A&S – Past, Present and Future

ACORD Club

30th July

Rupert Jessop
What do we mean by Accounting & Settlement?
What do we mean by Accounting and Settlement?

- The IMR and A&S facilitates Accounting and Settlement
- A&S is not Accounting and Settlement
  - The service is made up of several other applications and Technicians today
  - A&S on the IMR facilitates several services that are not to do with Accounting or Settlement, it is enabler for submission of work to XIS
  - Analysis with the Market of A&S for eAccounts went through and identified the following services as not related to Accounting and Settlement
    - Stage 2 / policies
    - NPEs
    - Reference data and non financial corrections/ updates (e.g. PPW due date updates)
    - Claims agreement (although they clearly often end with and Accounting and Settlement activity)
- Accounting & Settlement is an update to accounting ledgers between parties and the associated movement of funds
  - We all hope they are associated… or we are spending time looking for those black holes or pots of money
  - ACORD Technical Accounts and Financial Accounts are specifically designed to support this process.
Evolution not revolution…

• There are a series of steps that we can take together to take Accounting and Settlement to the next level

• Considerable steps have been taken… this is the start of a journey that allows us to update the Market technology

• Being a party in the middle of settlement process gives us a unique insight into how to help change in this Market

• Technology is key, but it has to be solving a business issue for both parties involved in Settlement

• Big Bang often results in ‘Big failure’ in any industry, lets not look for radical solutions that we jump to in one step

• Lets walk through the path we have taken together over the last few years…
The first job... proving we can deliver...
Market Delivery...

- Making these deliveries on time, with the Market fully engaged and designing solutions together has led to considerable uptake....

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- This has shown a Market that is willing to see technical infrastructure that supports Accounting and Settlement as a key feature of their environment...
• Gone are these days....

• Running Market infrastructure comes with a responsibility, and the Market has made it clear (contractually) that failure comes with a price

• This shift in mentality to the importance of technology allows us to make more complex functional strides.
• We still own and run vans to drag Slips and LPANS to Chatham and Folkestone
• IMR Security Model will complete the functionality of the IMR so that we can crush that van
• Solves long term data access issues and was a task historically deemed ‘too big to tackle’... is now being done together (Brokers, Xchanging, Carriers and other Service Providers)!
Handling ePaper!

We’re looking at the best ways for handling ePaper (it isn’t going to go away!)

- From simple things like putting RAM in Technicians PCs to aid ‘pdf’ opening
- Document File Viewer
  - Documents stitched together
  - Searchable documents
  - Streamed content
  - Audit trail of what you’ve seen.
Last year we presented here…

• A possible vision of how we could evolve the Market infrastructure in 2010 and beyond to support the needs in of the London Market and create a more suitable architecture for the 21st Century

• This would solve Market issues in a progressive and co-ordinated fashion and at a pace suitable for all to utilise

• This evolution is now underway, and although the roadmap is just indicative, project names have changed the concepts are being welcomed by the Market

• All major programmes for the next couple of years have been independently audited for cost and architecture. These decisions have been made with the MRG for the benefit of the whole Market.
THE FOLLOWING SLIDES SHOW WHAT THE NEXT STEPS COULD BE TO TAKE THE LONDON MARKET FORWARDS . . . .
**Possible Next Steps 1 – Premium Workflow Services**

**PREMIUM WORKFLOW SERVICES**

- **EXTEND XIS WORKFLOW TO PROVIDE THE MARKET WORKFLOW FUNCTIONALITY FOR QUERIES AND STATUS UPDATES**
- **ENABLE OPENING OF DOCUMENTS FROM WORKFLOW SO NO DIRECT ACCESS REQUIRED TO THE IMR BY END USERS**
- **PROVIDE MESSAGING INTERFACES FOR PREMIUM PROCESSES SO THAT CUSTOMERS’ APPLICATIONS DRIVE THE PROCESSES**
- **DECOMMISSION PREMIUM TRACKER**

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EXTEND CLAIMS WORKFLOW SERVICE TO REPLACE XCS WORKFLOW AND XCS CLASS

- PROVIDE SINGLE INTERFACE TO PERFORM ALL CLAIMS ACTIONS THROUGH WORKFLOW FOR XCS
- TECHNICIANS NO LONGER HAVE TO USE IMR, XCS CLASS AND WORKFLOW TO DO THEIR WORK
- DECOMMISSION XCS CLASS AND OLD XCS WORKFLOW RULES
ROLL OUT CLAIMS WORKFLOW SERVICES AS THE ONLY CLAIMS TOOL FOR EXTERNAL USERS

- REMOVE ALL DIRECT ACCESS BY END-USERS FROM THE CLAIMS MAINFRAME APPLICATIONS
- DECOMMISSION ECF IN THE IMR AS IT WILL HAVE BEEN SUPERSEDED BY THE CLAIMS WORKFLOW SERVICE
- DECOMMISSION CASABLANCA SERVICE FOR ACCESS TO THE MAINFRAME
- CREATE CONSOLIDATED CLAIMS FUNCTIONALITY IN WORKFLOW TO REPLACE REMAINING CLASS FUNCTIONALITY
- MIGRATE SOURCE OF MESSAGING TO THE CLAIMS DATABASE
- CLASS REMAINS TO PERFORM THE SETTLEMENT FUNCTIONS
EXTEND PREMIUM WORKFLOW TO INCLUDE DATA ENTRY SCREENS FOR POSH/LIDS

- REMOVE ALL DIRECT ACCESS BY END-USERS FROM THE PREMIUM MAINFRAME APPLICATIONS
- CREATE CONSOLIDATED PREMIUM FUNCTIONALITY IN WORKFLOW TO REPLACE POSH/LIDS FUNCTIONALITY
- MIGRATE SOURCE OF MESSAGING TO THE PREMIUM DATABASE
- POSH/LIDS REMAIN TO PERFORM THE SETTLEMENT FUNCTIONS
Possible Next Steps 5 – Migrate Functionality

MIGRATE FUNCTIONALITY FROM MAINFRAME APPLICATIONS INTO WORKFLOW AND DATABASES

- MOVE THE ACCOUNTING FUNCTIONALITY FROM POSH AND LIDS INTO THE PREMIUM DATABASE
- RECREATE THE CLAIMS AGREEMENT PROCESSES IN WORKFLOW AND THE CLAIMS DATABASE
- CHANGE THE SOURCE AND DESTINATION FOR MESSAGING TO THE NEW DATABASES (EXCLUDING SETTLEMENT)
- EXTENDS THE AVAILABLE HOURS FOR ALL PROCESSING

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IMPLEMENT NEW SETTLEMENT AND BILLING SOLUTIONS

• ADD SINGLE SETTLEMENT ENGINE FOR PREMIUMS AND CLAIMS
• IMPLEMENT A SINGLE BILLING COMPONENT TO PROVIDE CONSOLIDATED BILLING FOR ALL SERVICES
• ENABLE CUSTOMERS TO SEE THEIR CONSOLIDATED BILLS ON-LINE
• DECOMMISSION THE MAINFRAME
Possible Application Architecture for the Market

SECURITY FRAMEWORK (MARKET DIRECTORY)
- SINGLE ENTERPRISE COMPONENT USED BY ALL COMPONENTS
- STORES THE INFORMATION ON ORGANISATIONS AND USERS REGARDING ACCESS TO SERVICES AND DATA
- SINGLE SIGN-ON FOR ALL APPLICATIONS

MESSAGING
- ACORD WILL BECOME OUR PREFERRED MESSAGING STANDARD
- ACORD GATEWAY SUPPORTING ALL ACORD MESSAGES COVERING PLACEMENT, PREMIUMS AND CLAIMS
- XDH FOR TRANSFORMING THE ACORD MESSAGES INTO ANY FORMAT REQUIRED BY OUR CUSTOMERS

REPORTING (ON-LINE DATA MARS)
- PROVIDE DIRECT ACCESS TO THE DATA THROUGH HOSTED DATA MARS
- SERVICE WILL INCLUDE PRE-CARRIED REPORTS, AND ALSO AD-HOC REPORTING

INSURANCE PORTAL
- SINGLE WEB SITE FOR ACCESS TO ALL OUR SERVICES, RECOGNISING THE USER AND ONLY PROVIDING THE RELEVANT ONES
- SINGLE LOGIN REQUIRED TO ACCESS ALL THE SERVICES WITH NO NEED TO LOGIN TO EACH SERVICE
- EXTENSIVE ON-LINE HELP
- COMPREHENSIVE INFORMATION ON THE SERVICES OFFERED BY [IP]

WORKFLOW
- ENABLES ALL BUSINESS PROCESSES SUPPORTED BY [IP] FOR PLACEMENT, PREMIUMS AND CLAIMS
- WORKFLOWS FACILITATES THE ACTIONS TAKEN BY THE MARKET, XCHANGING AND OTHER THIRD PARTIES
- EVENTS DRIVING THE ON-LINE WORKFLOW ARE ALSO AVAILABLE AS MESSAGES FOR COMPANIES OWN SYSTEMS

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So what is next step forward on this path for Accounting and Settlement?
An eAccounts service

• The use of ACORD
  • Move to the use of structured data for key fields
  • Use international (i.e. ACORD eBOT) standards for submissions
  • Reduce the amount of Xchanging keying that occurs on submissions and improve data quality (i.e. move to a world of what you submit is exactly what you get back)

• Remove ‘Londonisms’
  • Remove the concept of Work Order and LPAN
  • Remove the burden of performing Accounting Splits from Brokers
  • Provide a consistent splits service and reduce the query / rejection loops
  • Continue to fulfil reporting requirements (e.g. Lloyd’s and existing reports)

• Rollout
  • Minimise carrier impact
  • Make the service ‘pick n mix’ for Brokers with no requirement to go ‘Big Bang’
  • Provide options e.g. Removal of BSM (optional) and some London specific messages
What is eAcounts and what are the releases?

What is it?

• Optional… nobody is taking away A&S!
• The use of ACORD Technical and Financial Accounts to submit Accounting and Settlement data
• Provision of the Slip required as the checks are still performed. Furthermore, this is the easiest way for Brokers and Carriers to provide the regulatory and reporting data required.
• The provision of a central Accounting Splits service
• ACORD eBOT aligned (there are some required differences)
• Intention to make the operational cost of the service neutral.

Two releases have been scheduled so far

• Release 1 (Nov 2009) – non-fundamental messaging of ACORD TAs and FAs
• Release 2 (mid 2010) – acceptance of fundamental-level submissions and rollout of a central Accounting Splits service
What are the possible future releases for eAccounts?

• An ACORD based query process
• Removal of SNDs (not ideal for flexibility and use in the ACORD standard)
• Removing line level constraints (grouping)
• Claims Movement Messages and Claims settlement (in co-ordination with ECF2)
• Looking to support Proportional Treaties
• Using Placing data and other messages that Brokers (or Carriers) are publishing anyway to supplement the TA data.
But, why bother with the ‘Bureau’ at all for Accounting and Settlement
Central Settlement

• Central Settlement underpins the ‘bureau’ offering
• Central Settlement is the sign of a mature market
  • All major financial markets that move large sums of money involve Central Settlement
  • All the parties that we are aware of who have analysed in detail the cost of processing the business through the bureau or on the open market have proved that the bureau is cheaper (both Brokers and Carriers)
  • If you look at any new financial market they quickly look at central settlement options when the volume is there (e.g. CFDs etc)
• Central Settlement has many advantages
  • Improves treasury management through netting
  • Reduces banking charges for all
  • Single point of contact
  • Drives the uptake of standards
  • Very close to guaranteed payment
  • Close reconciliation allows lower cost processing (money movement and messaging/reporting tied together)
  • The London Insurance Market systems allow all business types/scenarios.
Some thoughts on the current settlement services

- Menu of services – Accounting and Settlement is tied into a centralised checking service that validates amounts and regulatory information. The levels of validation and the amount (if any) of human involvement could be varied to suit needs and price.
- They require a London bank account (with a member bank) – inflexible for organisations with a presence outside of London
- Operates on a limited range of currencies and FX rate management is inflexible
- Three day processing time. Faster payments for large sums, as required?
- Inflexible referencing and structure mean that some of the flexibility of payment is constrained (minimal partial payment)
- Problematic to re-run if we can’t collect required funds (in the Company process)
- Includes both premium and claims
- Works! And is cost effective in the vast majority of scenarios.
Central Settlement in London and possible future

• **A Market with options**
  
  • New entrants from outside of the London Insurance Market need to not assume that the ‘old practices’ are inappropriate. Work with the Market to bring new ideas and concepts that evolve the offering
  
  • Competition is welcomed by XIS, it will prove the value of services offered and people do choose to use us (e.g. the Company Market)
  
  • Subscription market ultimately means working together so options need to be created in a co-ordinated fashion
  
  • Choice could prove costly and there are natural economies of scale in accounting checks and settlement.

• **This could all be part of the evolution and options that Xchanging discuss with the Market.**
Conclusions

• Our delivery capability and vision of the future is becoming a reality
• We want to continue to work with the Market to build solutions that they are involved in and answer real business problems
• Evolution of services makes the transition logical for all
• Central Settlement underpins the Accounting and Settlement offering and is the next logical step for evolution
• Future settlement processes are what makes my mind tick!