ACORD

Global Reinsurance e-Business Benchmarking Report 2010 – Executive Summary

ACORD Advisory Services

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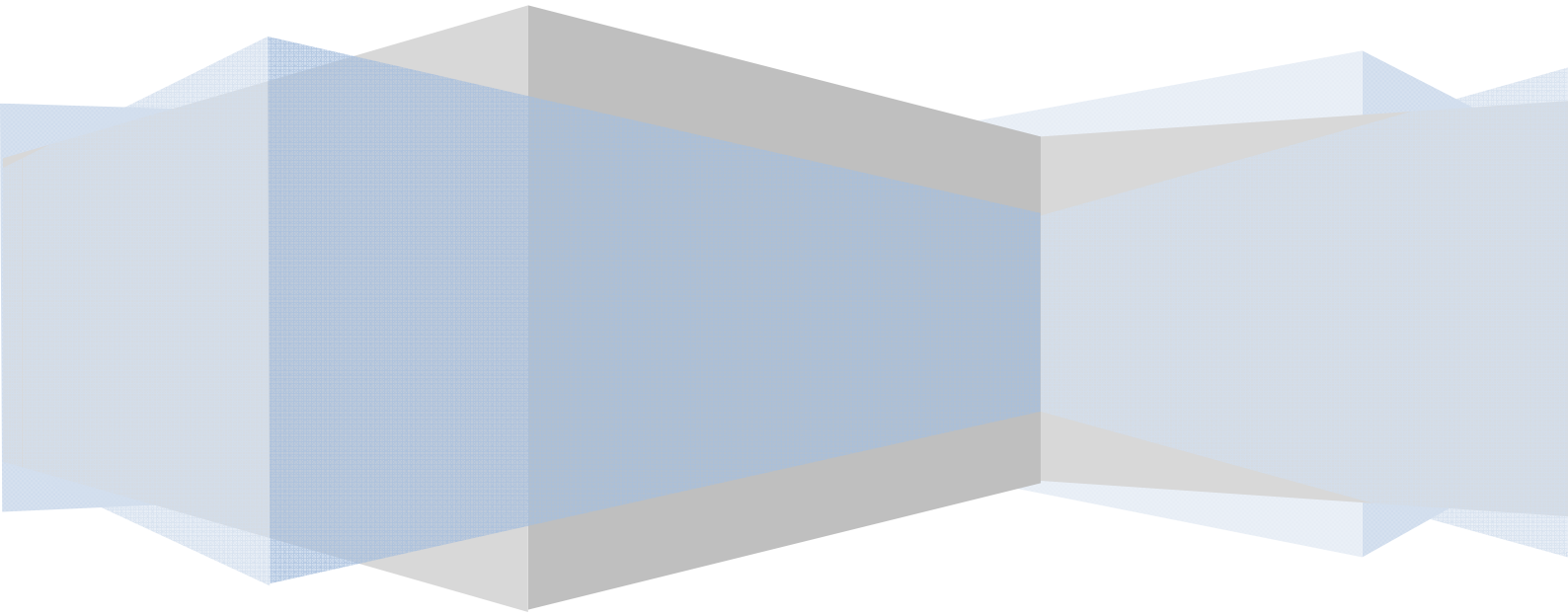

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Note:
This is a summarized version of the *Global Reinsurance e-Business Benchmarking Report 2010*. The complete version is available to download for free from the ACORD Advisory Services webpage at www.ACORD.org.

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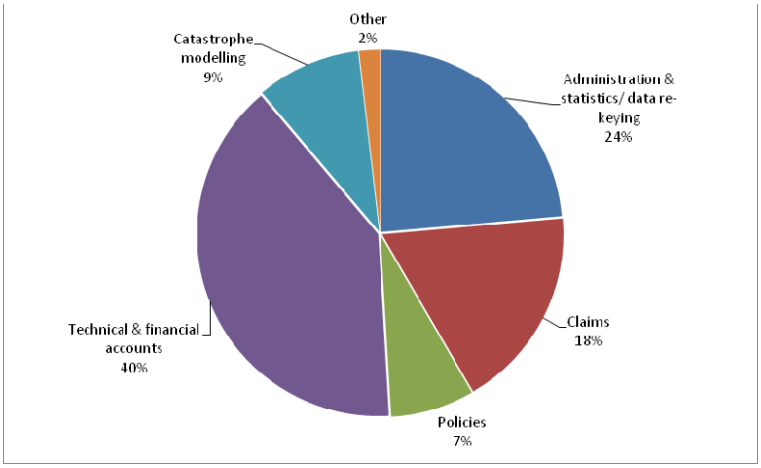
Executive Summary

The global reinsurance and large commercial insurance sector (hereafter called re/insurance) has long recognized the importance of e-business[1]. 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**[2]. 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.

[1] E.g. The USA and London markets have been using EDIFACT messages for back office transactions for many years
[2] eBOT within the Rueschlikon Initiative

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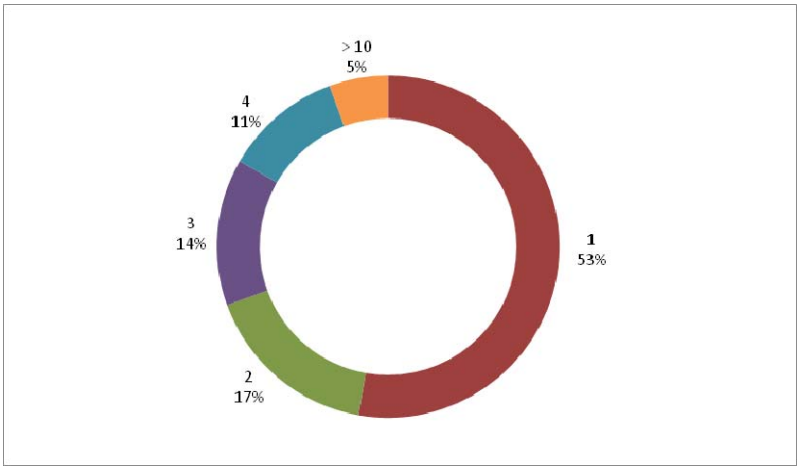
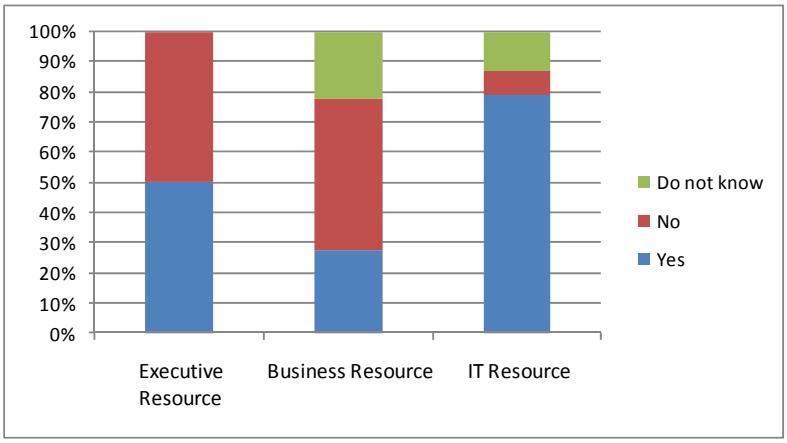
The number of partners e-business is live with



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 partners.

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.

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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.

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Conclusions

1. The survey was completed by people with the authority to effect change within their organizations, largely concentrated within the established global reinsurance markets of North Americas and London.
2. Cedents are unlikely to invest capital in outwards reinsurance 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 success, 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 reinsurance 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.

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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.

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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.

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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[3] for re/insurance. Please refer to ACORD's Cross-Domain Standards webpage (http://www.acord.org/standards/downloads/Pages/CDPublic1.aspx) for more information.

[3] E.g. Office file formats, PDF, scanned images, RTF, CSV etc.

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