Introduction & Background

Our industry, as a whole, is changing. It is being transformed by any number of influences including natural disasters, investigations, regulatory requirements, new business models, mergers and acquisitions, and new customer and partner demands. This creates an even greater demand on data for quality, consistency, and transparency. These forces also require increased data availability and integration.

Whether transforming their business processes, connecting to their value-chain partners, or attempting to drive efficiency in their implementation infrastructure, insurance companies face ever-increasing integration challenges making inter- and intra-enterprise integration essential. They must enable this enterprise integration through a broad framework of industry standards.

As the insurance industry moves away from monolithic, silo-based organizations, it is gravitating towards networked models where enterprises combine to deliver value. As individual insurers and the industry evolve, participants will need to leverage best-in-class capabilities both internally and externally and tap sources throughout the industry. More non-core capabilities will move outside the main enterprise and be provided in a services-oriented architecture (SOA) or Web services environment. This is a necessary transformation and creates a true imperative for a standards framework that will support the industry.

The need for interoperability among systems and the necessity of sharing data is essential in today's business world. Through the use of standards, data can be shared among systems internally and from external sources to support regulatory reporting requirements, improve customer service, and comply with financial reporting requirements.

Through the use of standards, organizations can achieve the long time goals of data availability, quality, consistency, and transparency. The standardization of business processes will further support these efforts and be beneficial to the industry as a whole. As pointed out by the Harvard Business Review (see below), this is not a unique concept, many industries are working towards these objectives in efforts to modernize, streamline, and create business and cost efficiencies.

The ACORD Standards Strategy lays out a road map for ACORD to ensure the standards are aligned with current architecture methodologies. In particular, this requires the elimination of "line of business" silos to facilitate adoption and implementation of standards for all lines of business.

"The standardization and commoditization of processes will also require changes in strategy. As an increasing number of processes become common within and across industries, executives will need to revisit the basis for competition in their businesses. They'll have to decide which of their processes need to be distinctive in order to make their strategies succeed and which can be performed in a relatively generic and low-cost fashion. Even in today's environment, most executives have yet to decide what processes are core and noncore, but doing so will become much more critical in the future. Process standardization may also mean that it's feasible to combine certain processes with competitors'; if these processes offer no competitive advantage, why not? Creating shared-services processes across companies can offer scale efficiencies."

Today, ACORD maintains three standards domains:

- Life, Annuity, Non-medical Health Insurance and Life Reinsurance (Life & Annuity or L&A)
- Property and Casualty Insurance and Surety (PCS)
- Reinsurance and Large Commercial Insurance (RLC)

This document discusses the current status of ACORD standards and what will be needed to evolve the standards to better meet member needs. Also included is a discussion of the incorporation of business processes into the ACORD standard.

**Industry Standards Framework Expansion**

This document discusses the current status of ACORD standards and what will be needed to evolve the standards to better meet member needs. Also included is a discussion of the incorporation of business processes into the ACORD standard.

**Exhibit 1**
ACORD Standards Today

Today, ACORD standards remain in silo-based domains, reflecting an older paradigm. The industry is moving away from this in favor of an integrated architecture and ACORD must as well. In addition, the standards have inconsistent deliverables that:

- Impact enterprise implementations.
- Necessitate duplicate support when using multiple standards.
- Limit interoperability and transparency due to multiple data dictionaries.
- Lack business process models.
- Need a consistent data model.

ACORD Standards Evolution

To enable the industry transformation, the ACORD Standards Framework (Exhibit 1) must be expanded and enhanced to provide standards for business processes, messages/transactions, forms, and data. This framework will increase the value of standards for the industry by illustrating their benefits and increasing standards adoption levels. It will help fulfill industry demands for flexibility, innovation, transformation, and transparency.

The current initiative will leverage existing work, add additional industry content and IP, and provide a transition for the detailed messages to the framework deliverables, thereby minimizing the impact to current implementations. It is important to also factor in that industry drivers have changed the landscape. An enterprise approach to standards deliverables is now required. New requirements for transparency, contract certainty, and risk management from an enterprise perspective demand ACORD standards support them in a new standards framework, aligning the three domains with cohesive deliverables.

ACORD’s new standards framework will first look for commonalities in standards and needs across all three domains. Then, differences will be examined. This will foster a unified cross-cultural view of the enterprise that is consistent with the industry and our members.
Standards Framework

ACORD standards today are inconsistent in their deliverables and components across the three standards domains (L&A, PCS, and RLC). This inconsistency limits the industry’s ability to use ACORD standards across an enterprise, support common needs, and encourage consistency in the technical architecture of the standards. The current standards deliverables are reflected in Exhibit 2. Please note that shaded items do not currently exist. The L&A data model is a hierarchical XML model and not a business data model.

There is a lack of overall consistency within and between domains for standards components, architecture approaches, tools to support the standards, and methods to support cross-domain initiatives. The domains lack elements of the framework including process models, a data model for PCS, a business data model for Life & Annuity, and a combined data dictionary reflecting data consistency for the end-to-end value chain. This inconsistency impacts a member’s ability to have a full standards framework to support enterprise efforts as well as interoperability, transparency, and consistency.

The expansion of the ACORD Standards Framework (Exhibit 3) will create a value proposition for the industry that will enable and support business solutions in a manner that is technology neutral. More importantly, it will stand the test of time as the "transport" technology. It will ensure that the ACORD vocabulary and grammar remain platform neutral and can be mapped to various technological representations, providing longevity in the face of ever changing technologies and delivery systems.

ACORD’s strategic objective is to create a standards framework that will include a single set of business process models, a single data dictionary, and a single data model across all domains. In addition, there will be common business messages to be used within the two domains and separate messages for Non-Life and Life that support the end-to-end value chain data flow and transparency.

This is the strategic objective and will occur over time. The initial focus will be on consolidation of business content (process and dictionary) followed by the data model. This will create a foundation for the industry supporting Life and Non-Life as well as position them for further alignment of
messages. ACORD is focusing on alignment of the standards based on business content with the process models, dictionary and data model being the foundation of the alignment.

**Business Process Models**

The business process models will be high-level processes for the end-to-end insurance value chain. They will be developed and maintained across domains and support end-to-end processing. They will also be used to define business service components to support SOA and Web services development.

The process models will reflect a layer of decomposition of the business process, but will not include specific business rules. Business rules and unique workflows are the differentiators for companies to compete; their competitive edge.

**Business Data/Information Dictionary**

The business data/information dictionary is comprised of business terms and definitions for the end-to-end insurance value chain across all product lines and geographies. A common business data/information dictionary is the foundation for the industry to build a model, forms and messages to support the business processes.

The data model and business messages are abstractions of the business data/information dictionary. These business definitions and their relationships are defined within a data model and are key to achieving interoperability. The business definitions identify the what; the data model with messages created from the model help define the how for achieving interoperability.

**Data Models**

The data model will be a referenceable (logical) and conceptual model and is process and technology agnostic. It provides normalization and relational aspects of the data via objects or groups. It is an abstraction of the business data organized around the objects and design pattern. There is a need to use a data model independent from business messages, but there is also a need to maintain knowledge of how they relate and are connected. We will develop and maintain a business data model that supports both Life and Non-life.

**Business Messages**

The business messages are an abstraction of the business data/information dictionary. They are in direct support of specific business processes. There is a need to relate and connect the business messages to the data model as well.

All messages will be defined and referenced to the business processes to provide consistency.

**Standards Framework Development and Use**

In the development, maintenance, management and use of the standards framework, there are some key concepts and guidelines that will be recommended and used.

- There is a difference in how and what is needed to architect the business information vs. architect a business message.
- Business processes, data models highlighting relationships of data, and data definitions are necessary when architecting the business information.
- Data models, core components (if this methodology is adopted) and definitions are used to architect the message.

As companies use the ACORD Standards Framework as a foundation for their enterprise data architecture, they will need to incorporate their company’s unique and specific requirements. They will customize the framework, and then will need to:

- Be responsible for understanding and managing their customization to the ACORD framework, including the dictionary, model and messages.
- Recognize that this will add a layer of mapping that each company needs to document and manage.
- Have some rationalization and data mapping to the standards framework which is an industry framework that will not represent unique or custom needs for organizations.

**ACORD Standards Deliverables Supporting the Framework**

To support the Standards Framework, we will need to provide tools, services and support for our members to help them use, manage and implement components of the framework as well as to help us manage the standard. All three domains will migrate to the same internal ACORD toolset. They will all be maintained in the same way with the same software using the same methodology so that we can consistently manage and publish the standards framework components. For many of these deliverables, there are a number of options for the format as well as a variety of tools to manage the information. ACORD will review the options and select the best suited toolsets.

The components of the tools and support framework are:
- Business Process Model
- Business Data/Information Dictionary
- Business Data Model
- Business Forms
- Business Messages

**Standards Strategy Plan**

As we develop the Standards Framework, we will need to support tactical standards work as well as strategic development of the enhanced standards framework. In support of these efforts, the tools and services used to manage the deliverables will be a part of these efforts. It is a balance of "top down" and "bottom up" industry work that will result in a stronger standards framework as well as richer content.

For more information or to obtain a copy of the complete ACORD Standards Strategy, please contact:

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