North American Implementation Focus Group Meeting

New York

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Welcome
Agenda

- Today’s Objectives
- The need for “change”
- Brief introduction to ACORD & RLC
- Reinsurance and Large Commercial E-trading Worldwide
  - Lessons from London & Europe
  - Rapidly emerging markets - opportunity or threat?
- The benefits of e-trading
Today’s Objectives

- To start an e-trading initiative for the USA RLC community
  - To agree on the need for e-trading
  - To start planning a roadmap to make e-trading the norm
- To learn from those who are benefitting from e-trading already
- To take away the information needed to market the benefits of e-trading
  - Internally
  - To your business partners
ACORD Standards

- **What**
  - ACORD Insurance data, messaging and process standards
  - Set of processing rules and information that provide a standard way for communicating

- **Why**
  - Standards enable an organisation to link with their trading partners to a common electronic method

- **How**
  - By working with ACORD staff and members to develop and implement ACORD standards

- **When**
  - Implementations happening today in London, the US and continental Europe
ACORD

- Is a member-run organisation
  - a not-for-profit, global insurance standards organization

- Members define the standards
  - With advice and guidance from ACORD staff

- Has nearly 500 worldwide members
  - International organisation
ACORD: Domains, Presence and Governance

- Life Annuity and Health
- Reinsurance and Large Commercial
- Property Casualty and Surety
- ACORD Standards Committee
- Board of Directors
Evolution of ACORD Reinsurance and Large commercial insurance (RLC) standards

- 1988: London standards
- 1991: Joint Venture Standards (USA/London/Europe)
- 2001: ACORD RLC (XML created)
- 2003: ACORD RLC (EDIFACT created)
- London uses own standards
- USA uses EDIFACT
- Europe uses XML
- USA uses XML
- London uses XML
- Bermuda uses XML

Timeline:
- 1988: EDIFACT created
- 1991: XML created
ACORD RLC program scope

Scope is: Large commercial insurance, Reinsurance, Retrocession

XML message flows

Senders can be: Insureds, Brokers, Cedents, Retrocedents, Service providers, Hub services

Receivers can be: Brokers, Insurers, Reinsurers, Service providers, Hub services
ACORD Implementations

- The ACORD messages are multi functional
- Organisations tend to implement in ‘bite size’ chunks
  - Start with skinny messages
  - Enhance functionality and data gradually
- Roadmaps are needed to show implementation phases and plans
- Implementation guides are developed that reflect the agreed phased implementations
- Implementations are tighter, simpler, more manageable and cost effective
Return on Standards Investment

- Efficiencies as great as 80%
- Project savings of 20% to 30%
- Reduce integration costs from 23% of new project budgets between 14% to 20%

Source: Celent 2003

Ever increasing incremental cost.

Ever decreasing incremental cost.
The need for “change”

- **Human nature**
  - Motivators
    - Positive and negative
- **Focus on the business issues**
  - Technology is an enabler, a means to an end
  - Not the “end” in itself
- **What is the “change” going to address?**
Business Challenges

- Realising shareholder value and growth
- Achieving greater process efficiency
- Improving service to customer
- Satisfying authorities/regulators
- Accessing management and risk information
- Managing legacy systems
- Addressing the changing competitive landscape
Business Challenges

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ACORD-Based E-trading Projects Worldwide

London
Europe
North America
Emerging Markets
London Market - Plans

Paper
with London Messages

Electronic documents
with London Messages

Electronic documents
with skinny RLC Messages

Electronic documents
with fuller/fat RLC Messages

EDI

EDI

XML

XML
London Implementations

- London Market standardised on the use of ACORD RLC
- 70,000 ACORD DRI messages per week
- ACORD RLC Placing message is operational
- Adoption of the ACORD RLC Technical Account message is underway.
  - to support premium transactions
- Xchanging (the London market centralised back office) is introducing an “ACORD for All” service
  - enable all London Underwriters to receive ACORD RLC messages in place of London EDI message.
Example

- **The pilot implementation of eBOT in Xchanging has brought:**
  - error rates down from an average 35% to less than 1% - near 0
  - faster cashflow
- **Savings to brokers est. £3.5m (US$5m) per annum**
- **Cost to develop: £2m (US$3m)**
- i.e. payback in 7 months
Why and how London is doing it?

- **Market Reform-driven**
  - Serving the customer better
  - Getting the house in order
  - Gaining efficiencies
  - Globalisation
  - The war on “Londonisms”
  - The threat from abroad

- **Co-ordinated effort driven by the Market Reform Group**
  - Brokers, Underwriters and market groups working for common good
  - Project plans and responsibilities honored

- **Regular dialog**
  - keep the issues fresh, keep the agenda moving
RLC in Europe

- Over 50,000 Accounting Messages p.a.
- Some Claims
- Priority is:
  - Accounting, settlement and claims (not Placing today)
  - Greater volumes

- Brokers want:
  - More Reinsurers
  - More Insurers

- Reinsurers want:
  - More Brokers
  - Ceding Companies
RLC in Europe - Rueschlikon Project

- Agreement signed on 17th September 2008
- ACORD RLC premium, claims and DRI
- Running messages over the SWIFT network
- Partnership between:
  - SWIFT, ACORD, Swiss Re, Munich Re, SCOR, AonBenfield and Willis
- A shared industry solution for electronic data transmission
Other key Points

- Validation to be included after June 2009
- Future phases include:
  - Life Reinsurance
  - Pairing
  - Other ACORD standards
  - Settlement netting
  - Risk exposure data
Rapidly emerging markets - opportunity or threat?

- **Infrastructure development / large commercial insurance**
- **Government-led Financial Services strategy**
  - De-regulation

- **Bermuda**
  - De-regulated, tax-efficient, innovative, efficient placement.

- **Singapore**
  - 10% tax on reinsurance, 5% on Takaful reinsurance
Rapidly emerging markets - opportunity or threat?

- **Middle East: Qatar, Kuwait, Bahrain, Saudi Arabia**
  - **Takaful/“Sharia” re/insurance**
    - Muslims are some 25% of global population; currently account for only 5% of global insurance premiums - worth US$3.7tr in 2006 in MENA region
    - Takaful insurance forecast to grow at 20%pa for next 5 years (EFG Hermes) i.e. US$9.2tr in MENA region alone
  - **Growing trends for:**
    - asset protection for full spectrum of insurance buyers
    - premium retention
  - **UAE insurance market grew 27% in 2006 (Moody’s).**
    - Premium volumes are $2.7bn; Saudi Arabia has US$1.6bn
  - **Question:** How much money has Qatar budgeted for new industries development?
  - **ACORD-compliant E-trading platform in development (developed by E-Reinsure)**
Rapidly emerging markets - opportunity or threat?

- **BRIC**
- **China**
  - Huge infrastructure investment
  - ACORD standards
- **India**
  - Premium volume forecast to exceed US$120bn at 2009 values (Swiss Re)
North America

- **USA**
  - XML is the Standard in the US
    - Moving away from EDI but still being supported
  - E-Reinsure >0.5m Placing messages to date
  - Need to increase the number of Reinsurance implementers and add Ceding companies as message senders

- **Bermuda**
  - Placing starting to happen from London
  - Accounting implementations

- **Canada**
  - Examining the use of claim movement message for advices and implementing accounting messages
How does e-trading help address the challenges?

- **Realising shareholder value and growth**
  - Globalisation, access to new markets

- **Achieving greater process efficiency**
  - STP: faster, fewer errors, less cost, improved cashflow

- **Improving service to customer**
  - Innovative means of interacting, better information, faster response times
  - Contract certainty
  - Reduced frictional costs can be passed on

- **Satisfying authorities**
  - Ease of reporting; reports as a by-product of doing business rather than another activity

- **Accessing management and risk information**
  - Reliable, timely, high-quality data - easier to get, more able to assess and analyse

- **Managing legacy systems**
  - No need to throw out the old; inter-connect disparate systems for better data access

- **Addressing the changing competitive landscape**
  - Respond to buyers/sellers all over the World; Globalisation - co-location of staff (e.g. underwriters in established markets, marketeers in emerging markets)
STP

- Lower Cost
- Automated Workflow
- Integrated Systems
- Reduce Errors
- Less Translation
- Better Service
- More Consistency
- Higher Quality
- More Transparency
- Speed to Market
- Ease of Doing Business
Conclusion

- ACORD RLC XML standard is mature
- ACORD RLC standards are a proven solution
  - driving benefits today
- Vendor partners have matured
  - significantly reduced the barriers to entry
  - reduced the ongoing operational costs
- Focus is on implementation with more trading partners
- Time to catch-up, leapfrog or fall behind
ACORD Update

- ACORD RLC Blog www.acordlondon.org
  - It’s not just about the London market!