

FAQ

Contribution of IBM Intellectual
Property to ACORD Standards

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Insurance Data Standards
Life & Annuity • P&C • Reinsurance



nonprofit • industry developed • solution provider neutral

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Overview

What is ACORD's vision for standards?

ACORD's Strategic Vision is that the global insurance industry has one common set of data definitions — a common vocabulary. This vocabulary supports business processes, messages and forms used across the insurance value chain. Each time a solution is implemented for any part of the insurance value chain, it should be built upon these standards.

ACORD's mission is to facilitate the development and adoption of standards for the insurance, reinsurance and related financial services industries. ACORD accomplishes this by remaining an objective, independent advocate for sharing information among diverse technologies and constituencies across the insurance value chain. This is fundamental to ACORD being recognized as the SDO (Standards Development Organization) for the insurance industry.

What is included in this IBM Intellectual Property (IP) contribution to the ACORD standard?

IBM is contributing a subset of their Insurance Application Architecture (IAA) including:

- Business Process Models (IAA Business Activity Models which are a hierarchy of about 100 processes with business definition in English).
- Data Dictionary (referred to as the IAA Business Terms and a subset needed for defining the process services).
- State Machines (workflow for the main insurance concepts may become part of the ACORD process).

For more detailed descriptions, please see the ***Business Process Contribution*** section below.

So what is this all about? Why?

This is an opportunity for ACORD to help its members and the industry as a whole define an industry standards framework that will include business processes, messages and/or transactions, and forms, and data. This will support the evolution and transformation of the industry and an ecosystem of collaborative organizations communicating more effectively and efficiently.

How does this contribution support ACORD's vision for standards?

The insurance industry is evolving away from monolithic, silo-based organizations towards networked models where enterprises combine to deliver value. As individual insurers and the industry evolve, they will learn to leverage best-in-class capabilities both internally and externally from sources throughout the networked industry. More and more non-core capabilities will move outside the main enterprise and be provided in a services-oriented architecture (SOA) or web services environment. This is a necessary transformation and creates an imperative for a standards framework to ensure that this emerging environment is well supported for the industry.

To enable this transformation, the current ACORD standards framework will be expanded and enhanced to provide the standards for business processes, messages/transactions, forms, and data. The contribution from IBM will jump start this expansion and further enrich the ACORD standards. It will help propel the use of ACORD standards framework for adoption within the industry, advance the use of SOA and web services, and enterprise architectures using standards.

This strategic opportunity enables ACORD to more quickly achieve the vision and direction of providing the industry a robust, detailed, consolidated and complete standards framework that will support business innovation, transformation and efficiencies.

What is this Framework?

As used in this context, a framework for business enablement through the use of industry standards: process, messages, forms, and data. The framework includes:

- Establishing high level standard business processes that can be used to define:
 - Implementation guides for consistent adoption of the standards supporting business processes within the industry.
 - Best practices for business process that can help guide and measure companies' effectiveness (industry benchmarks).
 - A roadmap of all of all standards available and under development as well identifying gaps which will all support and identify implementation opportunities.
- Expanding the dictionary of business definitions for the end-to-end insurance value chain across all product lines and geographies.

Where did this intellectual property of IBM's come from?

Over more than 20 years, IBM has invested and developed in partnership with licensed insurance companies to create a business and IT framework for the insurance industry: the Insurance Application Architecture (IAA). IAA is a comprehensive set of information, process and integration models that represents systems development in the insurance industry.

IAA is an information architecture blueprint with detailed insurance business content that can be applied to initiatives on an enterprise-wide or specific project basis. It enables insurance companies to create detailed specifications and cross-enterprise architectures for information systems.

Why did IBM contribute this IP? Why is IBM taking this step? How does this help IBM?

First, IBM has been a member of ACORD since 2000, making them a participant in the standards development process. This contribution is not unlike those from many other members, just on a larger scale.

Over time, IBM has identified that some of the elements constituting the IAA offering would be better positioned as industry standards. IBM is letting "go of control" – of certain IAA elements making them "open to the industry" through ACORD. The goal is to accelerate industry efforts to achieve speed of innovation and sustained value by seeding and enhancing the development of an appropriate set of enhanced industry standards.

Why does ACORD need this content?

ACORD, through its strategy work with members and research analysts, realizes the need to extend the ACORD standards as a framework that includes business process models, transactions/messages, forms, and data which covers the entire insurance value chain, and supports:

- Integrated systems that ultimately support good corporate governance and potentially regulatory requirements such as Sarbanes Oxley.
- Industry metrics and best practices for business processes and standards implementations.
- Enabling and driving more consistent standards implementations.
- Development of business components, service oriented architectures (SOA) and web services.
- Development of industry utilities.
- Continued elimination of industry fragmentation through implementation or multiple proprietary "formats."

ACORD could have developed this from scratch. However, as is normal with our process, members contribute intellectual property to jump start the process and propel us further and faster.

What makes this contribution significant is the size of the contribution as well as the timing. This is a very sizeable contribution which will speed up standards development significantly. In addition, it comes at a time when ACORD members were interested in expanding the standard to incorporate business processes.

The linkage of process, transaction and data is more important than ever as our industry faces the need to have process controls, auditable data flows, and data transparency. This contribution will expedite this process to better serve the needs of ACORD's membership.

This is best summarized by a diagram which shows how that as the strategic business value increases, so does standards adoption. The addition of this IP from IBM will further enhance the standard and show even more how beneficial ACORD standards are to individual companies as well as to the industry as a whole.

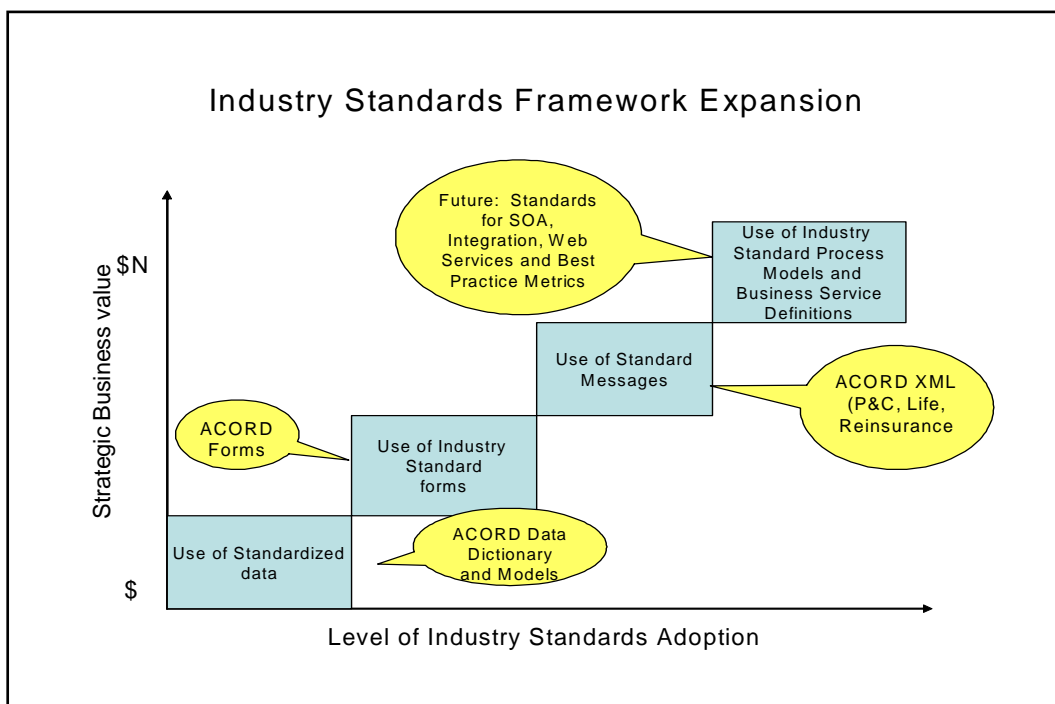
What does this mean for the industry?

- Standardization through standards adoption
- Business transformation and innovation
- Business process outsourcing
- Legacy modernization
- Component-based solutions
- Industry benchmarks and best practices
- Compliance to regulatory requirements with process, transaction and data standards

How will this impact the existing standards for Life & Annuity, Property & Casualty/Surety, and Reinsurance & Large Commercial?

This will expand and enhance the standards. The business processes will be, like our DRI standards, cross-line. There will be a single set of processes, not one per line of business/standard.

This contribution will enable the standards to grow more quickly and provide a more comprehensive foundation for development and therefore increased implementation.



Business Process Contribution

What is business process?

Business process: a prescribed sequence of work steps that is intended to be completed in order to produce a specific result. A business process is initiated by a particular kind of event, has a well-defined beginning and end, and is usually completed in a relatively short period of time. It's a collection of activities that work together to produce a defined set of products and services. At its most generic, a business process is any set of activities performed by a business that is initiated by an event, transforms information, materials or business commitments, and produces an output. Value chains and large scale business processes produce outputs that are valued by customers. Other processes generate outputs that are valued by other processes.

Business rules applied to business processes are how insurance companies differentiate themselves from their competitors. This is an area where standards do not play a role as it is through individuality that each company believes it can achieve success. However, business processes are the building blocks for businesses and provide commonality within the industry, product lines, reuse across insurance company line and function "silos" and provides the basis and scope for standardization.

How will this data dictionary impact ACORD's data dictionary?

The dictionary will be integrated with existing ACORD data dictionaries, thereby expanding the dictionaries. The ACORD committees will handle any redundancies or conflicts as they normally would. This is all part of the standard *Standards Program General Guidelines & Procedures*.

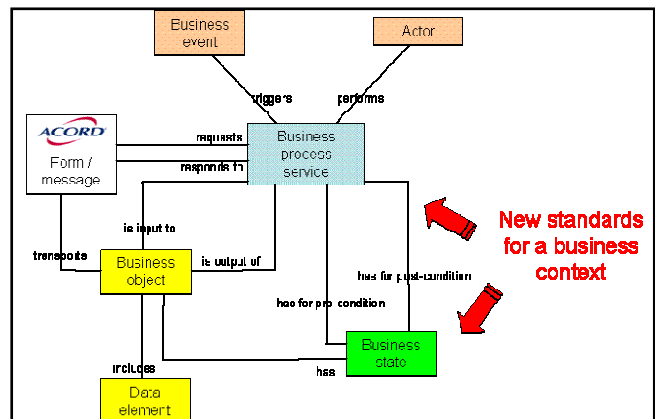
What are business states or state machines?

Applications sometimes work with artifacts that have a set of states. A state defines what the artifact can do at a point in time. A *state machine* is an implementation of this set of states. State machines are a common way of showing a set of interrelated states in a process.

A familiar state machine is the soda or pop dispenser (depending on where you are from). You put some coins into the machine and along with your soda (or pop), which hopefully is dispensed, you get your exact change as the state machine mechanically breaks down the nickels and dimes that need to be returned to you given the coins you inserted.

How are these business processes different from other industry workflows being developed by partner associations or individual companies?

These business processes are high level views of processes that form the building blocks for companies to create more specific processes and workflow based on the business rules for their environment. Workflow would be the application of specific business rules to define a process that can be based upon these building blocks. They create unique workflow for a company or segment which provides them with their competitive advantage.



The ACORD Process

How do these new components relate to the existing standards?

These components are additions and enhancements to the existing standards. This expansion of the standard will provide necessary elements that members have requested and needed in order to further implement ACORD standards.

ACORD messages are directly linked to business processes and states.

How will ACORD introduce this IP and business processes into the standards?

The IP contribution, like all contributions by members to the standard, will be sent to the appropriate committee or groups and follow the standard ACORD operating procedures.

It is believed that there will be a few specific steps that need to be taken to incorporate the contribution into the standards:

1. Validate and complete business states and objects.
2. Validate and complete business process services.
3. Map business process services and business states.
4. Map business process services and ACORD forms and messages.

Is this different than how IP has been provided to ACORD previously?

Absolutely not. It will follow the same procedures as all contributions. This is just a particularly large contribution.

How will this be validated?

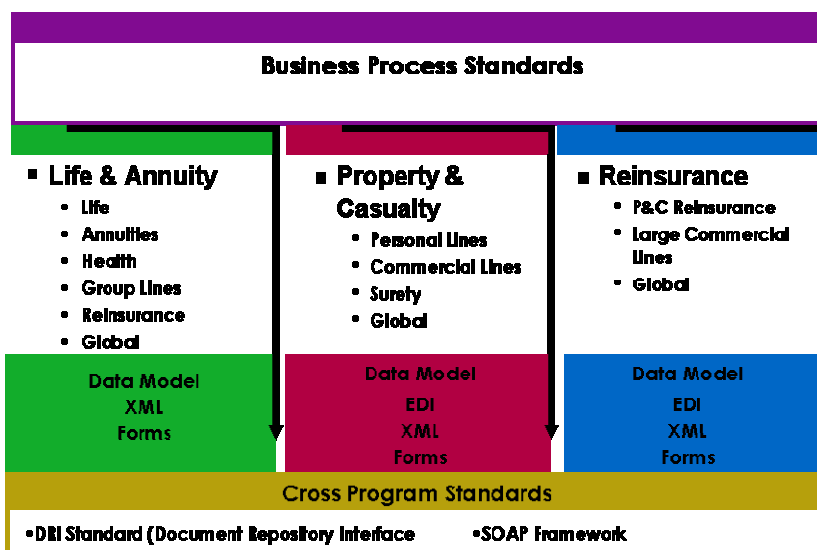
These contributions will go through the standard ACORD process as outlined in our *Standards Program General Guidelines & Procedures* available on www.acord.org.

Who will maintain these contributions? Are they part of a standard or their own program? Are they part of one particular standard?

The standard, like all other parts of ACORD standards, will be maintained by the committees. As with other cross-line standards, such as the DRI (Document Repository Interface), it will involve committees from all three domains.

Will IBM still be involved?

Yes, IBM has stated its commitment to ACORD and to enhancing the standard. They will provide resources to help ACORD and ACORD members work with and incorporate these contributions into the overall standards.



Impacts of the Contribution

Will this impact other projects underway at ACORD?

No, we will continue developing and enhancing the standards while adding these components to the overall ACORD standard mix. This will, of course, require additional efforts by ACORD and our members but will in the end be a major enhancement to the value of the standard.

Will this impact implementation of the existing standards? Will it increase it?

By adding this additional functionality, we are increasing the value of the standards and therefore the benefit of membership and volume of implementations. As the industry continues to adopt Web services and service oriented architectures, data standards and business process standards are invaluable. We strongly believe that this will increase the implementation of ACORD standards across the industry and across the globe.

Is it a new program or standard?

No, it is an expansion of the existing ACORD standards.

How does this help the industry in other development?

Business processes and states assist in the development of Web services and other service oriented architectures. By making it part of the ACORD standard, this gives our members a competitive advantage as well as technological advantage. These building blocks will not hinder their "individuality" but will eliminate the need to recreate the base components as they are consistent and now part of an existing standard.

Who will have access to this new process service standard?

All members will have access to the new standards.

Will there be any fee associated with these new components?

We do not anticipate any changes or increases in costs due to this addition.

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