

INSURANCE DAY

London needs to talk same language

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THE HISTORY of driving electronic process reform in the London market is littered with the names of initiatives that have tried and failed to bring the market's participants together.

However, in recent years this disparate and dynamic market seems to have finally reached accord on the basic building block on which progress should be based. ACORD is now seen as the standards on which the market will communicate electronically but the agreement on the standards remains the first step in a journey which, despite the significant progress already seen, still has some way to go.

STP IS CLEAR MARKET PRIORITY

A recent survey commissioned by Aon into the market's attitudes to the use of the **RI3K** platform and produced by management consultant Watertrace found that the clear message as to what the market saw as the most pressing priority was the need to develop straight-through processing (STP). That view will come as little surprise to those in the IT sector or many of the managers who have been given the task of driving process reform for London market companies.

In a nutshell, STP is the ability for data to be sent, received and distributed to the correct internal areas without the need for manual intervention and the need for lengthy and expensive re-keying. The legacy issues that beset the market's back-office systems mean many of them are not set up to "speak" ACORD and the effect is to create a system where the company cannot effectively communicate with its business partners.

The ability for the market to communicate seamlessly from system to system is fundamental to the efforts to reduce the frictional costs of working in the market and speeding up the process across all areas of the transaction. **RI3K**, the Insurers' Market Repository (IMR) and the proposed Lloyd's Exchange are all set to be based on the ACORD standards but while there are benefits of integrating ACORD into systems and processes, the market still faces challenges.

For example, the nature of the market is that, internally, many companies operate systems that are in effect "data islands" which have no ability to speak with other systems in the same company. It is especially pertinent for the London market, where the considerable merger and acquisition (M&A) activity of the past 15 years has seen operations combine and while much is done to drive a uniform corporate culture, the systems behind are often not integrated to the point where there is a seamless interface.

Without doubt, the way the market needs to approach the issues is to do so by taking small steps towards the end game of STP. There has been much discussion regarding the use of e-mail and e-forms as a first stage for many. This makes sense but each company needs to have a clear policy regarding the use of insecure and unauthenticated protocols such as e-mail.

ACORD STANDARDS

The ACORD standards have as their foundation a suite of "plumbing" services that enable encryption, data integrity and authentication. Any ACORD messaging gateway that is certified to the standards will incorporate this plumbing.

The thorniest issue for some on the road to the delivery of STP is the need for a degree of co-operation between the system vendors. There is reluctance from vendors to collaborate for fear that they will have to give up what they see as information that creates a competitive advantage in what is a very competitive market. But if managing agents, for instance, have a back-office system they are happy with and they then seek a gateway from another vendor, there needs to be a level of collaboration which enables the two to interface.

'LOOSE COUPLING' SYSTEM

Perspective Technologies has carried out a recent project with KnowledgeCenter for Lloyd's broker THB, which provided the ability for the broker to communicate with the IMR directly from its own systems. We designed the interface between the systems to be as non-invasive and simple as possible. This type of technique is referred to as "loose coupling" of systems. We believe this type of approach is the key for quickly integrating systems across the enterprise. Our onMessage gateway delivers these benefits by virtue of its plug-in integration architecture, thus increasing the agility of the business in a market where M&A is extremely common.

There is little doubt that in the future a lot of the existing monolithic back-office systems will either be phased out or moved to a position where the ACORD standards are employed effectively. Services such as **RI3K** offer a choice as to how their messaging is delivered and our advice is that companies should receive communication using ACORD standards wherever possible so that system-integration projects can be initiated that lead towards an STP future.

The Lloyd's Exchange is likely to accelerate activity. It seems clear that the plans are for a standards-based service with ACORD being the chosen language. The message is clear - it is those brokers and managing agents with the capability to integrate ACORD into their business systems that will derive the maximum benefit.

Further ahead, we expect ACORD to operate within systems, not just at the boundaries. So, for example, any claim system will be able to present the transaction history of a claim as an ACORD data stream. This would open up true STP not only within organisations but also across the whole market for the benefit of all its participants and clients.