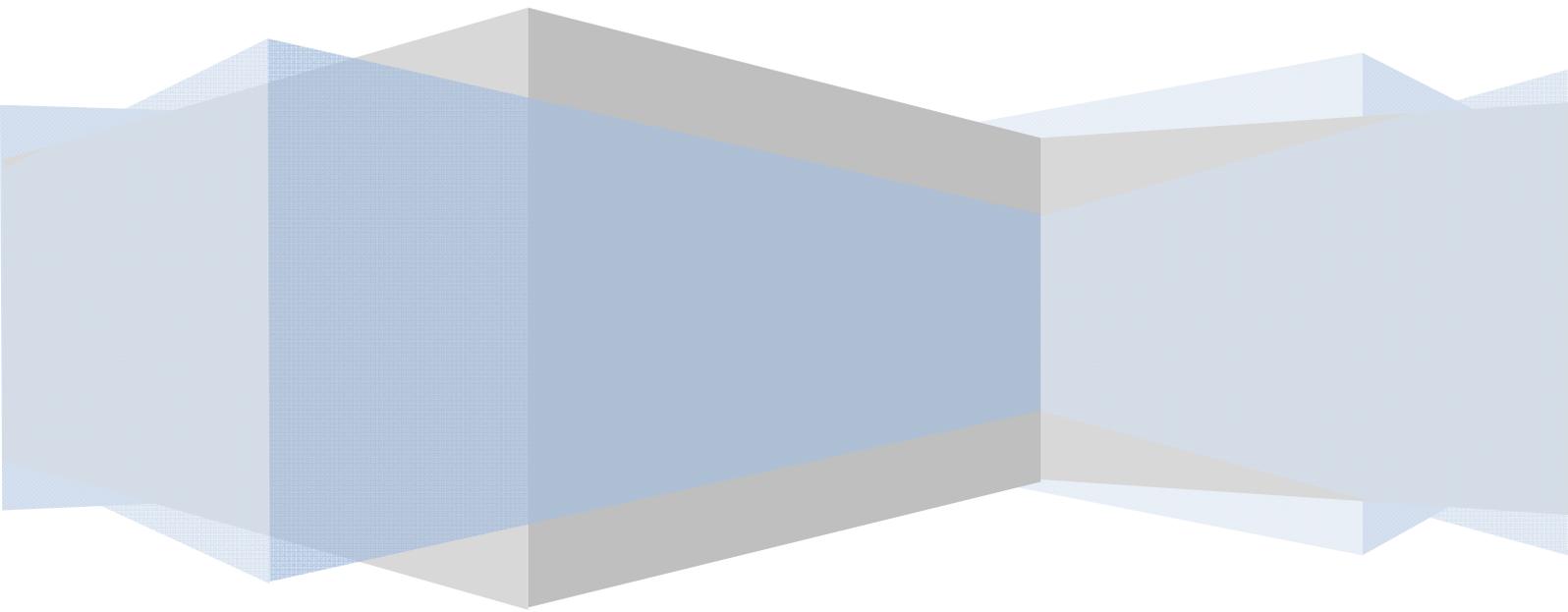


ACORD

# **Global Re/Insurance e-Business Benchmarking Report 2010**

ACORD Advisory Services

Puneet Bharal



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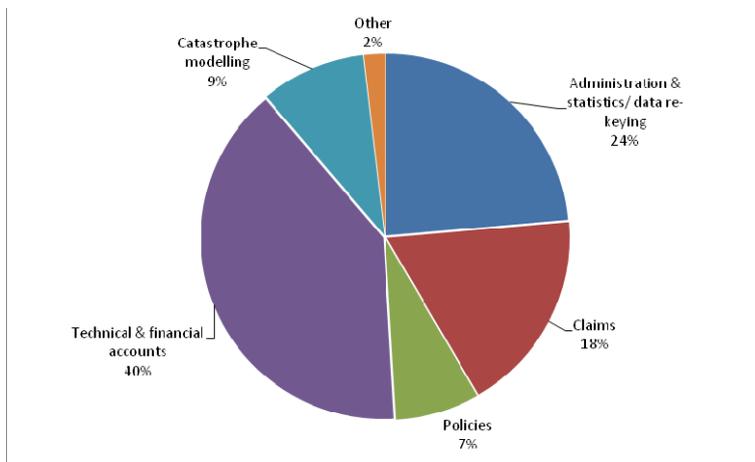
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## Executive Summary

The global reinsurance and large commercial insurance sector (hereafter called re/insurance) has long recognized the importance of e-business<sup>1</sup>. As a global industry, it makes sense that e-business solutions should also be global, allowing companies to work with consistent processes and data formats. ACORD's Reinsurance and Large Commercial (RLC) data standards are the global data standards for enabling local and cross-border re/insurance e-business.

The ACORD Global Re/insurance E-Business Benchmarking Survey has collected information from the global re/insurance sector to assist companies and markets to understand their e-business needs, capabilities and priorities. The survey was completed by senior staff working for brokers, re/insurers and cedents. This report can be used to benchmark markets' and individual companies' own capabilities against the sector and to assist in developing an implementation roadmap to deliver standards-enabled e-business and straight-through-processing (STP) to the re/insurance sector.

### *The most time- and cost-consuming tasks with respect to re/insurance administration*



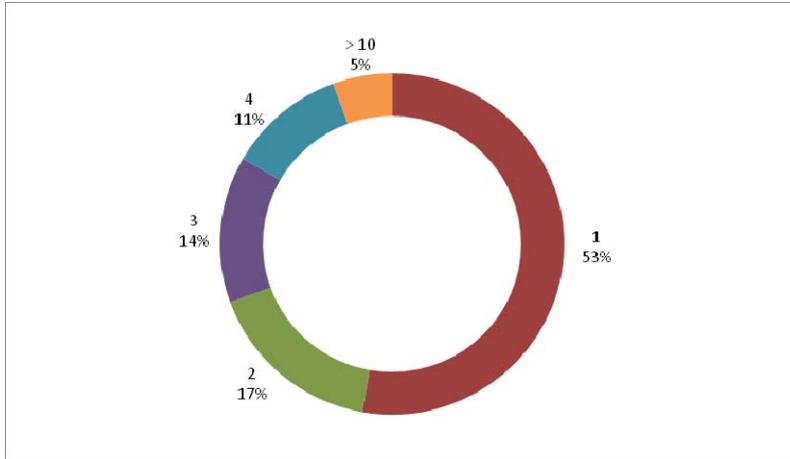
The survey found that the most time- and cost-consuming activities were concentrated on back office functions and administrative tasks. These business functions are the highest priority for automation and have the potential to deliver the fastest and greatest return on investment (ROI). E-Business greatly reduces these pain-points with the promise of STP, removing

the need for many to all error-prone and slow administrative tasks; **a European study has shown that savings of between 50-80% can be achieved by implementing e-business in the accounting back office<sup>2</sup>**. The challenge is ensuring that the sector, i.e. your company and all of its business partners (and subsequently, all of their business partners) are able to conduct business electronically. The benefits accrue as more partners are e-business capable. Although some companies are leading the way with standards implementation, many companies are yet to make progress.

<sup>1</sup> E.g. The USA and London markets have been using EDIFACT messages for back office transactions for many years

<sup>2</sup> eBOT within the Rueschlikon Initiative

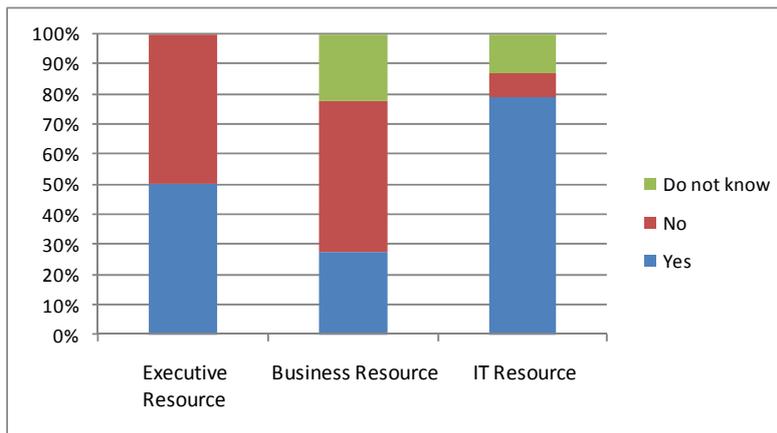
## The number of partners e-business is live with



partners.

More needs to be done before STP is a reality in the re/insurance sector. Few of the companies that have implemented standards-based e-business are seeing the benefits today, with more than half of them only e-business with a single business partner and over 80% of respondents e-business with fewer than four business

## Opinion on whether there is sufficient executive and business practitioner support for e-business



There are numerous factors involved in ensuring that e-business capability is implemented throughout the sector. **Two critical internal factors are resource allocation and advocacy.**

For e-business to succeed, companies must ensure that they assign executive and business

practitioner support to e-business initiatives; not just technical. The survey shows that more can yet be done in terms of executive support and business practitioner resource allocation to e-business projects. Companies should invest time and effort into advocacy (or *marketing*) to raise internal awareness of the importance of e-business projects and the progress of these on-going projects to all the key stakeholders. Similarly, this advocacy should extend externally, to business partners and peers.

**Companies should work with their peers and competitors to ensure that they are developing a community-based approach to e-business;** proprietary solutions are highly unlikely to succeed no matter how much bargaining power a company has. **ACORD provides an invaluable forum for companies to work together in collaboration.** ACORD has been closely involved with e-business implementation projects and can help to share best practice throughout the sector.

## Global Re/Insurance e-Business Benchmarking Report 2010

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**There are significant benefits to be gained by taking small steps towards STP.** The London Market is working to an agreed ACORD Implementation Roadmap which defines these steps; the Rueschlikon Initiative is implementing against an agreed a Rulebook on Service Levels and data standards. Lessons from London and Continental Europe in particular point to the value of moving together as a community in small, achievable, standards-based steps, with each stakeholder achieving significant efficiencies along the way.

## About ACORD

ACORD (Association for Cooperative Operations Research and Development) is a global, nonprofit standards development organization serving the insurance industry and related financial services industries. ACORD's mission is to facilitate the development of open consensus data standards and standard forms. ACORD members include hundreds of insurance and re/insurance companies, agents and brokers, software providers, and industry associations worldwide. ACORD works with these organizations towards a goal of improved data communication across diverse platforms through implementation of standards. ACORD maintains offices in New York and London.

ACORD is a member-driven organization whose members work together to improve the flow of insurance information between systems and partners. ACORD Standards and services improve data quality and transparency, resulting in greater efficiency and expanded market reach.

## About ACORD Advisory Services

ACORD Advisory Services is a part of ACORD, and works within ACORD's governance and operating procedures.

ACORD Advisory Services was created to provide insurance industry companies with customized assistance to implement standards-based e-business. ACORD has developed data standards to help companies reduce frictional costs and increase efficiencies. The benefits of standards accrue with increased market penetration. ACORD Advisory Services exists to assist markets, associations, carriers, brokers and solutions providers to implement standards. ACORD's advisory services range from strategic to tactical; market awareness to technical problem solving.

ACORD Advisory Services is independent, vendor neutral and not-for-profit. To find out more, please visit [www.ACORD.org](http://www.ACORD.org).

## About ACORD Reinsurance and Large Commercial (RLC) Standards

ACORD's Reinsurance & Large Commercial (RLC) Standards Program develops and maintains data standards designed to support global reinsurance and subscription markets where reinsurance and complex insurance business is underwritten. The standards enable the seamless transfer of information between cedents, insurance and reinsurance intermediaries, insurers and reinsurers.

### *Lines of business*

All non-life lines for:

- Whole and subscription risks
- Large commercial risks
- Specialty risks
- Facilities, such as delegated underwriting
- Facultative reinsurance
- Proportional treaty reinsurance
- Non-proportional treaty reinsurance

### *E-Business Processes Supported*

- Business acquisition, endorsements, renewals and cancellations (policy administration)
- Technical and financial accounting
- Claims movements
- Premium and claims bordereaux
- Supporting/back-up document management (DRI)

### **Document Repository Interface (DRI)**

The ACORD Cross-Domain DRI standards are utilized for the communication of back-up/supporting documentation in a variety of electronic formats<sup>3</sup> for re/insurance. Please refer to ACORD's Cross-Domain Standards webpage (<http://www.acord.org/standards/downloads/Pages/CDPublic1.aspx>) for more information.

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<sup>3</sup> E.g. Office file formats, PDF, scanned images, RTF, CSV etc.

## Introduction

Re/insurance is a global business with trades occurring across national borders as large, complicated risks and books of business are protected against loss by insurers. Typically, the major centers of global re/insurance have been the USA, London and Continental European re/insurance markets. As emerging economies continue to grow, many are developing their own financial services capabilities, including primary insurance and re/insurance. In emerging markets, insurance is increasingly required for the immense capital deployed on new infrastructure projects, as well as the growing middle classes and new businesses with ever more assets which require protection. Initially operating with captive reinsurers in their local markets, market liberalization has opened up these markets to new entrants and equally, the captives are open for business with the rest of the World allowing for both risk diversification and growth. In this changing environment, the established markets are keen to drive cost and friction out of their processes and the emerging markets are keen to attract business as well as follow the best practice with regard back office efficiencies.

Established re/insurance markets are increasingly implementing XML<sup>4</sup> standards-based e-business. Initially, implementation was a *laissez-faire* approach, with companies implementing what they believed was needed for their business, and then looking for business partners with similar capabilities. This has had limited success to date and the companies are increasingly seeing the futility in trying to work on this alone. To that end, the London Market and the Continental Europeans in particular, have been working on community-based e-business implementation projects to ensure the co-ordinated and consistent (“standard”, if you will) roll-out of e-business capabilities.

E-Business is a means of improving the way companies conduct their business. E-Business:

- enables STP
- delivers greater efficiency
- ensures improved quality and availability of data
- can assist with regulatory compliance

This report focuses on the first two points, but increasingly over the last few months, ACORD and its members are finding that excellent data governance i.e. **high quality data and consistent data capture and transfer processes are a valuable part of regulatory reporting and compliance**. E.g. Solvency II

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<sup>4</sup> XML, or Extensible Markup Language, is a generic format intended for maximum flexibility to provide information in a wide variety of structural formats.

# Global Re/Insurance e-Business Benchmarking Report 2010

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regulation requires good quality exposure data – an area where the industry really needs to improve for many business reasons.

ACORD holds a unique position within the insurance industry. As an independent, not-for-profit standards development organization, ACORD is able to facilitate discussions and assist in implementation strategy and execution with its members, supporting their markets to gain efficiencies.

ACORD carried out the research and analysis in this report to assist its membership. This report can be used to compare markets with each other, and by companies to assess their capabilities against the market norm. It can be used by the leaders of the global re/insurance sector to benchmark their markets' current capabilities against aspirations and needs, and to form part of the decision-making toolset to develop a global re/insurance e-business implementation roadmap to deliver straight-through-processing (STP) to the sector.

STP is dependent upon ensuring that data is captured once, and shared many times throughout the insurance value chain, without re-keying. As risks are passed through the insurance value chain, they are transacted as data. Today, at each link in the chain and for each business process, data is re-keyed into systems, which is costly, slow, prone to errors and omissions, and which results in the loss of fidelity. Increasingly, this loss of fidelity is not only hampering re/insurers from properly managing their accumulations and exposures, it also results in higher premiums and increased scrutiny from regulators.

The sector has many incentives to start e-business:

- Improved client service
- Increased business efficiency
- Reduced costs
- Improved exposures and accumulations management
- Regulatory compliance

It now needs to work as a community to agree a means of achieving STP.

## Research Methodology

The research for this report was conducted using online survey technologies provided by Zoomerang ([www.zoomerang.com](http://www.zoomerang.com)) through Q1-Q2 2010<sup>5</sup>. The survey was prepared by ACORD Advisory Services and asked a maximum of 47 questions. An invitation to participate in the survey was distributed through the insurance sector through various means including:

- A mailshot to the ACORD Re/insurance mailing list
- A mailshot to the ACORD Club mailing list
- Posts on the ACORD London Blog
- Personal invitation to key re/insurance executives

The survey was limited to people who have responsibility for e-business projects within their organizations; respondents' responsibilities were verified at the start of the survey. The survey was completed by some 40 respondents, all of whom hold senior positions within the industry. There were relatively few responses from what might be considered "smaller" companies in the Re/insurance sector. Re/insurance is a global business requiring large sums of capital (for underwriters) so it can be argued that the majority market share is made up by large companies. It can also be argued that the implementation of e-business, from a practical perspective, must be led by the largest companies as trading partners will not see value in automating the smaller share of their transactions.

The results of the survey were anonymized and compiled by ACORD Advisory Services and have been presented within this report.

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<sup>5</sup> The survey was conducted before the results of the Rueschlikon Initiative Pilot were made public.

# Global Re/Insurance e-Business Benchmarking Report 2010

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## About the Report

The results of the report are broken into four sections:

Respondents' profile	This section of the survey establishes the profile of the respondents, giving an idea as to their role within their company, the company's size and geographic focus.
Re/insurance e-business requirements and capabilities	This section of the survey establishes the respondents' companies' pain points and e-business capabilities by business area and geography.
Common market utility	This section of the survey relates to questions focused on a market utility as a centralized, technical solution for communities to do business electronically. Most questions in this section were only applicable to those respondents who said they would be interested in exploring the possibility of a common market utility for their market(s).
E-business priorities by geographic market	Respondents rated the importance of enabling e-business / straight-through-processing for the re/insurance business processes in each of the World's re/insurance markets. The results of these responses are provided here, in the Appendices.

Within these sections, the reader will find the questions asked of the respondents, a graphical representation of the results to each questions asked, some commentary and ACORD Advisory, based on ACORD Advisory Services' experience.

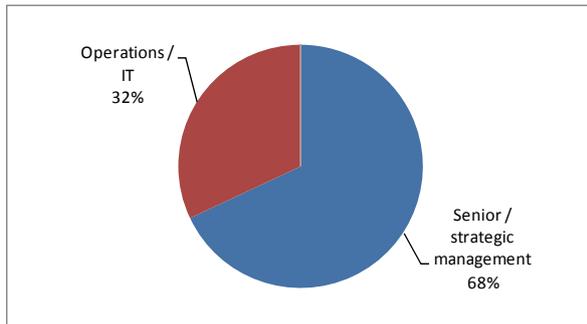
The conclusions section at the end of this report summarizes the key recommendations and findings from the study.

## Results and Analysis

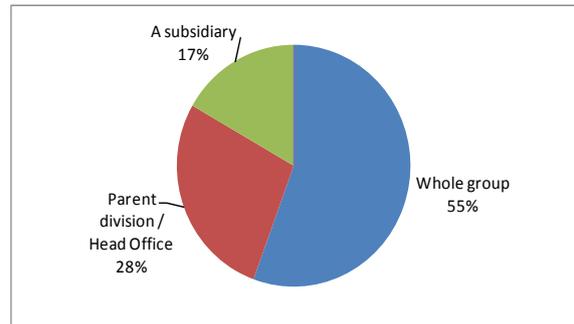
### Respondents' Profile

This section of the survey establishes the profile of the respondents, giving details about their role within their company, the company's size and geographic focus.

#### What is your core function within your company?



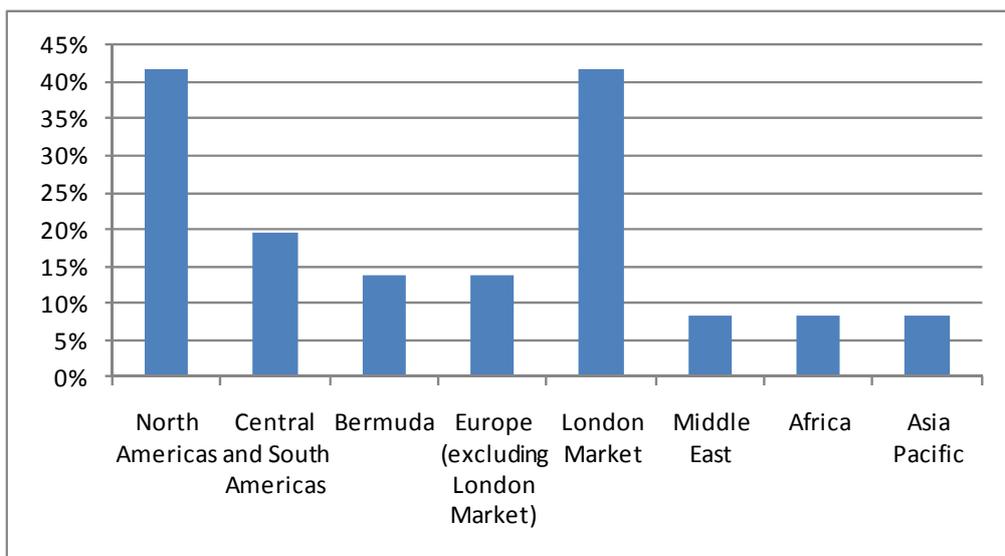
#### Does your job relate to your company's...?



From the responses above, it can be seen that this survey has been completed by people who have executive responsibility and/or direct involvement in operations improvement within the sector.

The results also show that over 80% of respondents are responsible for their Head Office and/or their whole group. This is significant as the chances of permeating e-business throughout an organization are increased if there is support and drive from its central powerbase.

#### What regions are you responsible for in your job?



# Global Re/Insurance e-Business Benchmarking Report 2010

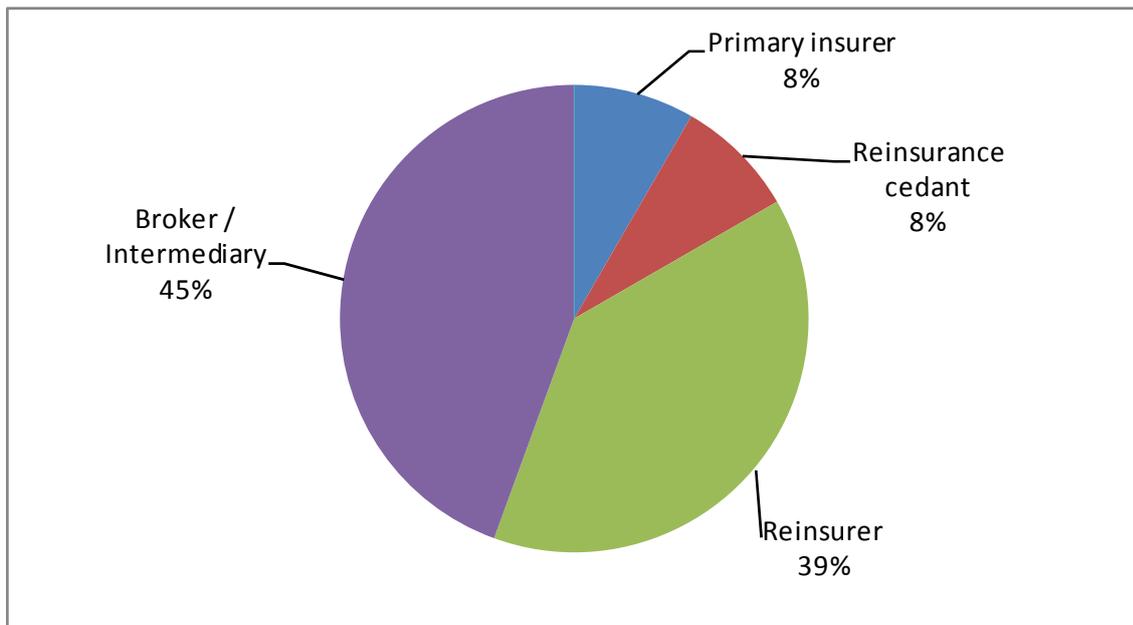
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The respondents' regional responsibilities are focused on the major re/insurance markets where ACORD standards are well established – namely, the North Americas and London. Fewer responses were received from Europe, which is consistent with the region's awareness of ACORD and also, the relative size of the European respondents (i.e. there were fewer responses, but the companies are the largest in the industry, making up a large proportion of market share by written premium).

The fast emerging market of Bermuda is often managed locally and there were few respondents from that region. However, some respondents, mainly global Brokers, did have responsibility for the Bermudan market.

A similar picture might be the case for the Central and South Americas, Middle East, Africa and Asia Pacific markets. These markets are rapidly capitalizing to meet the growing insurance needs of their own developing economies. With large infrastructure projects requiring cover, these markets are developing their own re/insurance capabilities. Other markets, in the Middle East in particular, are looking to deploy their large capital reserves into Financial Services to diversify their economies away from strict reliance on raw materials. In terms of written premium, these markets are relatively small, but they are growing fast. Outside of the scope of this survey, ACORD Advisory Services is increasingly responding to enquiries from companies and associations within these markets to assist them in understanding and implementing standards based e-business, to ensure that they can trade and compete with the established global re/insurance markets of Europe, London and the USA.

## What is your company's core role?



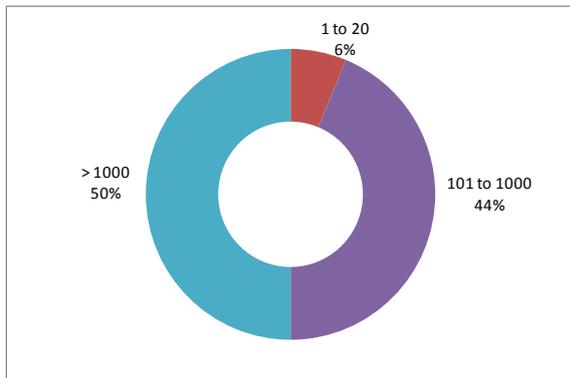
# Global Re/Insurance e-Business Benchmarking Report 2010

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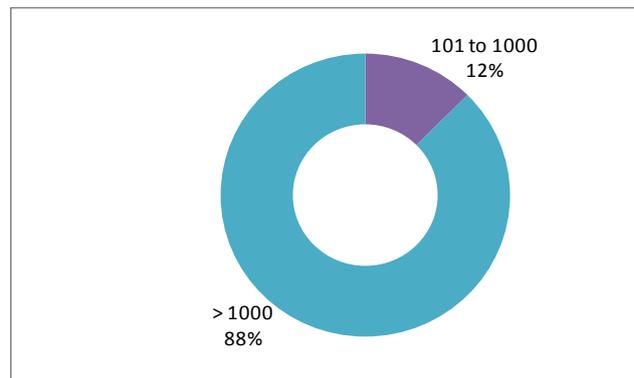
There is a near even split between Brokers and Re/insurers in the survey. Primary insurers and Cedents account for a total of 16% of the responses.

It has been observed for some considerable time that sophisticated e-business outbound re/insurance solutions are of little interest to Cedents. As the buyer of re/insurance, a Cedent is unlikely to invest in systems where the benefits largely fall to the Re/insurers<sup>6</sup>.

## Approximately, how many facultative covers is your company administering?



## Approximately, how many treaty covers is your company administering?



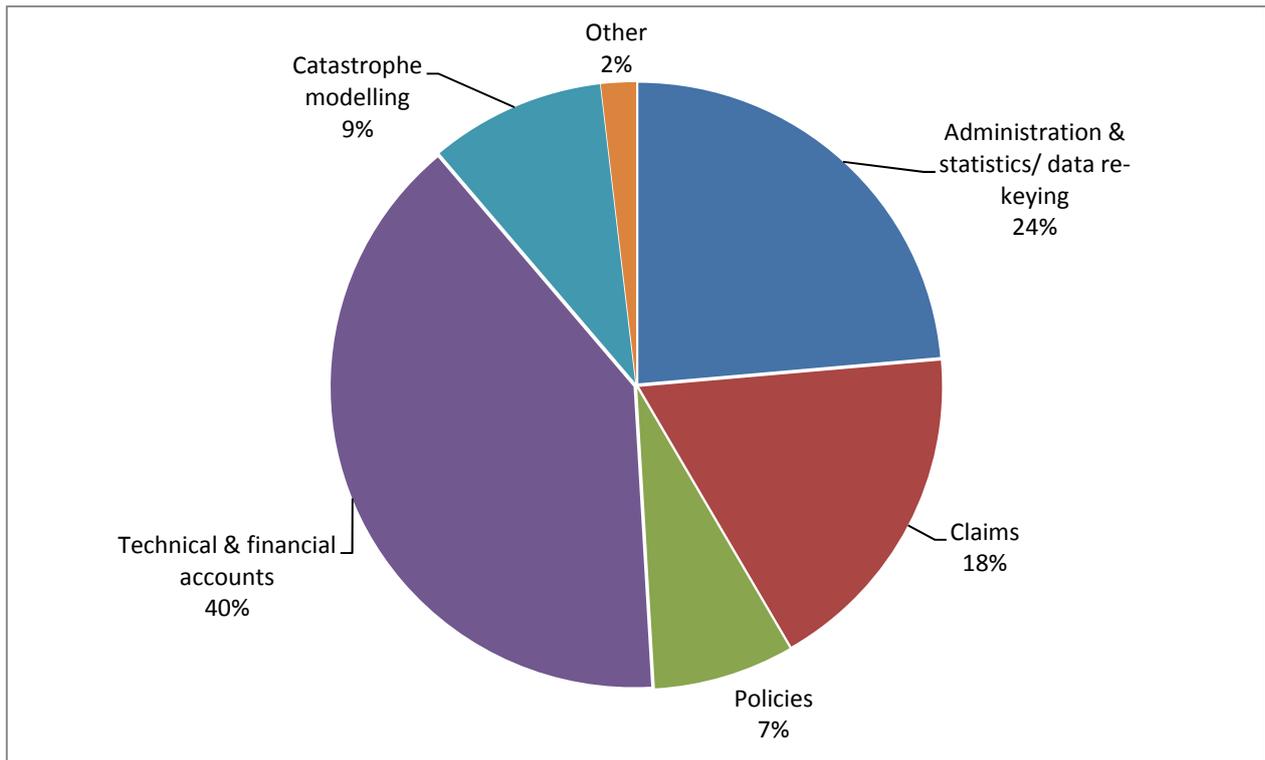
Both sets of results reinforce the previous comment on the size of the companies which have responded to the survey and the fact that Re/insurance is “big business” requiring large capital reserves. It is no surprise to see that most respondents have large books of business to diversify their interests and spread their risks.

<sup>6</sup> The participants of the Rueschlikon Initiative are investigating a “Rueschlikon Light” solution to offer cedents a low-cost means of sharing standard data. The participants of the US e-Business Advisory Group sponsored the creation of an ACORD standard Cedent Bordereaux spreadsheet template to provide cedents with a simple solution for sharing standard bordereaux data with reinsurers.

## Re/insurance e-Business Requirements and Capabilities

This section of the survey establishes the respondents' companies' pain points and e-business capabilities by business area and geography.

### Which are the 3-5 most time- and cost-consuming tasks for your company with respect to re/insurance administration? - Aggregated Results



*Time- and cost pain points are primarily in back office functions*

From the results above, it can be seen the most time- and cost-consuming activities are (in order):

1. Technical and financial accounting
2. Administration and statistics / data re-keying
3. Claims
4. Catastrophe modeling
5. Policies

These results correlate with previous market-specific surveys for the USA, London and Europe, proving which business functions which require automation the most urgently. It is worth noting that many of the administrative and re-keying pain points can be regarded as part of the problems associated with technical and financial accounting, claims, policies administration and catastrophe modeling also; the re-keying, checking, cleaning and chasing of data are all tasks which should not have to be done if there is a reliable and seamless dataflow through the sector – i.e. STP.

# Global Re/Insurance e-Business Benchmarking Report 2010

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It is worth noting that the importance of catastrophe modeling is increasingly important for the business of re/insurance as it not only provides the companies with better exposures and accumulations management and outwards re/insurance planning, but is increasingly important for Solvency II regulatory compliance.

There was relatively little requirement to automate the front office process of Placing (policy administration) in comparison to the back office processes. Placing e-business initiatives were relatively more important to the newer, emerging re/insurance markets which do not have the established reputation nor market vibrancy of more established locations. E-placing was regarded as a valuable means of being able to trade with the rest of the World, without the need to be situated, or visit there.

By far, the largest area for automation is technical and financial accounting (especially when adding the corresponding administrative and re-keying tasks to this process). This correlates with the European *Rueschlikon Initiative*, where business peers and competitors are collaborating to improve back office efficiency in this non-competitive function.

## ACORD Advisory

e-Placing has a relatively higher priority within the London market than other established markets, as some believe that there are significant benefits to be gained from capturing as much data electronically at the “point of sale” and perpetuating that through the risk lifecycle. However, there is also the understanding that brokers and underwriters are the revenue earners for their companies and introducing unpopular changes to their work can have a detrimental effect on morale and the bottom line. The difficulties of change management are further complicated where staff are *traders* rather than *process-completers*. While the vision remains to enable placement e-business in the London market, allowing brokers and re/insurers to quickly handle routine trades electronically and freeing more time for value-adding discussions on deals where face-to-face discussion is more appropriate, **the priority is to automate the back office first**. This is a pragmatic approach and also ensures that London is in-step with other established markets where placement e-business is not regarded as such a high priority. The London market is focusing on the administrative aspects of the placing process first – i.e. e-endorsements, which reduces frictional costs and frees up time for the traders to focus on adding value rather than administration. In practice, e-endorsements are increasingly concluded by back off staff, taking the burden away from *business getters* – brokers and underwriters.

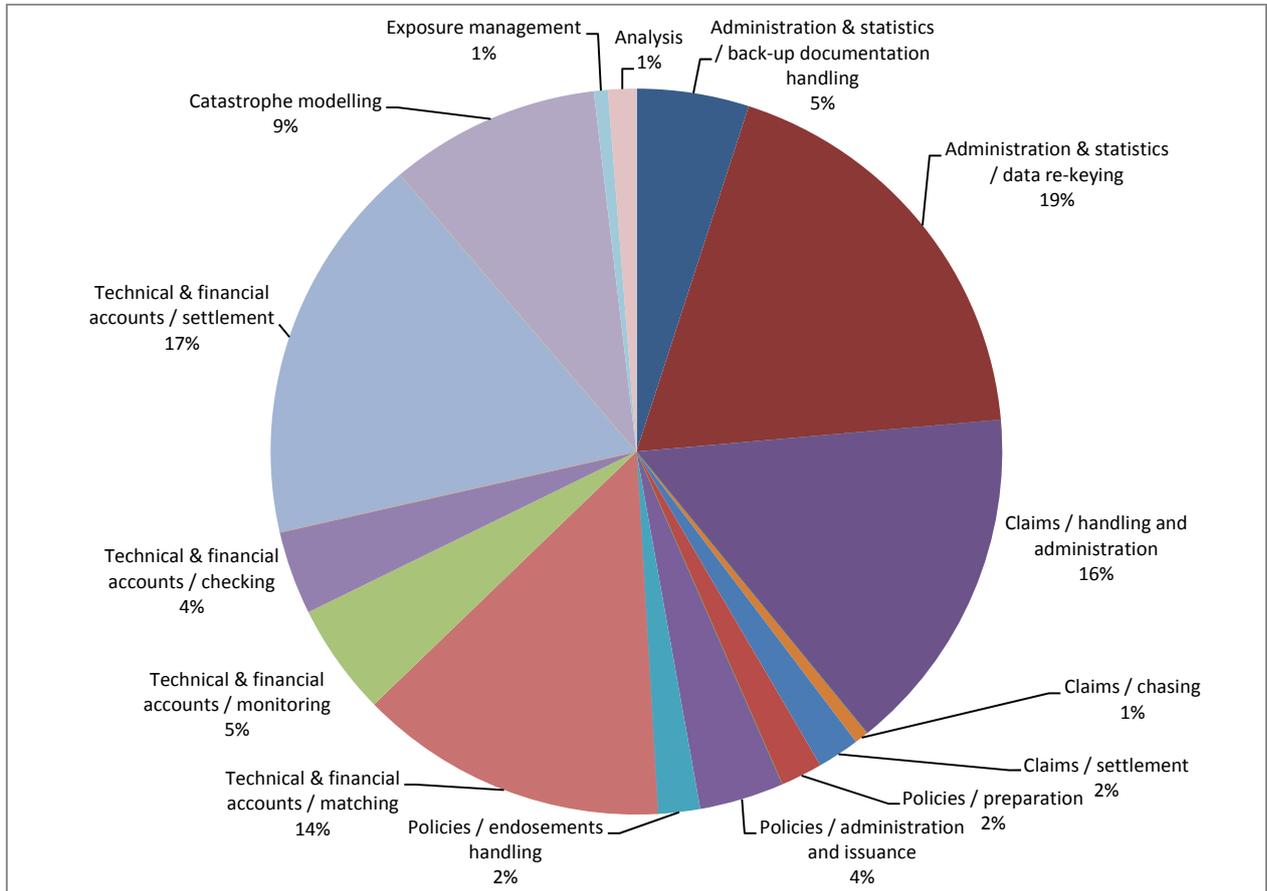
When planning which processes to e-trade, companies should undertake a full analysis of potential benefits, costs and risks before embarking on a project, including issues such as organizational change management. ACORD Advisory Services is able to assist companies in this analysis.

# Global Re/Insurance e-Business Benchmarking Report 2010

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The results above were aggregated from the following:

## Which are the 3-5 most time- and cost-consuming tasks for your company with respect to re/insurance administration? - Raw Results

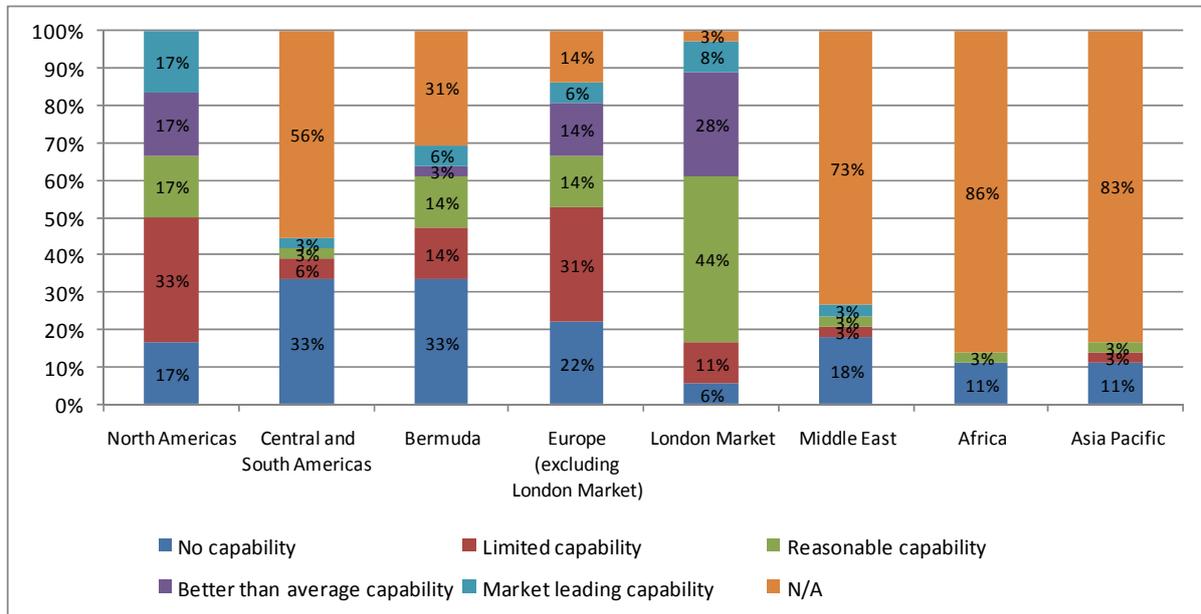


These raw results are easier to digest when presented by broader business function (as above), but are presented here for completeness.

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How would you rate the e-business capabilities of your company's operations in the following markets?



Currently, the 'traditional' Re/insurance markets are also the more technologically advanced

The results show that respondents' companies have some level of reported e-business capabilities in the following markets (by proportion)

1. London
2. North Americas
3. Europe

The emerging markets had a high proportion of N/A results, which correlates with the respondents' companies either not having a presence there, not trading electronically there, or the respondent having no responsibility or knowledge of those markets. It would be irresponsible to read too much into the results for Central and South Americas, Middle East, Africa and Asia Pacific as there were too few results, and too few respondents with a view on these markets.

## London

The London market has spent the last few years going through a significant reform program. The aim of this program was to make London a market of choice and to remove its parochial practices (locally known as *Londonisms*). This reform program has included the market-wide implementation of supporting technologies, first and foremost, electronic document management for supporting/back-up

## Global Re/Insurance e-Business Benchmarking Report 2010

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information. Other implementations are also underway to support policy endorsements, accounting and claims. It is worth noting that most of these projects are still in progress. However, the fact that these projects are underway would point to why London companies feel they have e-business capabilities.

### *North Americas*

The North Americas market has a long-established ability to transact electronically. The survey's questions did not specify ACORD RLC XML-based e-business, and it is clear that many respondents feel their EDIFACT-based e-business capability still offers some value.

The USA re/insurance sector is currently developing its plans to ensure a market-wide initiative to implement ACORD RLC XML-based e-business.

### *Europe*

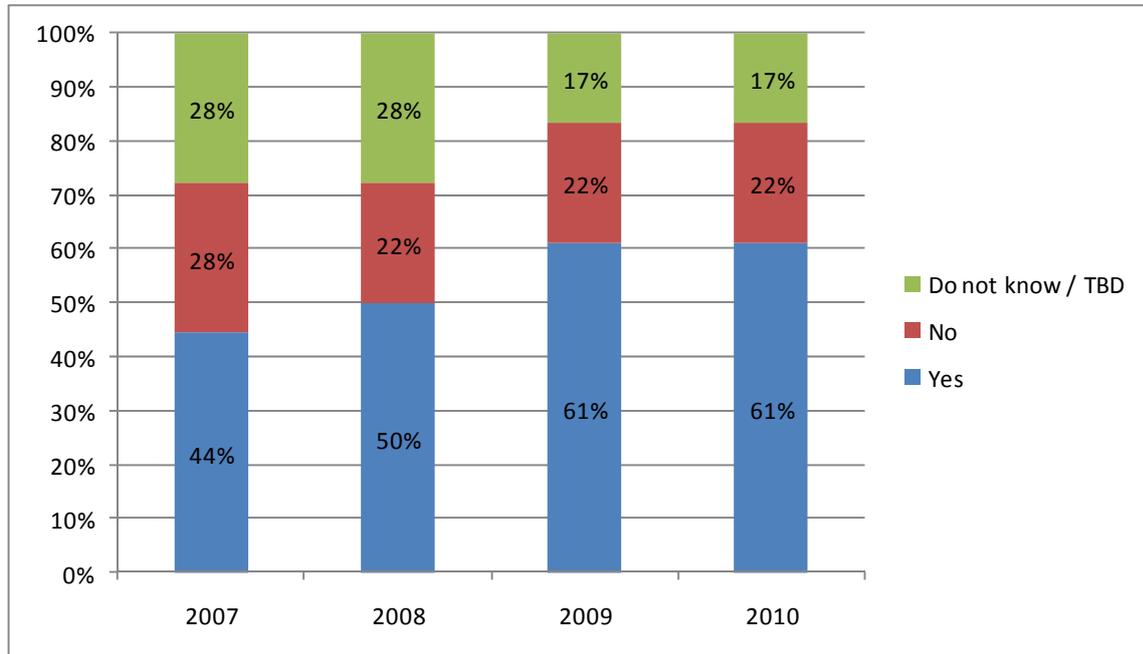
Of those companies who have European operations, many seemed to be involved in the *Rueschlikon Initiative*. This would account for the results seen.

Some of those companies with global operations indicated a strong, or market leading, capability in all three traditional markets, and some had capabilities in the newer markets like the Middle East and Bermuda.

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## Has "e-business implementation" been an approved budget item for your company for



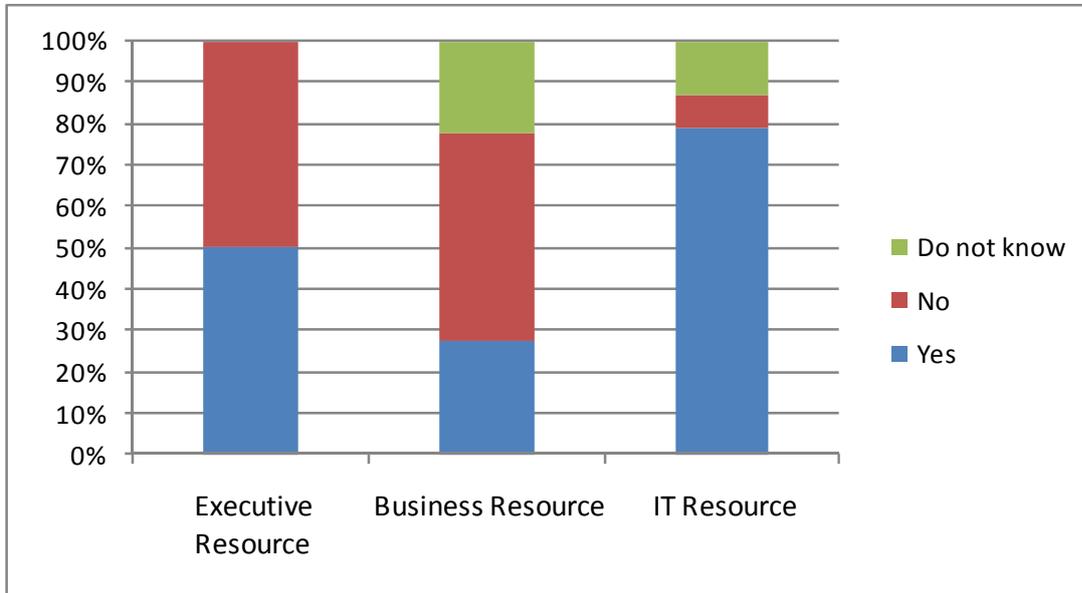
### *Budget approval for e-business projects has been growing*

Respondents claim that e-business budget approval has been on an upward trend since 2007, growing from 44% approvals to 61% in three years. This indicates increasing take-up amongst a broader company-base.

#### **ACORD Advisory**

ACORD has been working closely with market initiatives in the key Re/insurance markets. It is increasingly apparent that community-wide initiatives are not only more likely to deliver benefit to implementers, but that they are more widely adopted and quicker to return on investment than proprietary projects. One key success factor of the increased chances of success from community-wide initiatives is that budget for implementation projects is easier to justify. This is being seen in the traditional global re/insurance markets; ACORD recommends a similar, community-approach to emerging markets also.

## Does your company have executive, IT and business resources dedicated to advancing your company's e-business capability?



*e-business initiatives are seen as a technical issue rather than a business issue*

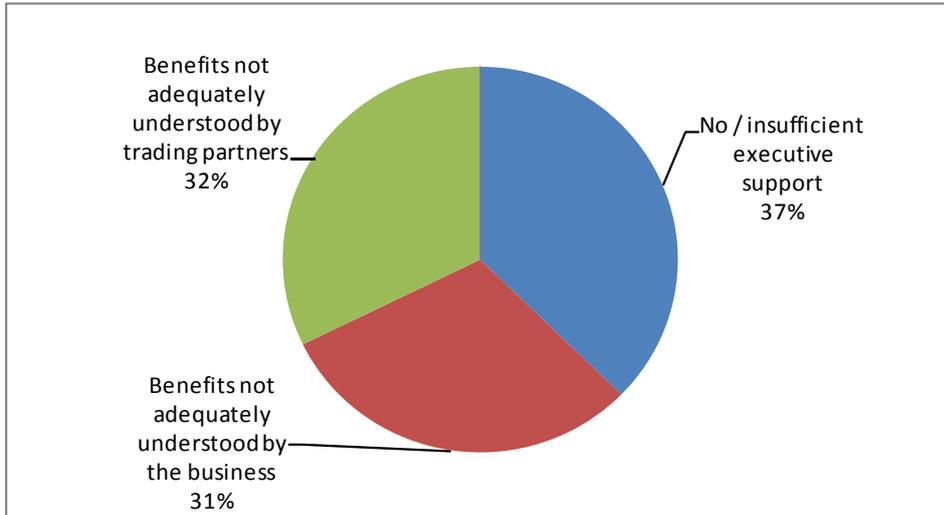
It would seem that e-business support should be a given. However, only half of the respondents felt that there was sufficient executive support for advancing the company's e-business capability. Respondents felt that there was little support from the business practitioners – only a quarter feeling their company had business resources adequately assisting with e-business implementation.

### ACORD Advisory

ACORD Advisory Services notes that executive support is critical to ensuring that projects receive the appropriate resources and strategic imperative to deliver. It is widely agreed that the involvement of the business practitioners in e-business projects is a best practice, as this staff understands the business process best. Equally, e-business implementation is almost always a change management project. Successful change management requires strategic commitment and practitioner buy-in. Obtaining the latter is helped by involving the practitioners to help them shape improvements to their own activities; enforcing change on people who have not been a part of the process can lead to significant resistance and may not be optimally designed.

The following results further strengthen this need to involve the business practitioners and executives more closely in understanding the benefits of e-business.

## What challenges does your company face with regard to successfully implementing e-business?



*e-business benefits must be communicated internally and externally*

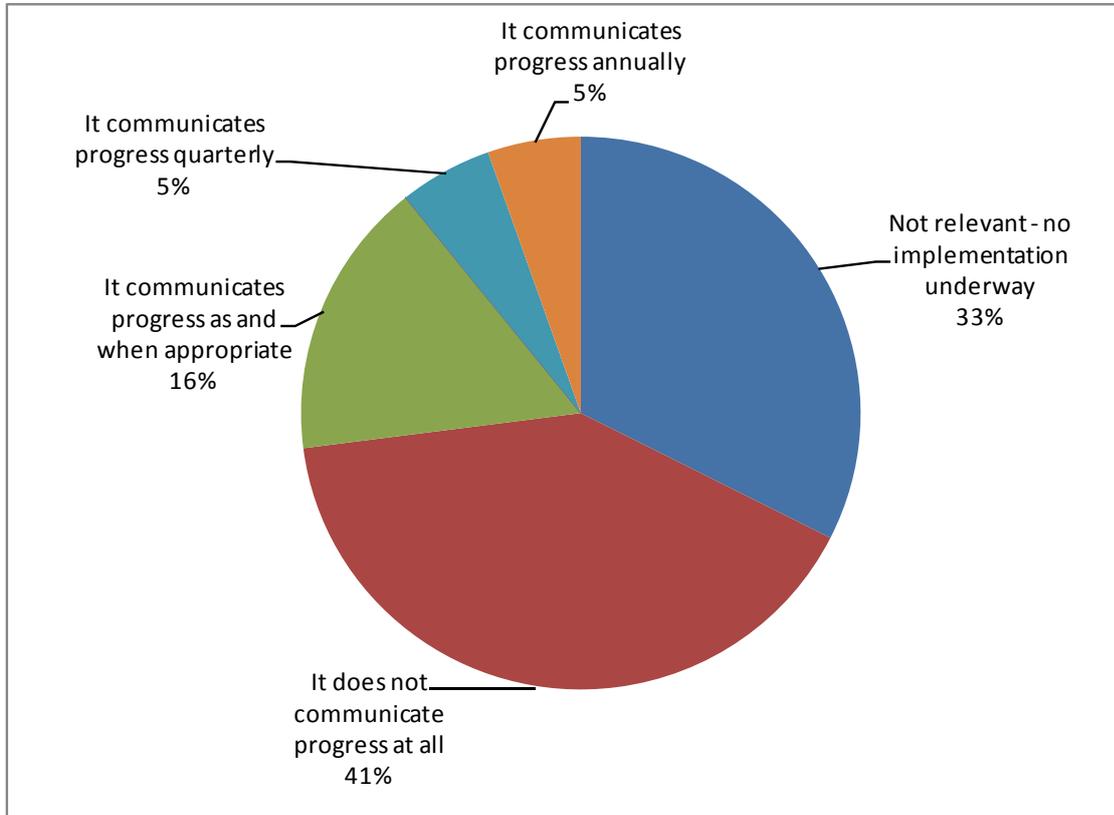
Respondents felt that the three key challenges in successfully implementing e-business were almost equally split between benefits not being well enough understood (internally and externally) and a lack of executive support. The need for executive support and business practitioner support was mentioned earlier.

### **ACORD Advisory**

For e-business to deliver benefit there must be trading partners on either end of the electronic transactions. The more partners, the greater the benefit. To that end, more effort must be made to:

- communicate the benefits of e-business throughout the industry, **and internally** to all stakeholders
- encourage collaborative, community-wide implementations for common benefit
- develop business cases to elicit strategic support for e-business implementation

## How does your company communicate the progress of e-business capabilities internally?



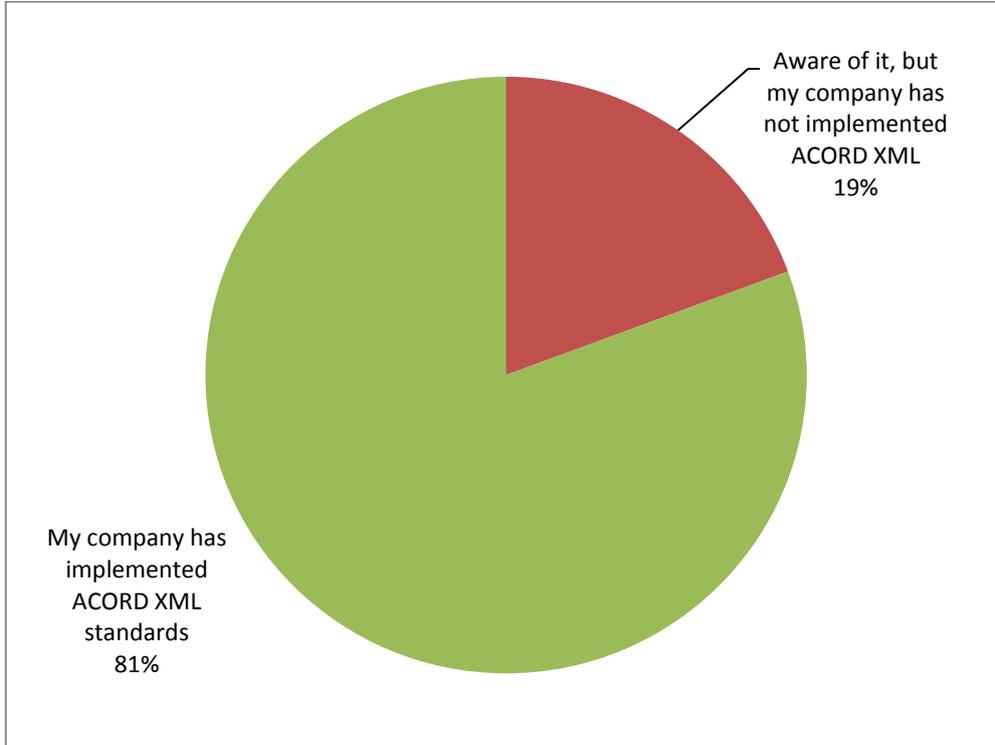
The respondents were asked how their company reports the progress of its e-business capabilities internally. Over 40% of respondents said that its company does not communicate progress internally at all. Only about a quarter of respondents said that their company reports internally at all, with a third have no projects underway to report on.

### **ACORD Advisory**

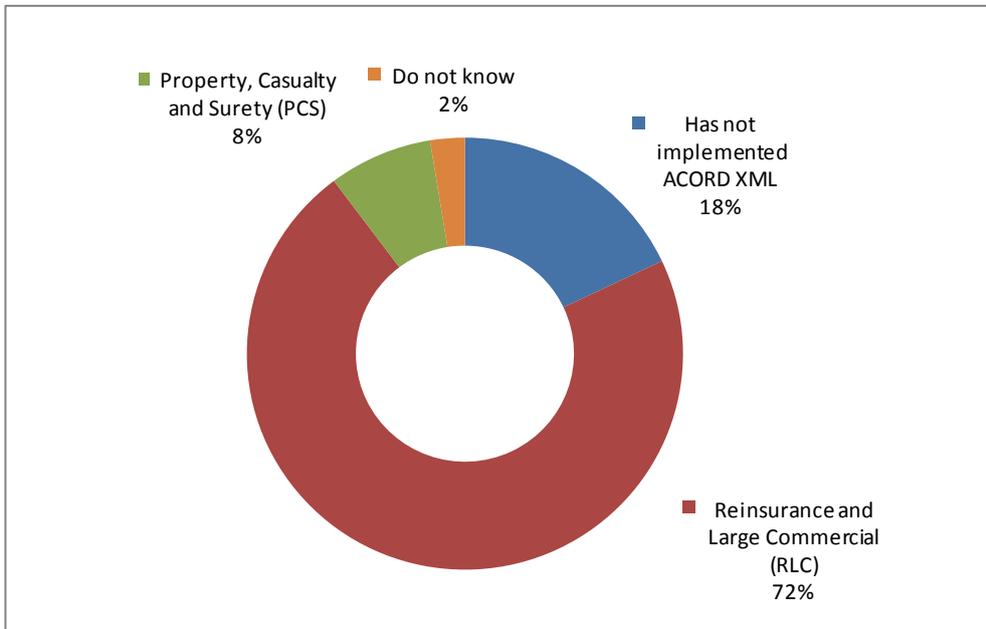
Without internal communication, it is difficult for the executive and business communities to appreciate the benefits of e-business and thus, to provide future support for e-business initiatives. It is important for companies to communicate the business benefits to the correct audiences in a timely manner. Usual communications best practice applies:

- Define critical success factors and reporting metrics up front
- Define and make known the project milestones
- Report against these variables in a timely manner
  - Ensure that the reporting does not become too frequent and thus ignored as *white noise*
- Report to the stakeholders of the business – management and practitioners

## What is your awareness of ACORD's XML standards?



## Which ACORD XML standards has your company implemented?

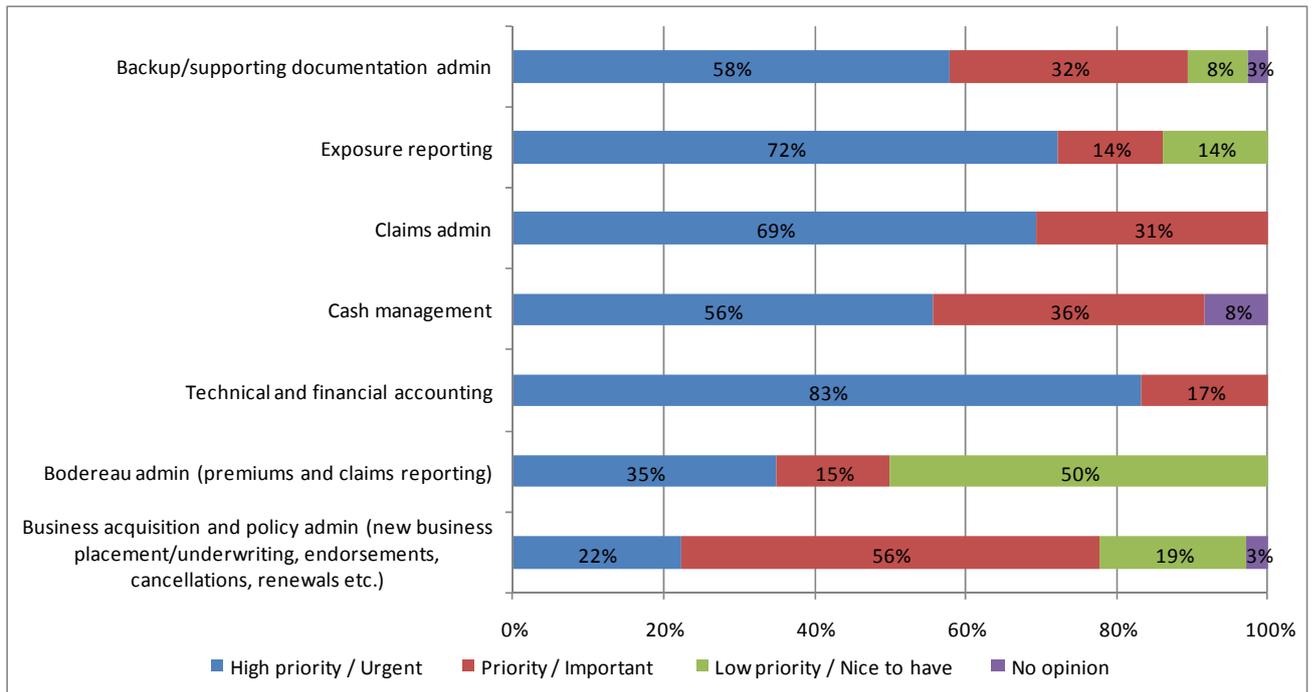


# Global Re/Insurance e-Business Benchmarking Report 2010

ACORD Advisory Services

The overwhelming majority of respondents are well aware of ACORD XML standards and RLC makes up the majority of implementations within this community. This is to be expected as the invitation to participate in this survey was distributed via ACORD Reinsurance and Large Commercial program mailing lists.

## How would you rate the importance of enabling e-business / straight-through-processing for the following business processes?



*Back office functions and exposures management are the most important areas to e-trade*

# Global Re/Insurance e-Business Benchmarking Report 2010

ACORD Advisory Services

Corresponding with the results for the question “Which are the 3-5 most time- and cost-consuming tasks for your company with respect to re/insurance administration?” and existing market implementations, the most important e-business supported processes are, in order:

1. Technical and Financial accounting
2. Claims administration
3. Cash management<sup>7</sup>
4. Exposure Reporting
5. Backup/supporting documentation administration
6. Bordereau admin (premiums and claims reporting)
7. Business acquisition and policy administration<sup>8</sup>

## **ACORD Advisory**

The results of this question will assist the industry to agree a mutually **beneficial implementation roadmap** which delivers benefit quickly to most, if not every company. The risks of implementing e-business ad-hoc, even with industry standards, is that companies may not find a partner with the same capabilities. Companies can only do business electronically with partners who have implemented the same message(s)/business processes. A company that has implemented Technical and Financial Accounting messages cannot transact electronically with one that has implemented Claims Administration messages. In order to achieve faster return on investment, business partners should agree to which messages to implement in which order. Best practice is to achieve this as a **community**, with partners and competitors working towards a common goal.

ACORD’s unique position as a neutral, not-for-profit standards development organization has earned it a wealth of experience in assisting markets with e-business implementation. Under ACORD’s Antitrust compliant protocols, the industry has been able to work together towards a common cause. ACORD’s involvement in the London market reform projects and the Rueschlikon Initiative in Continental Europe have given ACORD a leading position in e-business implementation. ACORD is now responsible for Program Managing the Rueschlikon Initiative and has been core to starting a re/insurance e-business initiative in the USA.

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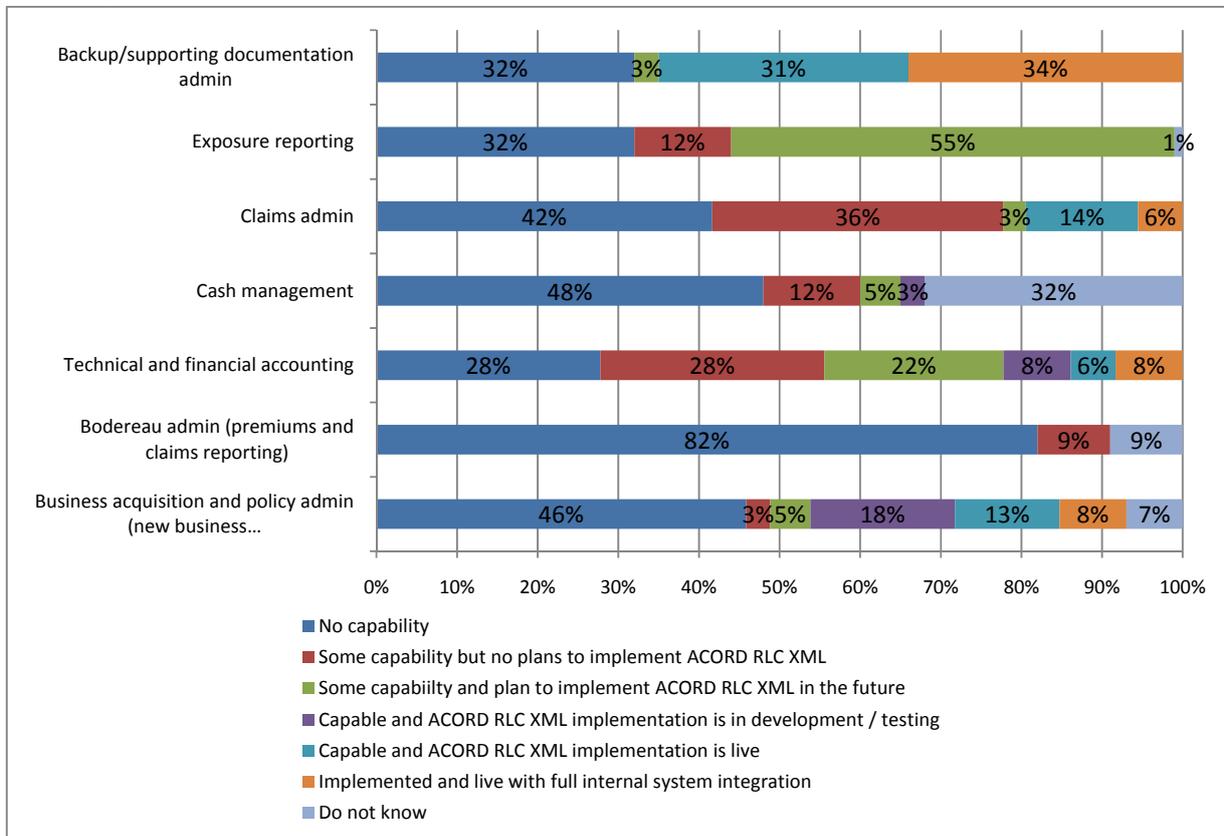
<sup>7</sup> Cash management relates to the process of payments utilised in the North American market. This is different to the process used in London and Europe. The majority of responses relating to cash management were from North America-based respondents.

<sup>8</sup> The London market is currently implementing an e-endorsements initiative to streamline this aspect of policy administration. This is borne out in the results.

# Global Re/Insurance e-Business Benchmarking Report 2010

ACORD Advisory Services

**How would you describe your company's ability to produce and/or consume XML messages for the following e-business functions?**



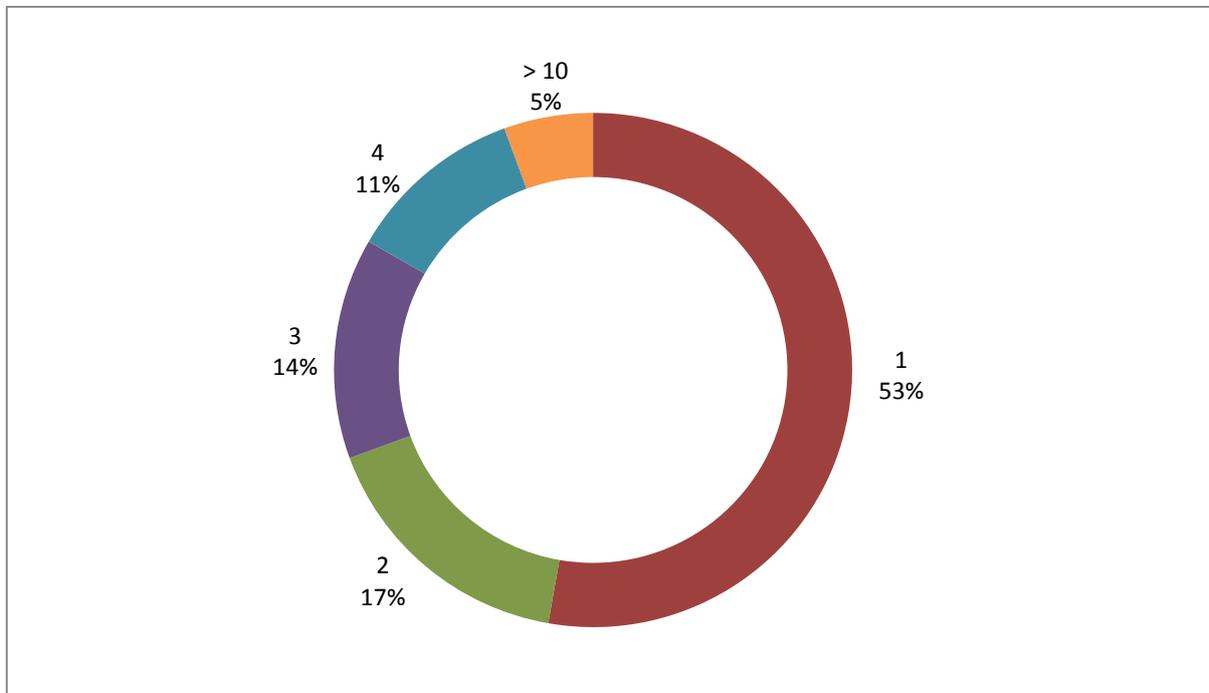
*e-business capability is still at an early stage of maturity for the global re/insurance sector*

The results of this question illustrate that even those companies that have implemented XML message-based e-business solutions, have only done so to limited completeness. It is clear that even amongst the implementers, there is far more that can be achieved. Only a very small proportion of respondents are live with full system integration in any of the areas. The only area where more than 30% of respondents have fully integrated and complete implementation is in the area of backup/supporting document administration; this result is largely due to the London market-wide implementation of ACORD DRI.

### ACORD Advisory

Straight-through-processing (STP) is not an easy goal to achieve, but it is well worth striving for. Reducing friction throughout the industry will make the re/insurance sector not only more efficient, but also better able to meet the requirements of its clients and explore the opportunities in emerging markets and changing risk trends. The industry must be able to plan for the changing geo-political, environmental, socio-economic and demographic changes in the World. Freeing up resources from simple administrative tasks and deploying them in more data analytical roles will help companies to understand their markets and risks better as well as how to deploy their resources and capital.

If you are using ACORD RLC XML and/or the DRI standard in your production environment, please tell us how many business partners this capability is live with



*e-business partners have been hard to find*

From these results, it is clear to see that more than half of the standards-based implementations are only providing e-business capability with one business partner and over 80% with no more than three partners; such implementations could deliver far better ROI if more partners could be convinced to do business electronically, creating a virtuous cycle.

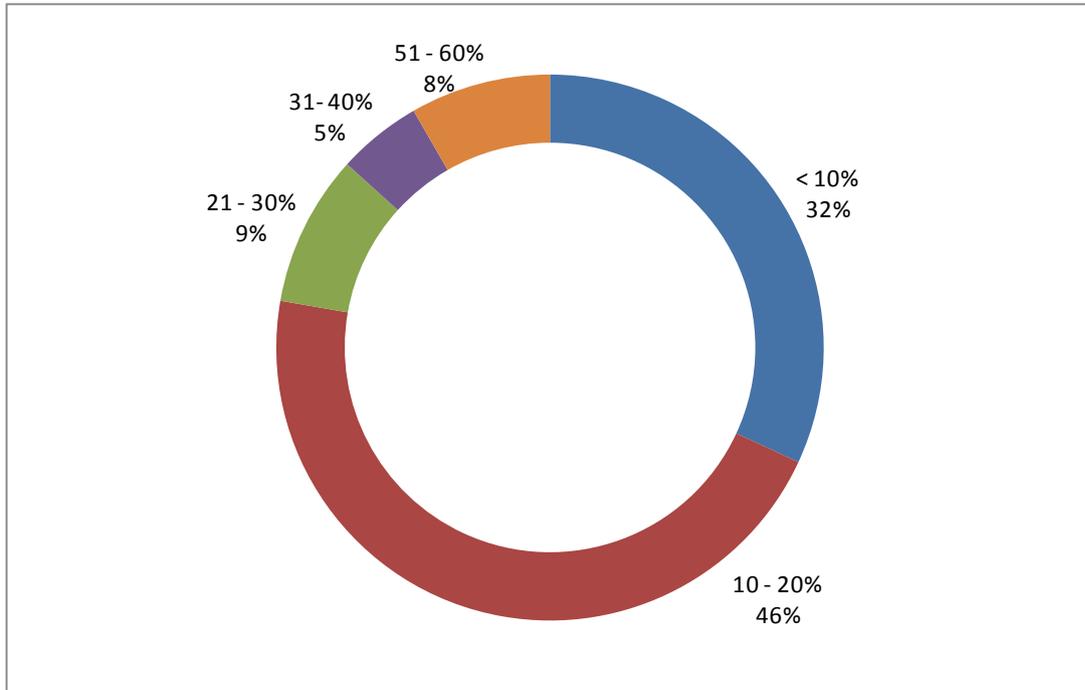
In some cases, companies simply do not know which of their partners have the same e-business capabilities as they do. This can be addressed by realizing that e-business is not a competitive advantage in itself; to deliver benefit, the capabilities need to be as widespread through the industry as possible. **Companies should not be secretive about their e-business capabilities or plans.**

This survey was not able to directly correlate which standards have been implemented versus how many trading partners are connected to those implementations. However, ACORD is aware from anecdotal evidence that early adopters have implemented in an area they are keen to automate well ahead of their partners. This highlights the importance of taking a market-approach so that implementations are not idle, but delivering benefit from as wide a base of partners as quickly as possible.

## Global Re/Insurance e-Business Benchmarking Report 2010

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If you have one or more e-business partners, approximately what proportion of your overall business does this represent?



*Pareto's Law, but the wrong way around*

Approximately 80% of those who have implemented standards-based e-business reported no more than 20% of their trades are electronic.

### **ACORD Advisory**

The reader may be asking why e-business is so important when there is so little take-up in the re/insurance sector. Take-up and benefits should not be confused; the reason why companies who have implemented e-business are so keen for the rest of the market to implement is that:

- The benefits are considerable – upto 80%<sup>9</sup> cost savings in administration. Companies can see enormous savings in the transactions which they complete electronically
- The benefits accrue with each additional partner
- The client is a major beneficiary of these benefits in terms of faster, more reliable service and potentially, lower costs

It is important that e-business implementations are grown amongst the community of trading partners. Not only does this increase the ROI, but it also counters the danger of leaving giving the impression that e-business implementations are “expensive” and fail to deliver value or benefit. The benefit grows with each additional partner. Clearly, there are a few companies that have taken the impetus to implement e-business – it now falls to the rest of the community to understand the benefits and follow suit. **This will require awareness raising activities,**

<sup>9</sup> According to a study conducted by companies involved with the Rueschlikon Initiative

# Global Re/Insurance e-Business Benchmarking Report 2010

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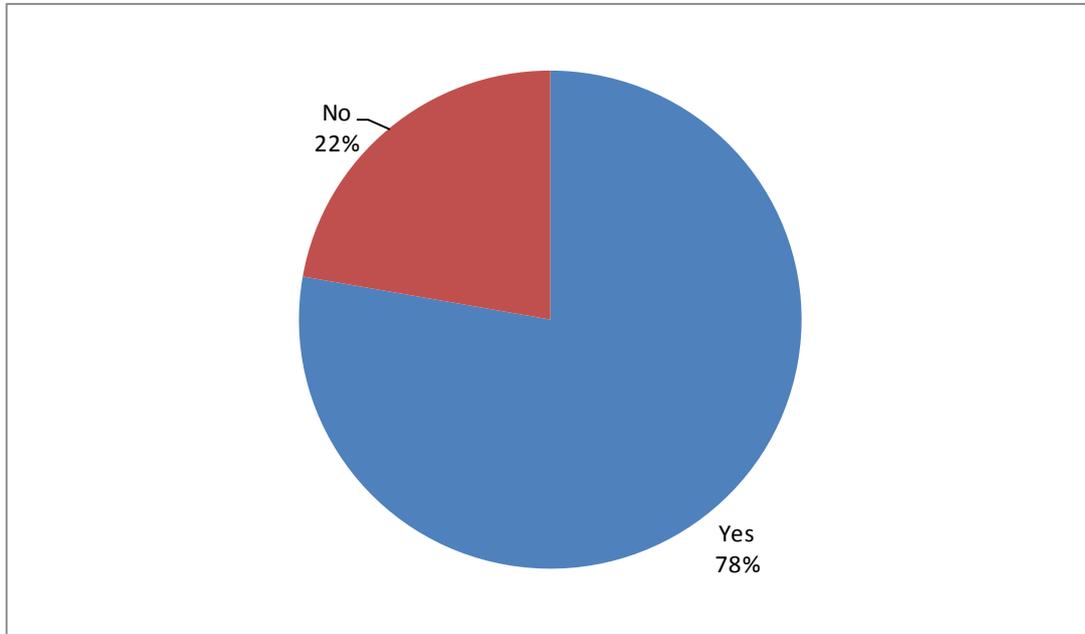
sponsored by implementers, the industry and ACORD.

ACORD is working with communities to encourage them to disclose their capabilities with the aim of helping to establish potential partners; this study is one such project. A particularly useful mechanism is to ensure that implementations are **ACORD Certified** as this provides a level of reassurance to potential integrators.

Studies from the Rueschlikon Initiative indicate that until companies are managing ten or more concurrent e-business connections, the cost-case for adopting a central messaging hub is hard to make. Those who have implemented already argue that even with a hub, all companies will still need a web gateway to connect with the hub; that same gateway is all that is needed to message with partners as long as everyone is using industry standards. Nonetheless, it is clear that hubs can greatly simplify connectivity between trading partners as each partner maintains just one connection to a hub as opposed to one connection per trading partner. Companies and communities will decide whether the cost-benefit is justifiable based on the charging model provided by hub operators.

The London market has two active market hubs in operation, each with far more than ten trading partners. The London Market Exchange (formerly the Lloyd's Exchange) and RI3K have a significant proportion of the market registered and using their services. Where there is market support for e-business, hubs can add value.

If you are currently conducting e-business, does your company monitor throughput of live messaging?  
E.g. is your company keeping a track the total number of messages



*Most respondents said that their companies do measure the throughput of messages.*

### **ACORD Advisory**

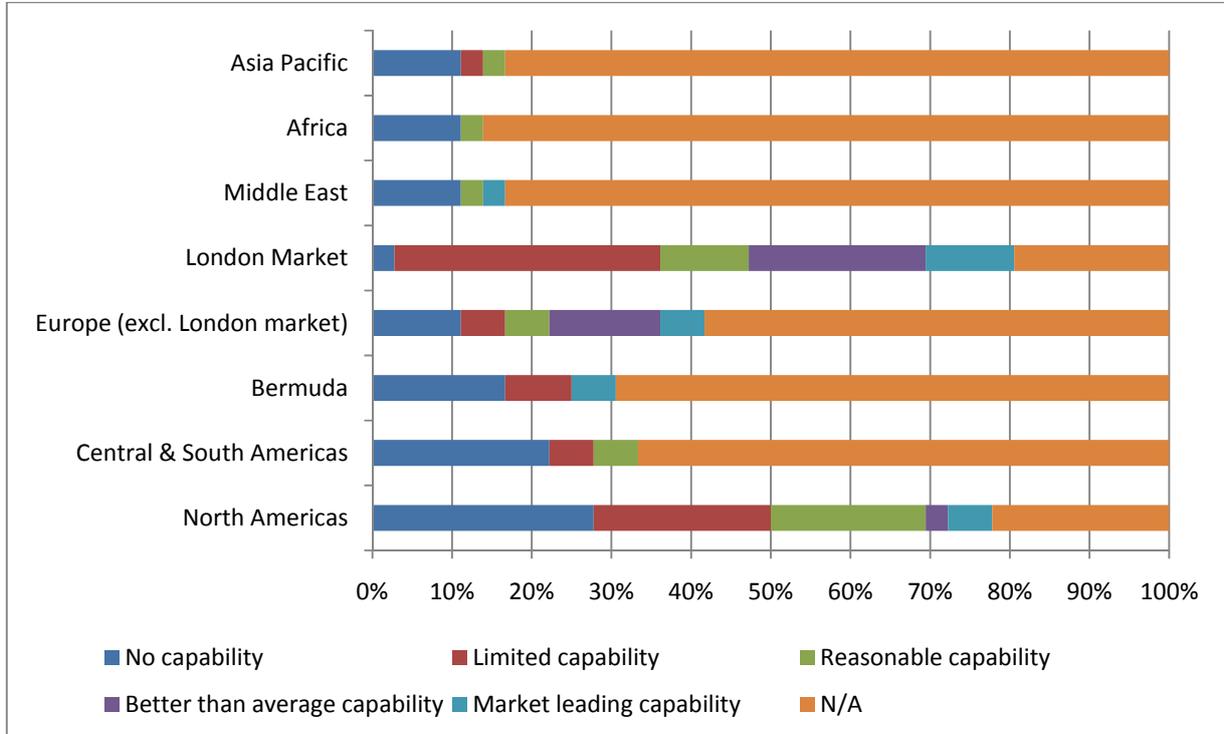
In order for companies to be able to demonstrate a ROI, there must be some agreed metrics in place. One simple, automatable metric is a simple message count. This, used in conjunction with other metrics can demonstrate the correlation between automation and:

- error rates
- cost of processing
- processing time
- payment cycles
- client complaints

## Global Re/Insurance e-Business Benchmarking Report 2010

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How would you rate the e-business capabilities of your company's operations in the following markets?



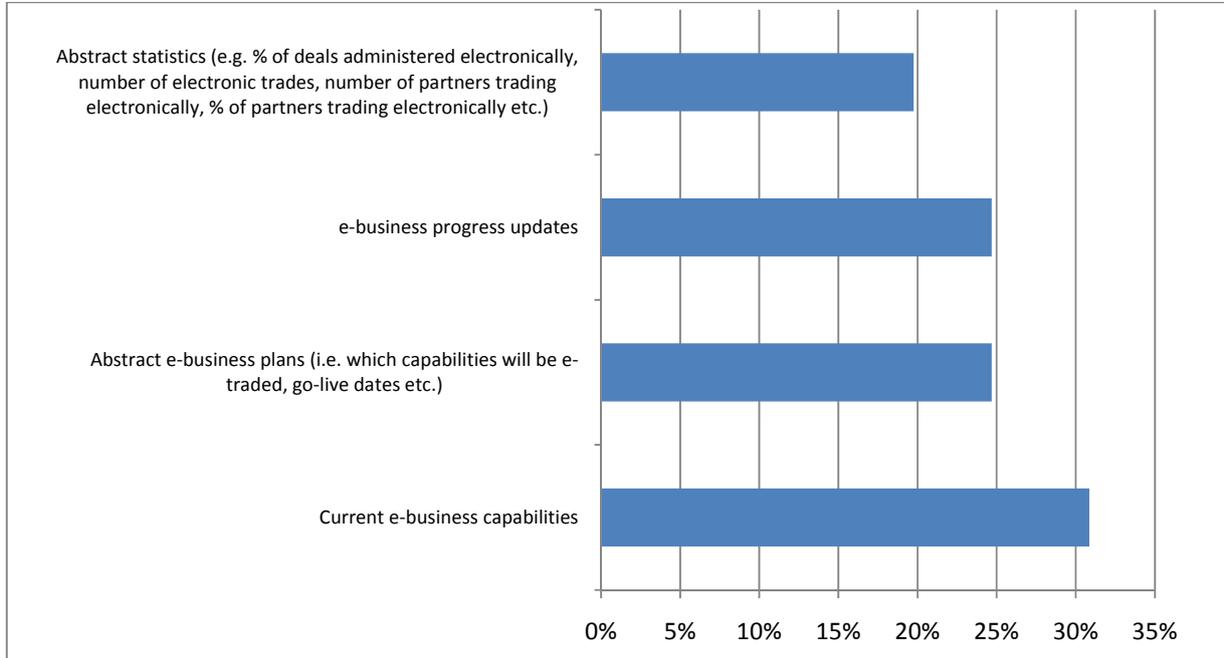
*e-business capabilities are in their infancy, even in the most technologically advanced markets*

Respondents' companies had few, if any, e-business capabilities in the emerging re/insurance markets; where implementations have occurred or are underway, only the London and North America had more than 50% of companies with any e-business capability. It is worth remembering that the majority of the London capability is focused on document management (DRI) and in North America, EDIFACT messaging.

# Global Re/Insurance e-Business Benchmarking Report 2010

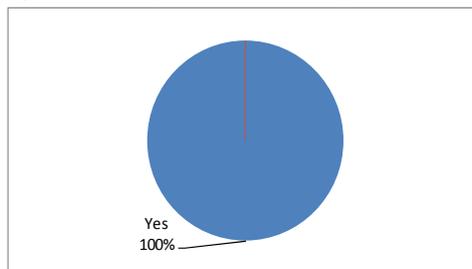
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Please mark all the items which you believe all companies should be willing to report on to ensure the Re/insurance sector moves forward with e-business.



*Companies should be willing to share the information that they want to receive*

Do you believe your company would benefit from knowing what the actual (and potentially, planned) e-business capabilities of the major cedents, brokers and re/insurers in the above market are?



*Seemingly, a “no-brainer”*

## ACORD Advisory

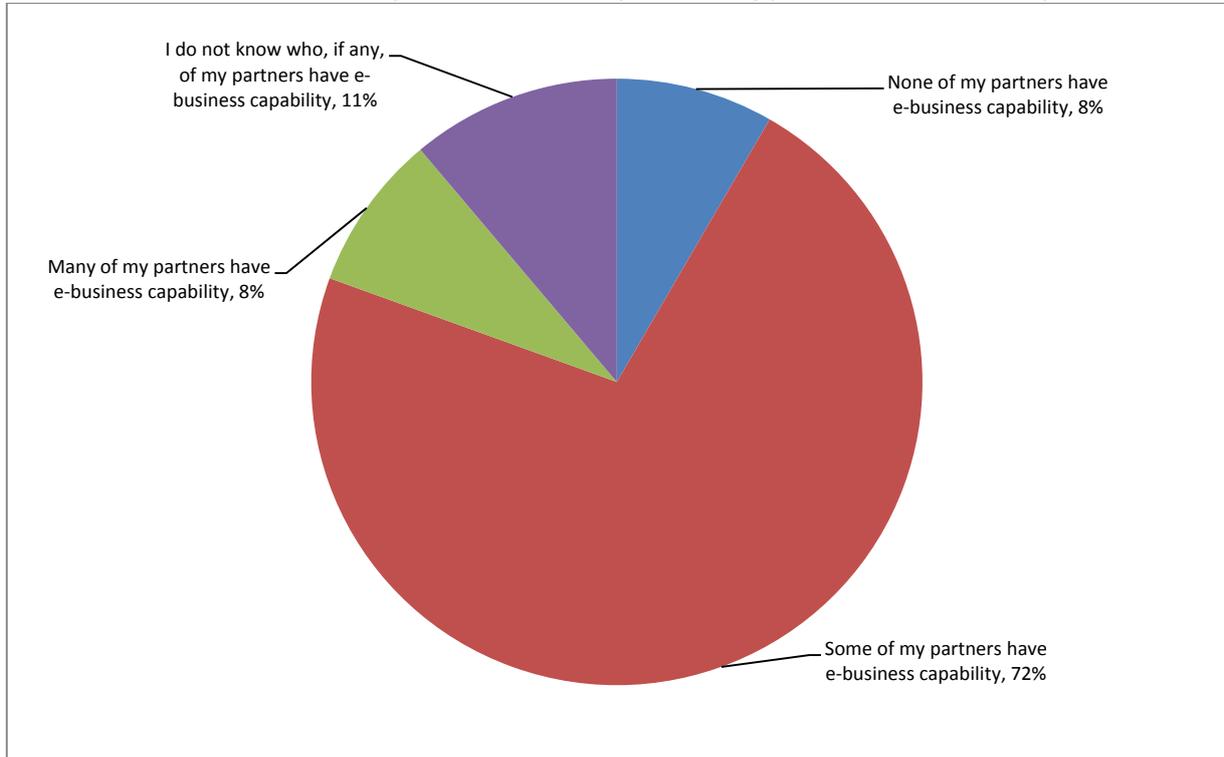
Respondents recognize the value of knowing their market peers’ e-business capabilities and plans. In order to access this information, companies need to be willing to share that information freely. Having commonly agreed reporting metrics allows market players to compare capabilities; moreover, having agreed metrics means that companies can report in the knowledge that they are not giving information that others are not willing to provide. The London market uses its various associations to collect this data; other markets could follow this

# Global Re/Insurance e-Business Benchmarking Report 2010

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lead, or use ACORD's Advisory Services as a trusted independent partner to collect and share this information on the market's behalf.

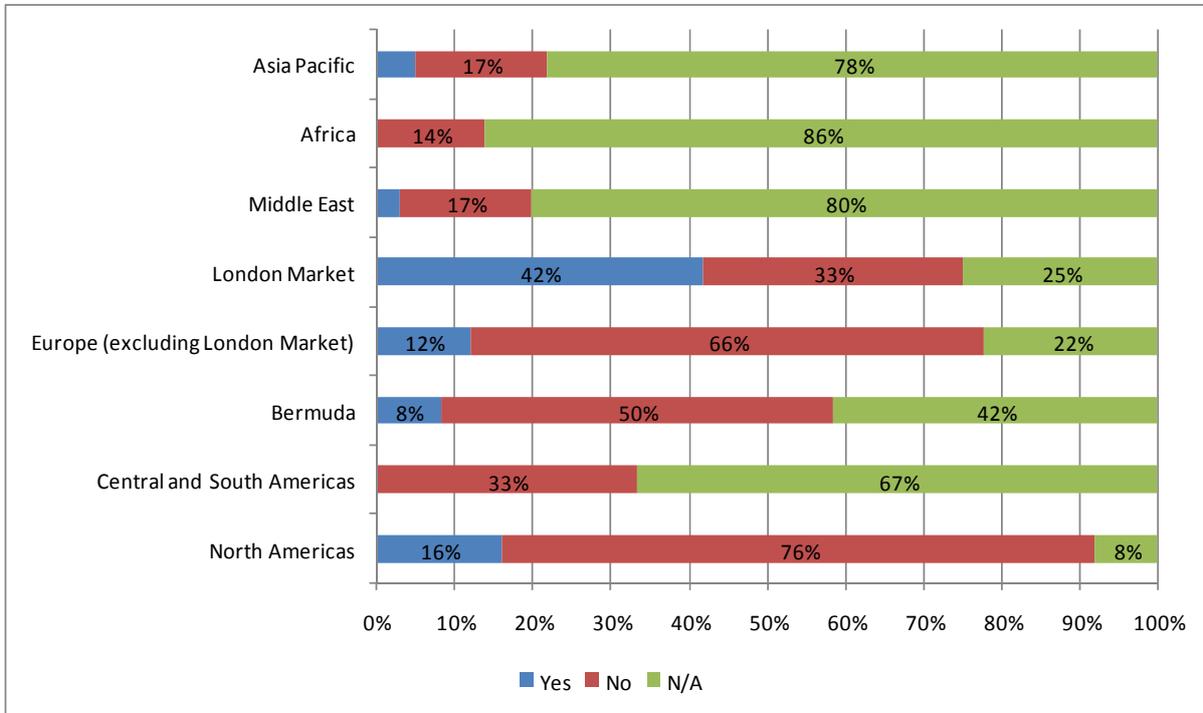
## Which statement best describes your awareness of your trading partners' e-business capabilities?



## Global Re/Insurance e-Business Benchmarking Report 2010

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**Do you believe that your company has a good understanding of the actual and current e-business capabilities of the major cedents, brokers and re/insurers in the markets in which you operate?**



*E-business capabilities reporting is sorely needed in most markets*

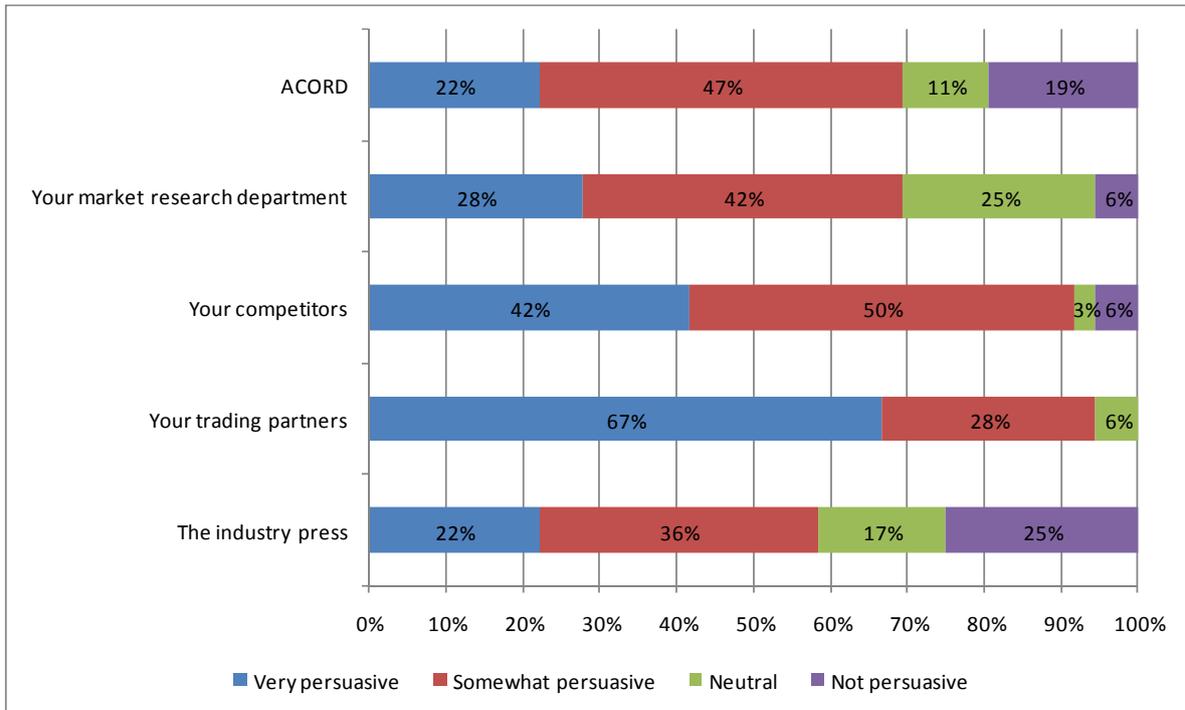
### **ACORD Advisory**

London's reform program once again shows the value of a community-based, market-wide initiative. Only respondents with London presence had a reasonable awareness of the e-business capabilities of the major companies in the market, almost entirely due to the market-wide reporting and information sharing. Not other markets scored better than 16% compared with London's 42%.

## Global Re/Insurance e-Business Benchmarking Report 2010

ACORD Advisory Services

Thinking about who would most likely have a persuasive effect on the decision-makers in your company when reporting competitors' and/or business partners' e-business capability, how would you rate the persuasiveness of the following sources of information?



*Competitors and peers are the most persuasive sources of information*

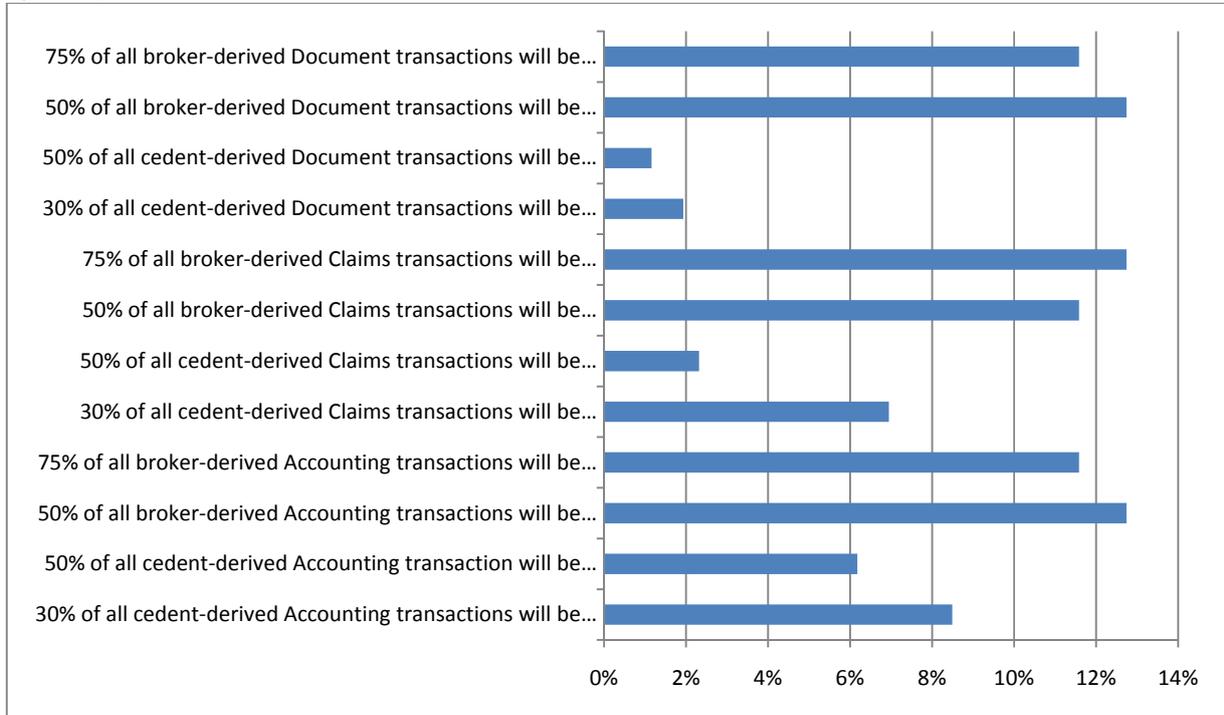
Respondents acknowledged that the industry press, their internal marketing department and ACORD are all valuable sources of persuasive information, but the most persuasive sources of information are competitors and trading partners.

# Global Re/Insurance e-Business Benchmarking Report 2010

ACORD Advisory Services

What do you believe are realistic and worthwhile goals with regard to e-business for the global Re/insurance and Large Commercial marketplace? Mark all that apply.

By 2015, at least...



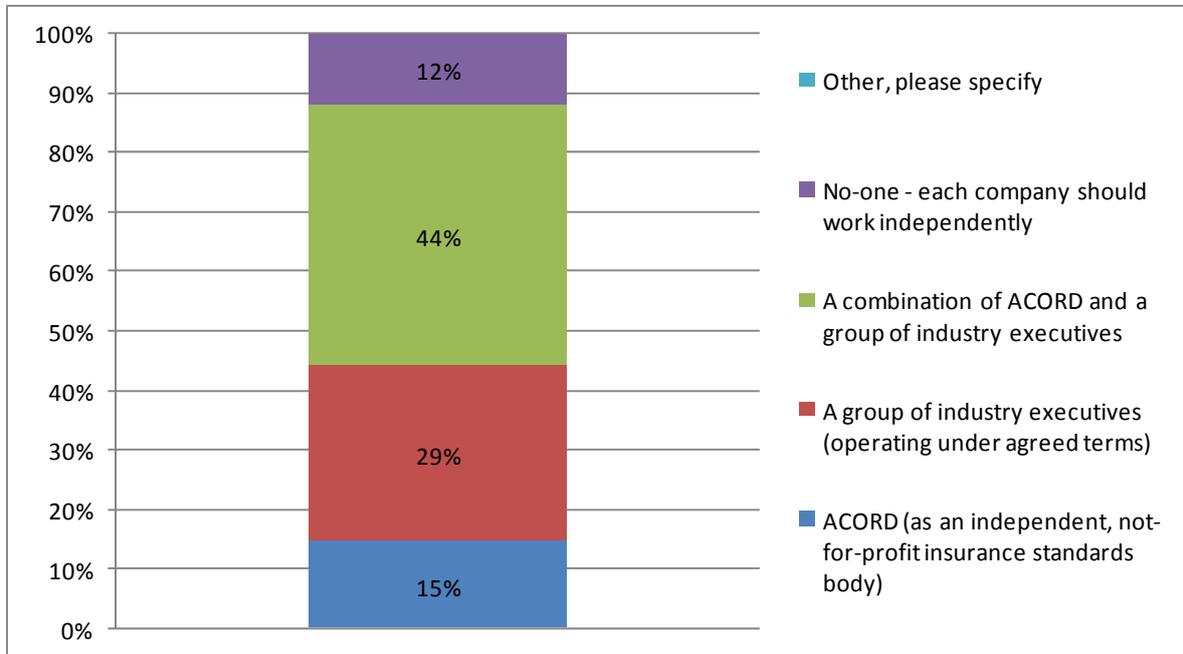
*Brokers are key to e-business success*

The respondents clearly believe that there is a stronger business case and likelihood that broker-derived transactions are worthwhile goals to strive for by 2015. Global brokers in particular have been the key drivers of e-business in the re/insurance sector. It would appear that even though cedents are an important community within the re/insurance sector, it is difficult to find a compelling business case to expect them to invest in e-business where they do not gain an immediate benefit. The cedent is the client in the re/insurance sector; it is unlikely that any seller will impose technical pre-requisites on its customers before doing business with them.

# Global Re/Insurance e-Business Benchmarking Report 2010

ACORD Advisory Services

## Who do you believe should be tasked with steering Re/insurance e-business implementation initiatives?

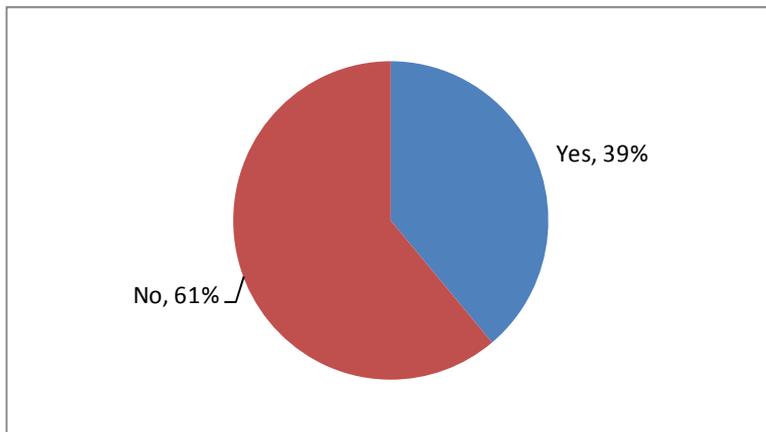


*Nearly 70% of respondents feel that a representative industry group should steer e-business initiatives*

## Common Market Utility

This section of the survey relates to questions focused on a market utility as a centralized, technical solution for communities to conduct business electronically. Approximately 40% of the total respondents thought that it would be a worthwhile exercise to examine the possibilities of using such a utility. Only this sub-set of respondents were able to answer the subsequent questions, related to the features and governance of such a utility. Readers should bear in mind that some 60% of respondents did not answer these questions and did not believe that a market utility is worth investigating.

**Do you believe your main trading market(s) would benefit from examining the possibilities of implementing a common market utility, such as the Lloyd's Exchange (in London), the Rueschlikon Initiative<sup>10</sup> (in Continental Europe) or Qatarlyst (in Qatar).**



*Support for a common market utility is not overwhelming, even from those without their own capabilities*

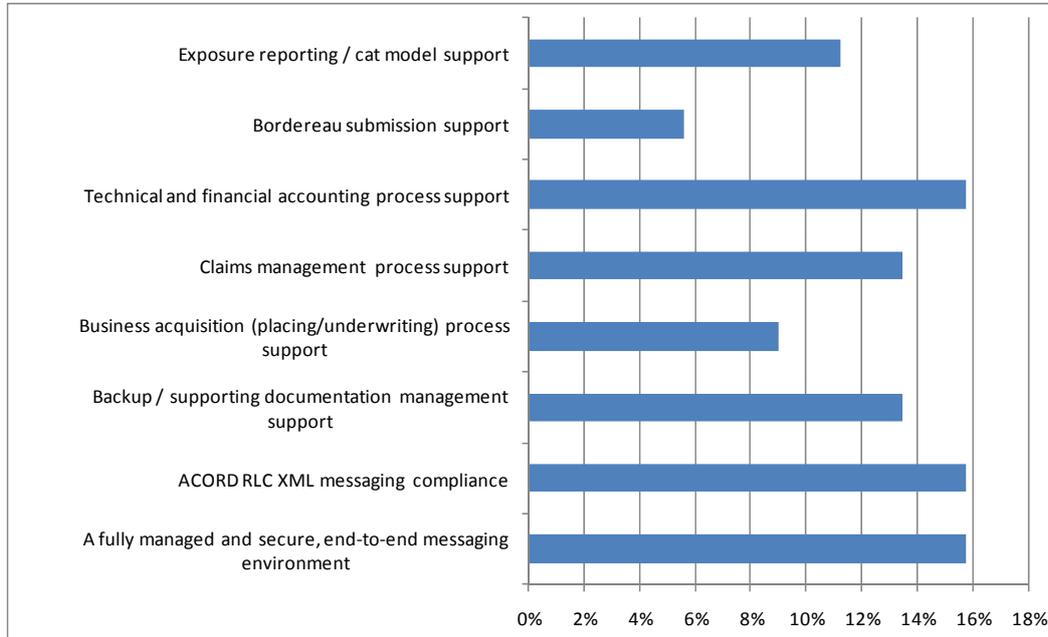
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<sup>10</sup> At the time of the survey, the Rueschlikon Initiative was piloting a centralised technical solution. The conclusion of the pilot recommended that unless managing more than 10 concurrent connections, implementers should e-trade peer-to-peer. There is no common market utility in the Rueschlikon Initiative anymore.

# Global Re/Insurance e-Business Benchmarking Report 2010

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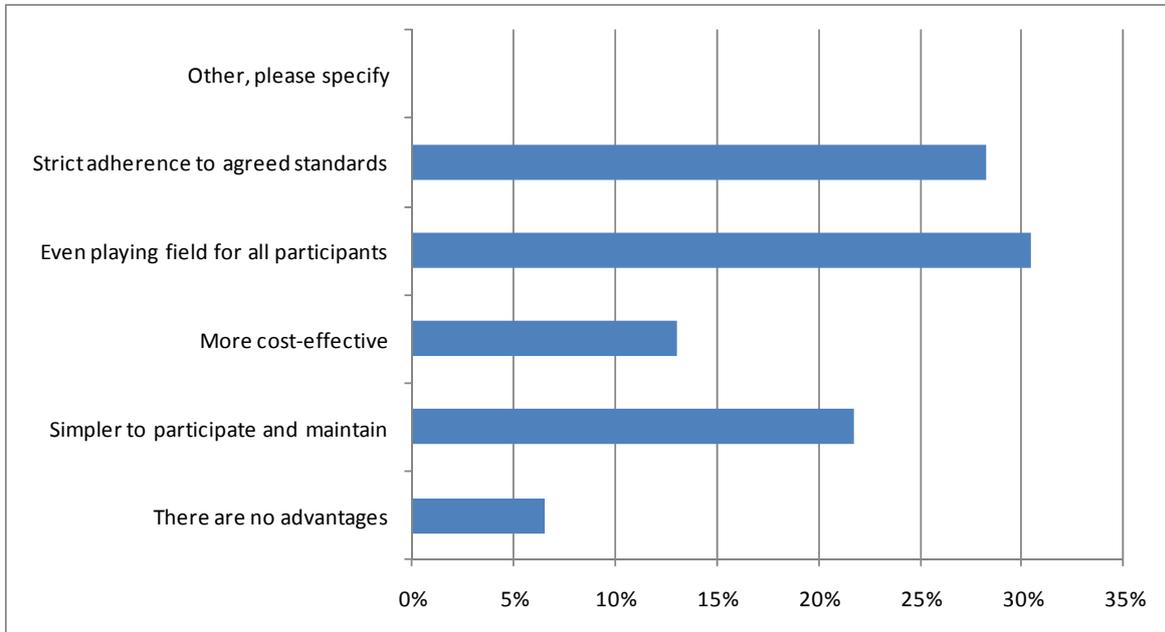
If you answered "yes": What services would you expect/like to see from a common market utility?  
Please mark all that apply:



# Global Re/Insurance e-Business Benchmarking Report 2010

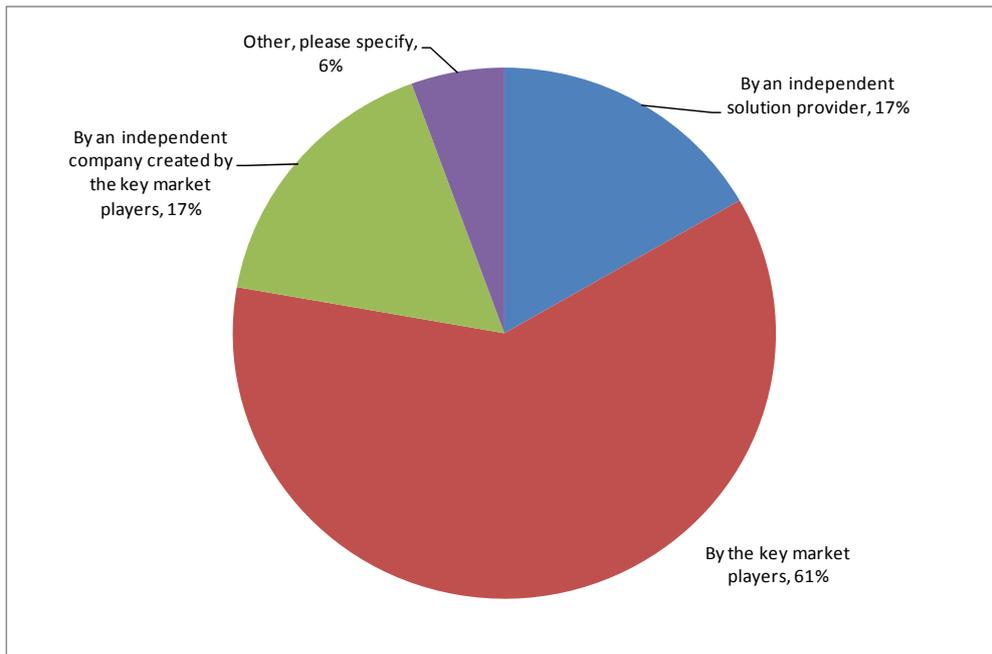
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If you answered "yes": What do you believe are the advantages of a common market utility versus 1:1 trading agreements?

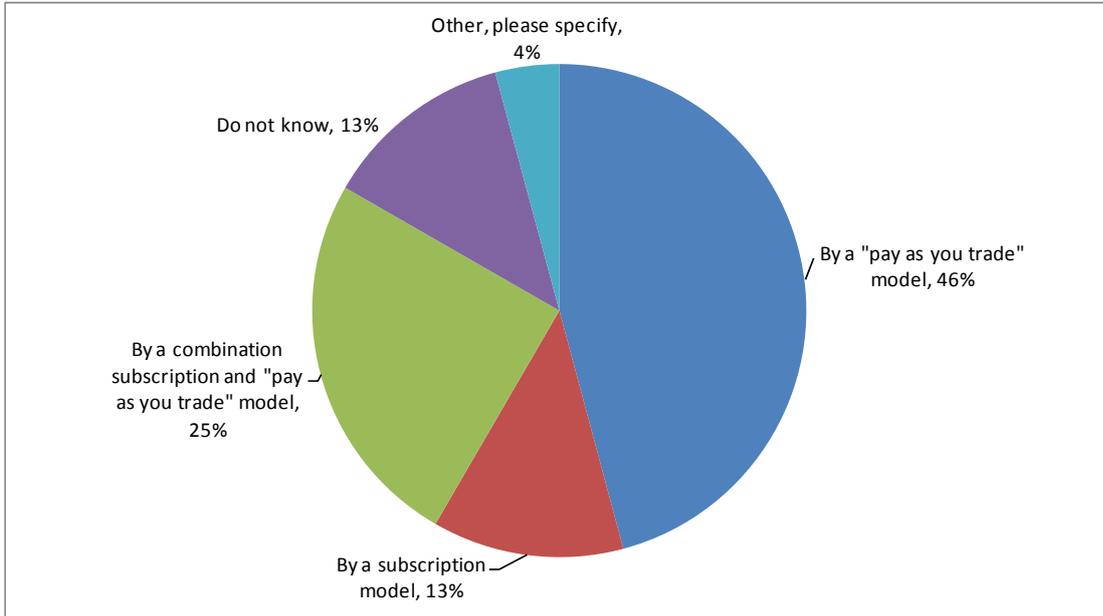


*The main perceived advantage of a hub is "standardization" – not technical or cost benefit*

If you answered "yes": How should a market utility be led / managed?



## If you answered "yes": How should a common market utility be funded?



*Cost should be linked to benefit received*

The majority of respondents did not believe that a common market utility was worth investigating as a potential solution to the e-business needs of the sector. The survey did not ask those respondents for their reasons. Interestingly though, nearly half of those respondents who thought that a common market utility might be a useful solution didn't believe that the advantages of a common market utility offered any cost- or simplicity benefits – in fact, some felt such a utility offered no benefits whatsoever. The key benefits that were identified were focused on standardization – namely, that all participants would have to operate to strictly and centrally enforced rules of engagement<sup>11</sup> (including which data standards, business processes, service levels etc.)

This is further validated by the most wanted feature from a market utility being “a fully managed and secure, end-to-end messaging environment.”

Once again, the respondents were consistent in their priorities of needs, focusing on supporting back office functions with e-business first and foremost, along with Exposures reporting.

<sup>11</sup> The participants of the Rueschlikon Initiative pilot came to a similar conclusion and decided to put effort behind formulating and agreeing a Rulebook for e-business engagement.

## Global Re/Insurance e-Business Benchmarking Report 2010

ACORD Advisory Services

The respondents expressed a strong preference for any market utility to be led/managed by key market players and that charging should be related to the amount of use/benefit received (i.e. by a “pay as you trade” charging model).

### *ACORD Advisory*

ACORD has been closely involved with the Rueschlikon Initiative in Continental Europe. Following a pilot there, the companies involved came to the conclusion that working as a community, to an agreed set of rules and industry data standards, offered significant savings to all players involved. A study by some Rueschlikon participants showed between 50-80% reduction in costs at the back office thanks to e-business. The group also concluded that e-business is perfectly feasible for transactions between brokers and re/insurers using peer-to-peer technologies. For the more numerous concurrent connections, a hub could prove to be a valuable option. The London market has two active hubs (which are capable of inter-operating) and many trading partners carrying out e-endorsements and e-placements.

## Conclusions

1. The survey was completed by people with the authority to effect change within their organizations, largely concentrated within the established global re/insurance markets of North America and London.
2. Cedents are unlikely to invest capital in outwards re/insurance automation. In order to encourage e-business from Cedents, the industry must consider ways of ensuring easy electronic transaction methods which ensure high quality data sharing, bound by data governance which ensures the fidelity of data for every player within the insurance value chain.
3. Back office functions are the highest priority for e-business automation as they account for the most time- and cost-consumption in the process.
4. Companies have increasingly been allocating budget towards e-business initiatives since 2007. It is important that more companies implement standards-based e-business
5. For e-business initiatives to succeed, there needs to be greater executive and business practitioner support.
6. More effort must be made to communicate the benefits of e-business throughout the industry, to business partners and internally to the executive and business communities.
7. The industry should use the results of this survey to agree an implementation roadmap and timelines to ensure that the industry can achieve industry-wide benefits.
8. Best practice in implementing e-business is to approach it as a community rather than ad-hoc.
9. Markets should consider leveraging ACORD's experience in implementing e-business. ACORD's unique position as an independent, not-for-profit organization, operating under USA Department of Justice-registered Antitrust Procedures, offers market players a valuable resource with vast implementation experience and best practice.
10. The re/insurance sector has, at best, only started to implement e-business. Very few companies have so far implemented the full e-business capabilities of ACORD RLC standards and even fewer have fully integrated e-business with their back office systems to achieve straight-through-processing. Companies and markets must keep striving towards this goal to make the business more efficient and more responsive to client requirements.

## Global Re/Insurance e-Business Benchmarking Report 2010

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11. Most implementers are not managing more than 3 concurrent e-business connections. It is important that all implementers can increase the number of trading partners they e-trade with.
  - a. Implementers should get their implementations ACORD Certified
  - b. Implementers should be willing to disclose their capabilities with the industry in order to raise awareness and find potential new e-business partners
12. It is very important for market players to understand their peers' e-business capabilities and to synchronize their implementations accordingly, in order to achieve a better and faster ROI.
  - a. Companies must be willing to share information on their capabilities and plans with the market
  - b. Companies should report their capabilities against previously agreed metrics. Market associations or ACORD Advisory Services could help them to collect and distribute this information
  - c. Decision-makers are most likely to be influenced by competitors and peers; these should be key sources of information with regard to e-business capabilities
13. Peer-to-peer e-business solutions are an effective solution for e-business, but their value is increased by communities working to agreed standards in terms of data standards and rules of engagement (i.e. service levels).
14. If a market utility is implemented, it should be managed/led by a group of industry leaders and the costs for use should be fair and related to the benefit each company derives.

# Global Re/Insurance e-Business Benchmarking Report 2010

ACORD Advisory Services

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# Global Re/Insurance e-Business Benchmarking Report 2010

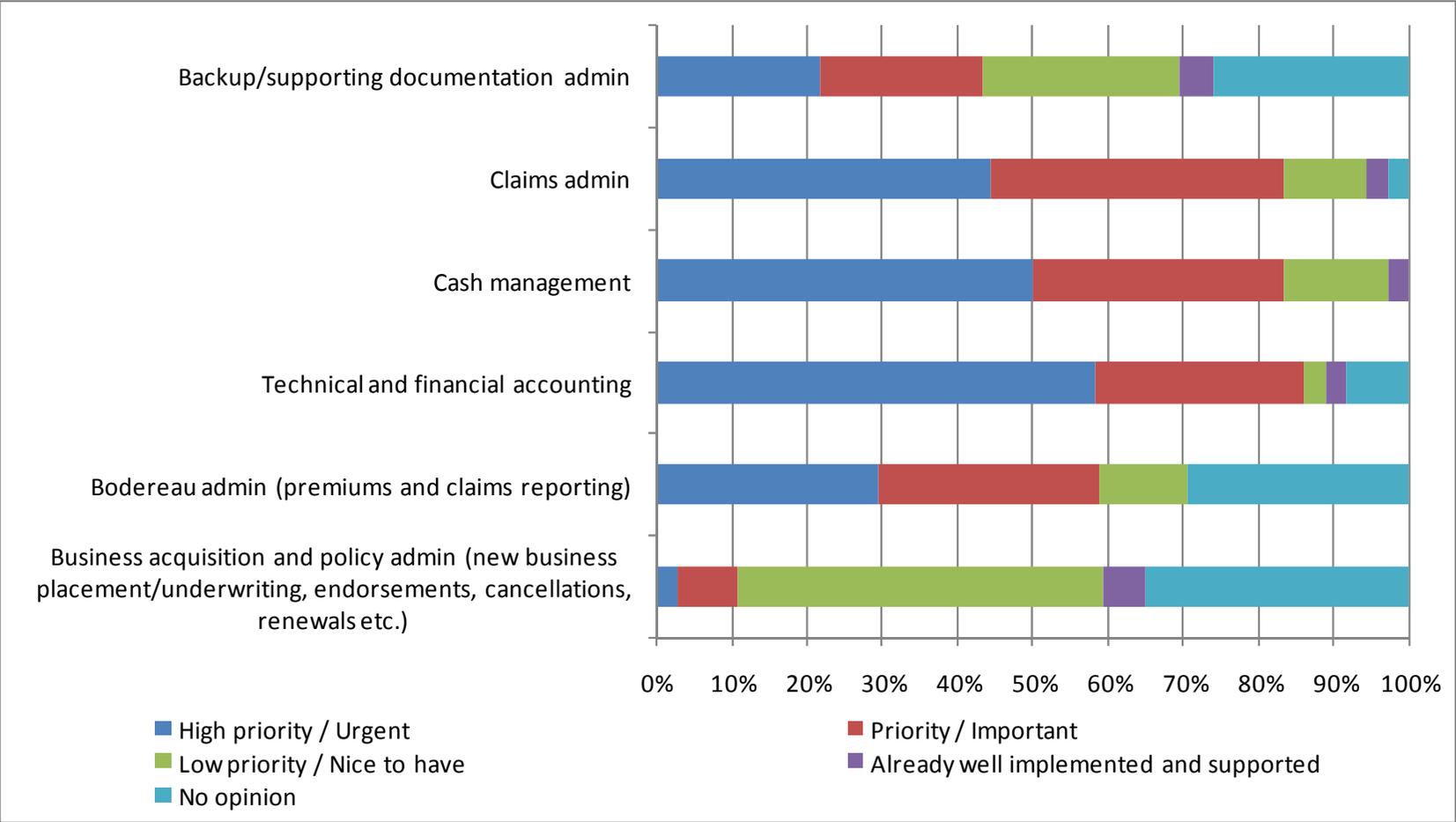
ACORD Advisory Services

## Appendices

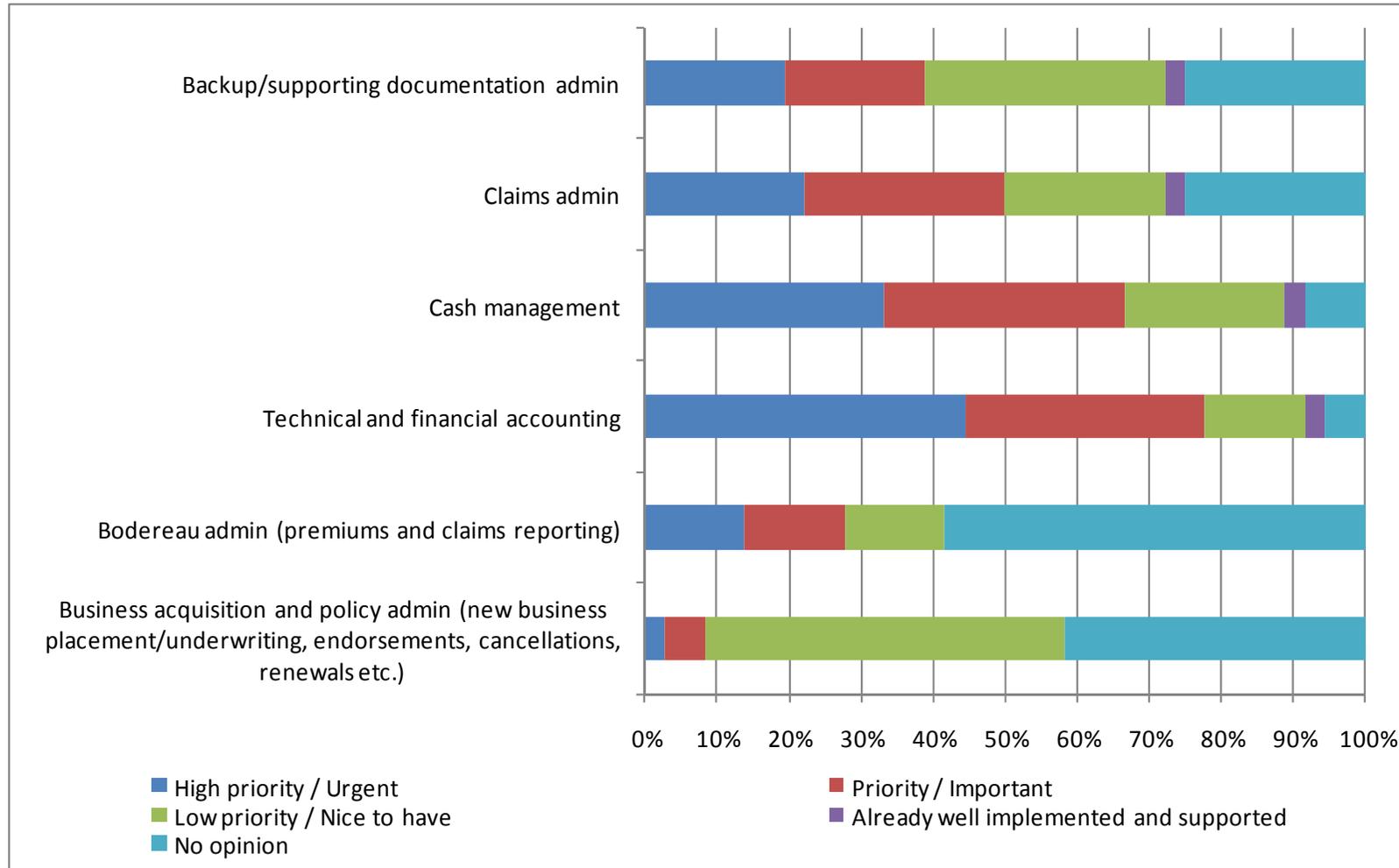
Respondents rated the importance of enabling e-business / straight-through-processing for the re/insurance business processes in each of the World's re/insurance markets. The results of these responses are provided here.

ACORD Advisory Services is available to provide further insights into these results, and to work with companies and associations in any market, to assist in understanding, strategizing and implementation of standards-based e-business.

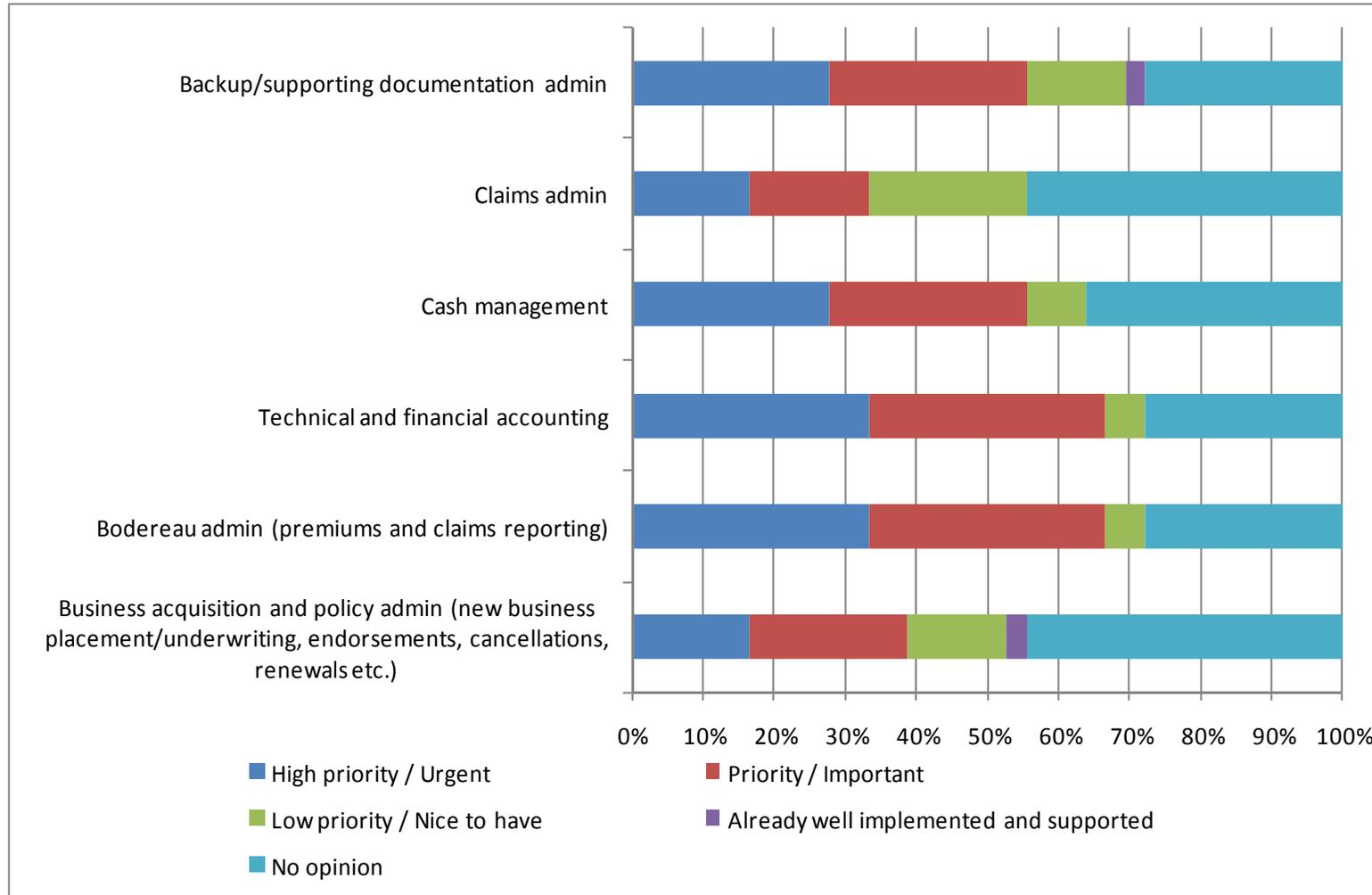
Appendix I - How would you rate the importance of enabling e-business / straight-through-processing for the following business processes in the North American market?



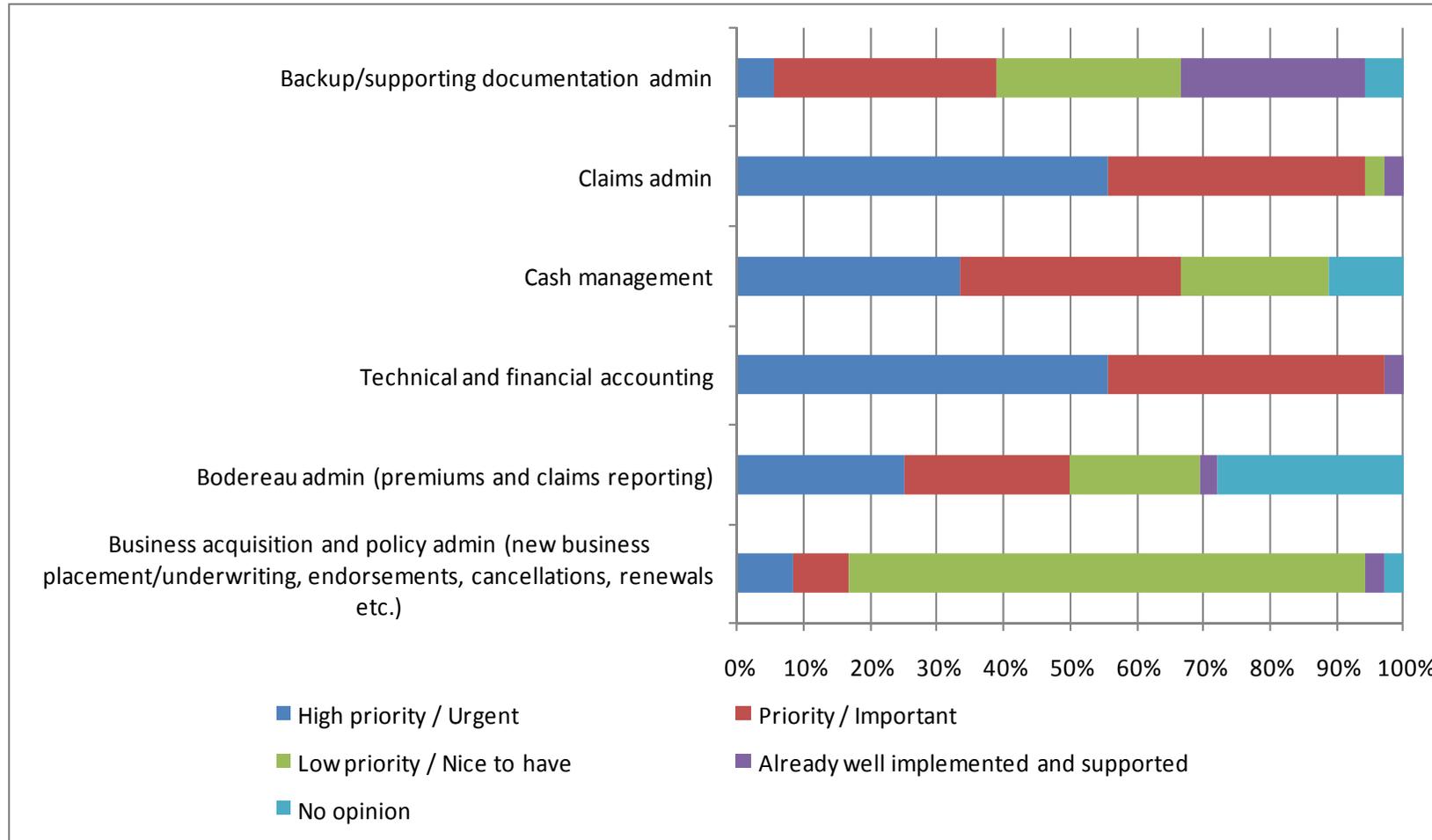
## Appendix II - How would you rate the importance of enabling e-business / straight-through-processing for the following business processes in the South American market?



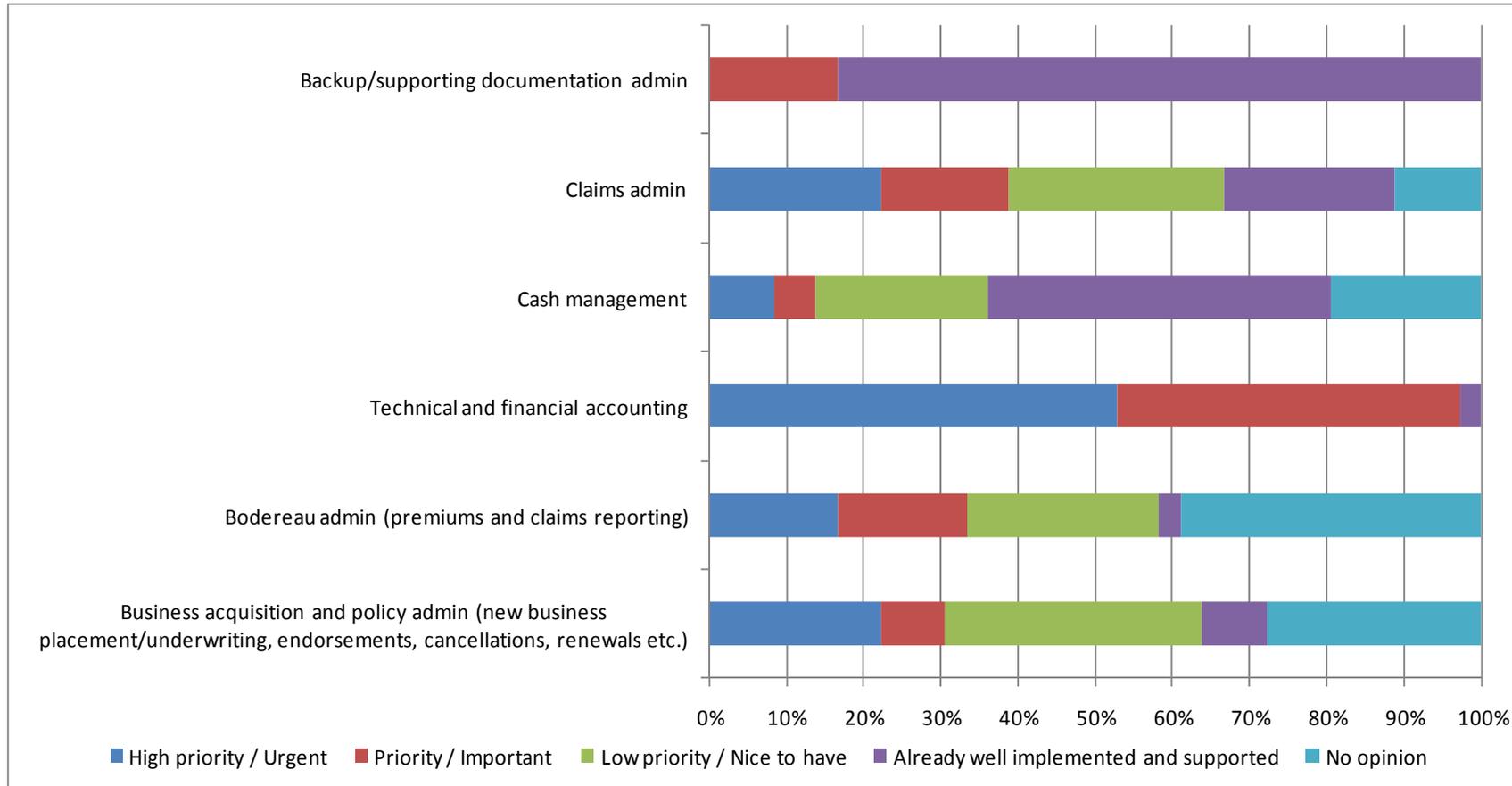
## Appendix III - How would you rate the importance of enabling e-business / straight-through-processing for the following business processes in the Bermudan market?



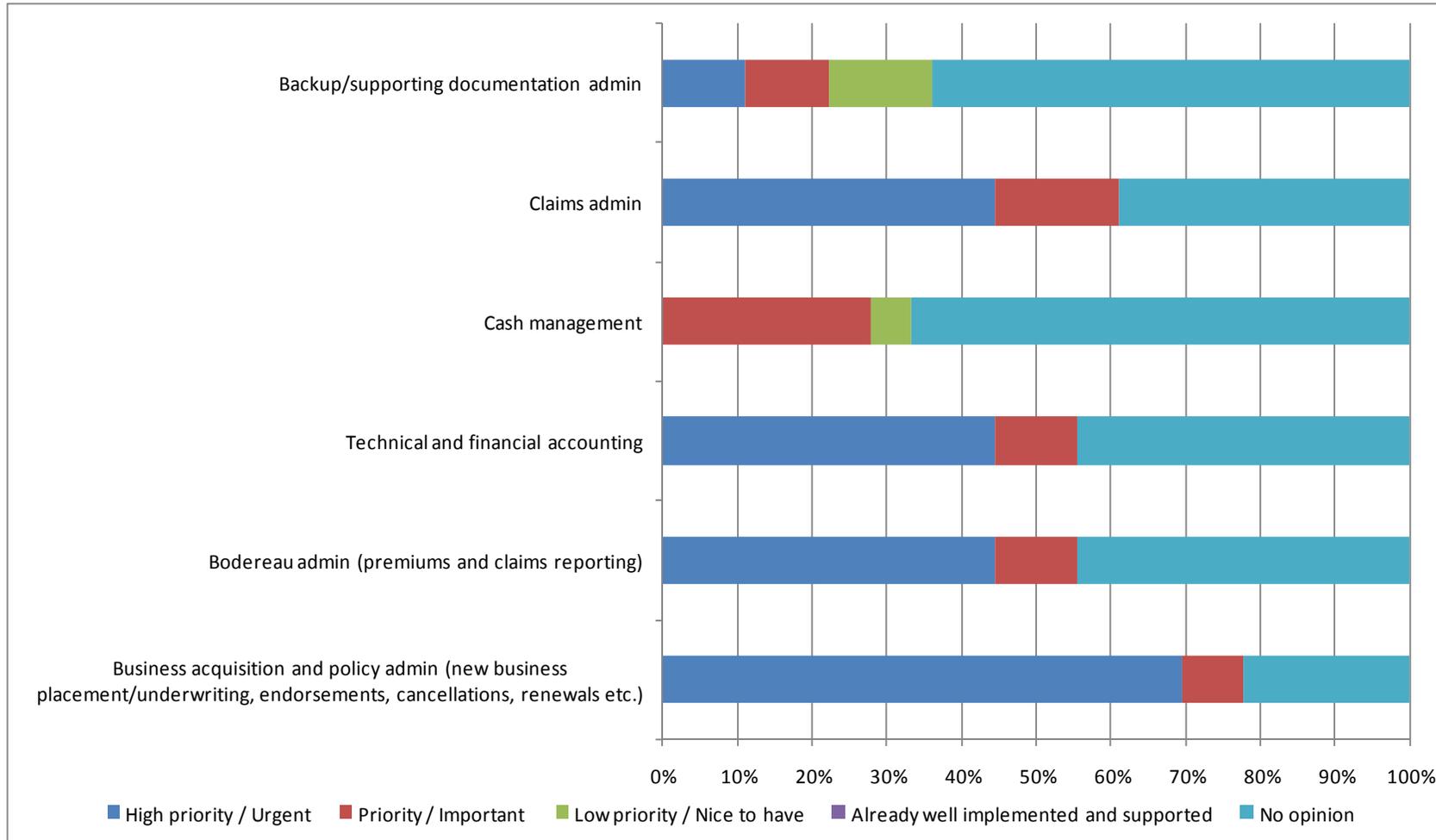
## Appendix IV - How would you rate the importance of enabling e-business / straight-through-processing for the following business processes in the European (excluding London) market?



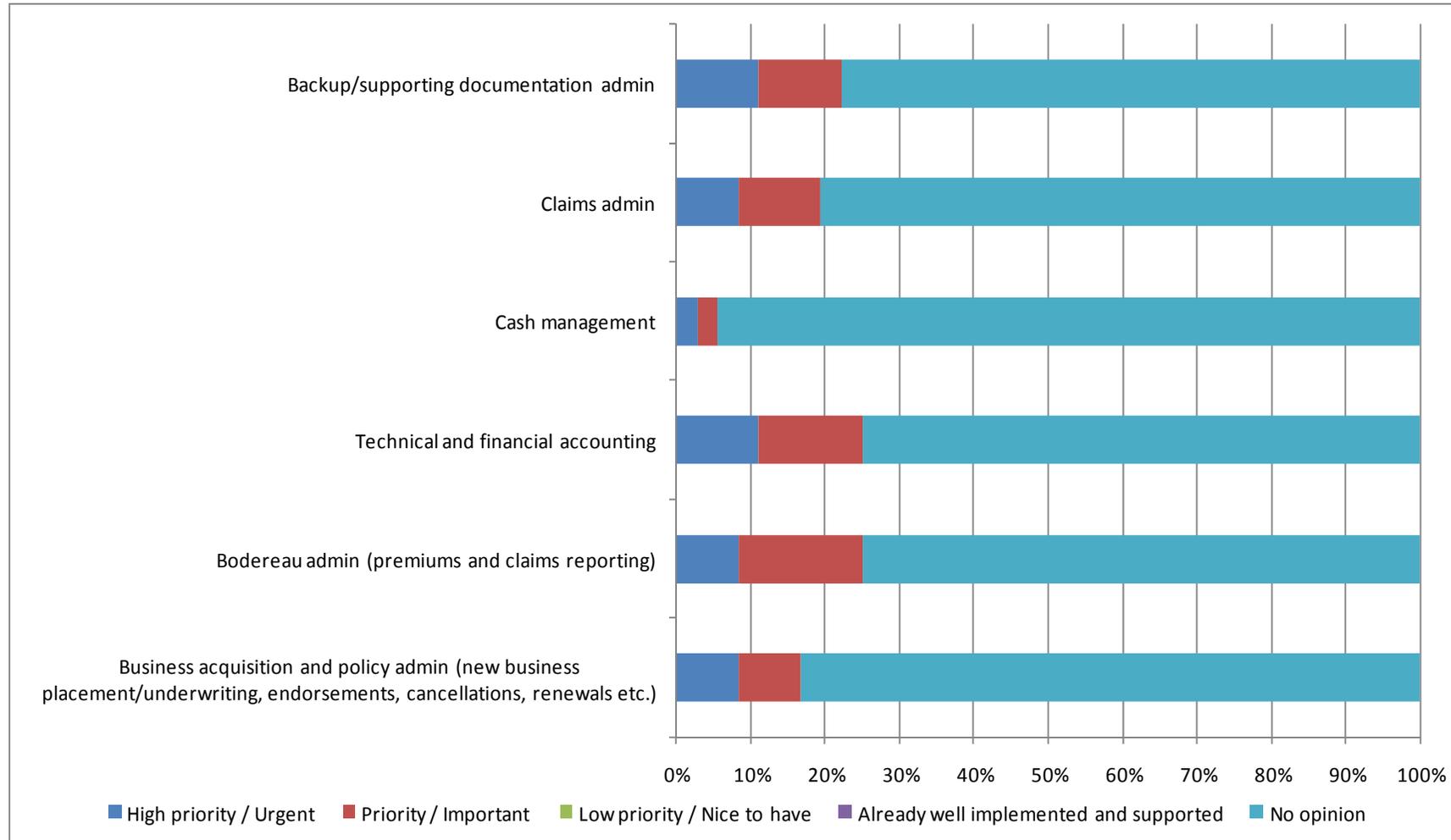
## Appendix V - How would you rate the importance of enabling e-business / straight-through-processing for the following business processes in the London market?



## Appendix VI - How would you rate the importance of enabling e-business / straight-through-processing for the following business processes in the Middle Eastern market?



## Appendix VII - How would you rate the importance of enabling e-business / straight-through-processing for the following business processes in the African market?



## Appendix VIII - How would you rate the importance of enabling e-business / straight-through-processing for the following business processes in the Asian Pacific market?

