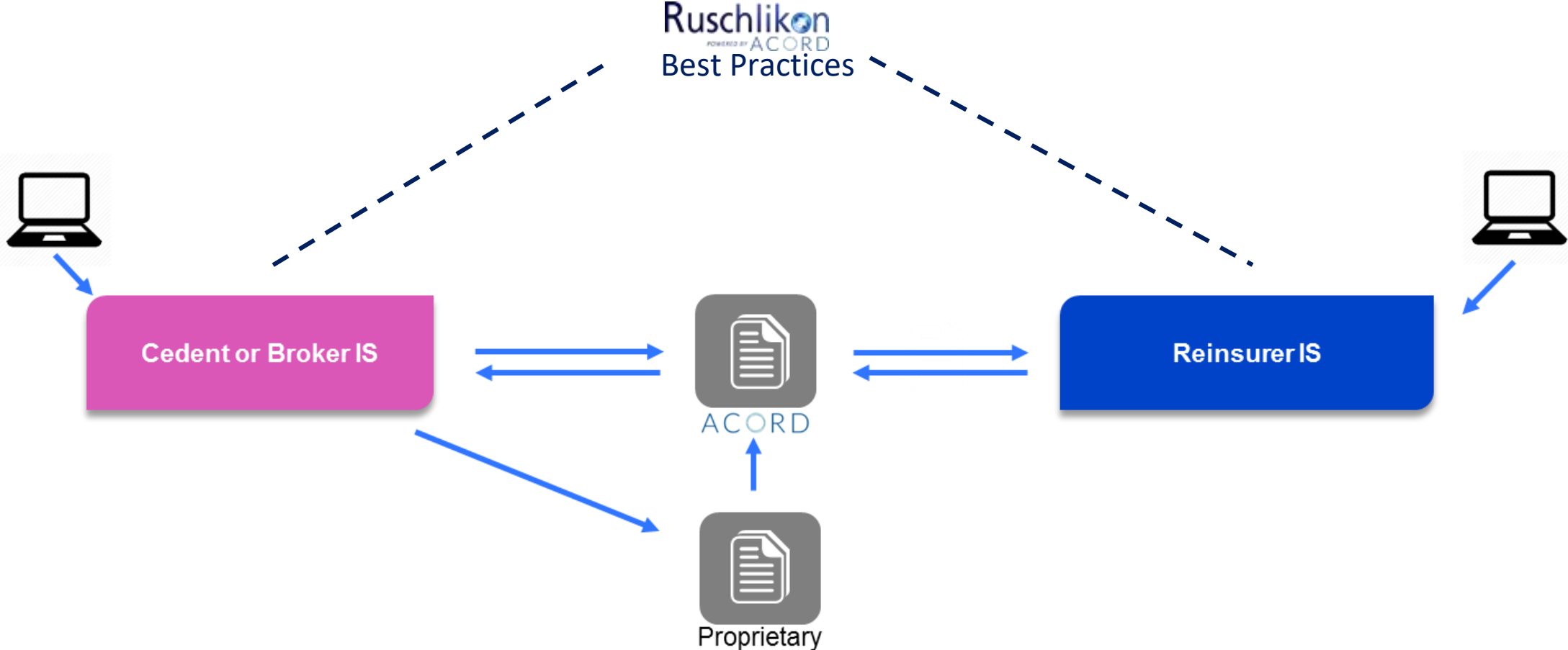
B3i integration - two high-level integration scenarios

1 Cedent/Broker's system is the master

2 B3i is the master

Integration of the B3i MVP
Who's doing what (scenario 2, B3i master)?

Input in B3i	Contract creation		Claim event		Contract update & endorsement
Calculated in B3i	MDP's	Claim recovery		Reinstatement premium	Premium adjustment
	Smart Contract	Claim detail			Contract update
Output from B3i	Premium account	Claim account		Premium account	Premium account
	Premium settlement	Claim & Premium settlement			Premium settlement

B3i

ACORD

Cedent/Broker   Reinsurer

Cedent/Broker IS   **Reinsurer IS**

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The Art & Science of Risk

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Ruschlikon & B3i both target full dematerialized operations in the (re)insurance industry…

A lot of similarities
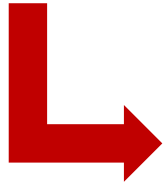
Same ambition to dematerialize all interactions in the (re)insurance industry
- Same target community
- Same value chain, and same functional priority on administration
- Same ACORD standards
- Same business case

Ruschlikon POWERED BY ACORD

B3i

- Ruschlikon Best Practices define standard processes
- Implementation readiness
- Long track record of implementations
- Limited cedents' appetite & involvement so far
- P&C only so far
- All UW years included

- More than a transport mechanism
- Target scope will include placement, Life, etc…
- Migration of past UW years in B3i may be difficult
- Integration process could potentially be different
- Larger community with a strong presence of insurers
- Blockchain creates traction, the future of e-processing
- Blockchain adoption by all the market may take time

…and will run in parallel for some time

B3i and Ruschlikon will coexist as complementary solutions for some years

Product availability

Market adoption

Migration of past UWY

and…

Efforts for implementing Ruschlikon will be reused for B3i