

## Data Standards

After several, short years of intensive development activity, risk managers, through RIMS Technology Advisory Council (TAC), have achieved significant results in developing data standards to allow electronic data exchange with their business partners. At a Focus Group meeting on June 23, 2004, RIMS TAC, along with carriers, brokers, technology suppliers and ACORD, committed to the next stage – promoting and supporting implementation of the Standards for claims data, policy information, and exposure schedules.

The setting was a one-day meeting in Pearl River, NY, the headquarters of ACORD, a not-for-profit organization that works with a wide range of insurance industry participants to develop data standards. Since 2000, RIMS and ACORD have partnered to adapt ACORD Standards to the particular needs of the risk management community.

Thirty-five participants from all sectors of the risk management community – risk managers, insurance carriers, brokers, MGAs, TPAs, and technology suppliers – attended the Pearl River meeting. RIMS and ACORD staff facilitated the session.

### **Risk Manager #1 Issue: Standardize the Data**

Meeting participants began with a review of the requirements for standardized electronic communications and an examination of the progress to date. Risk managers continue to deal with delays in issuance of insurance documents, difficulties in receiving claims data in an accurate, timely manner, and consolidating information from disparate systems in order to provide reports to their management and stakeholders. Reporting requirements under Sarbanes-Oxley have intensified the impact of these issues.

These issues are similar to ones uncovered when RIMS formed TAC, and there has been significant progress since then. Shortly after TAC was formed in 1999, it conducted a survey of risk managers' technology concerns. Data standardization emerged as a high priority. To address this, TAC organized a roundtable of industry participants in 2001, and, as a result, RIMS formed a partnership with ACORD to develop data standards specifically addressing risk managers' needs.

Standards development is a detail-intensive, widely consultative, formal enterprise. ACORD has established a well-tested process that allows all industry participants an opportunity of submitting requirements, examining alternatives, and thoroughly reviewing proposals to ensure that the resulting Standards will be compatible with the diverse universe of data systems in use in the insurance community.

TAC members, and interested risk managers, participated in working groups and information sessions in person and through numerous teleconferences. The result was the formal approval of Standards which encompass Loss Runs, First Notice of Loss/First Report of Injury, and Exposure Schedules. The publication of the Standards in less than two years is an impressive achievement, given the necessary complexities of the process.

As important as the analysis and formal review process is, real challenges do not emerge until business partners actually put the Standards to work in field trials. Practical applications always reveal issues that are outside the scope of the Standards and which must be addressed by implementers in order for benefits to be realized.

The Standards developed have had some limited field tests. One broker-carrier pair tested the Loss Run Standards in a trial project, and determined that the Standard accommodated all the data required, and was technically compatible with their systems.

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### **ONE RISK MANAGER'S CHALLENGES**

At the Pearl River meeting, Bill Getreuer from Pfizer outlined the challenges his department faces dealing with data. As a result of mergers, acquisitions, and arrangements with his business partners, Bill has to deal with data from two matter management systems, five carriers' claims systems, one environmental claims system, an internal historic policy Access database, a link to a TPA claims system, and an electronic legal fee billing system.

Each of these systems is considered a 'legacy' system; required business changes necessitate lengthy fixes. Each system has a different data structure, and some of the data is inaccurate, or coded inconsistently. Each of the users of the data require different information; e.g., attorneys need to drill into pleadings, while claims users need detail and summary information on payments and reserves.

A major challenge is providing loss runs, in the required format, in a timely fashion. When there is a need to supply a list of outstanding claims for a carrier (e.g., on a claims made policy), they must manually consolidate information from disparate sources.

Going forward, Bill sees that the risk management department must be positioned to supply data to support business changes including mergers, acquisitions, and insurance market shifts. Therefore, there is a need to improve information quality by 'scrubbing' the data from the multiple sources and to provide one data source with appropriate controls.

Bill and several of his colleagues actively engaged themselves in the Pearl River meeting to address these concerns.

ACORD members in the London Market have performed detailed analysis of the Exposure Standard, and have determined that it meets the needs of their underwriters. The First Notice/First Report Standards have been in use by independent agents for some time.

### Where to from Here?

One thing is clear: the Standards are available and suitable for extension to the risk manager's world. The big question is how to promote implementation to further perfect the Standards, and begin to achieve critical mass.

The Pearl River Focus Group participants outlined barriers to implementation and strategies to address these. First and foremost, risk managers need to be aware of the availability of Standards and the positive impact that utilization of Standards will have on existing and potential relationships with carriers, brokers, and others. With this knowledge, risk managers can begin to influence carriers, brokers, and suppliers to seriously evaluate implementation.

Second, risk managers must be prepared to work with their business partners on the implementations. Although Standards do provide 'rules' for how data will be formatted, the actual use of the data exchange must be negotiated between the two parties exchanging the information. This can encompass elements such as the frequency of data exchange, the actual interpretation of data, specification of who is responsible for supplying and supporting the technology, and security concerns.

Risk managers are not required to be technology experts to be effective in this process. However, risk managers' skills in negotiation, analysis and coordination are valuable tools, which will be necessary in the process.

RIMS and ACORD are committed to facilitating and supporting the next stage. Both organizations will be publicizing and promoting the use of Standards with their individual constituents and at periodic meetings.

### What can a Risk Manager Do?

The real success of the project demands the active involvement of risk managers. If you are interested in promoting the use of Standards to improve your business processes, here are concrete suggestions:

1. Make your interest known to your business partners and within your organization. Share this article, and ask for feedback.
2. Be aware of education opportunities. The ACORD web site ([www.acord.com](http://www.acord.com)) has a wealth of information on Standards and how various part of the insurance industry are taking advantage of them. Sign up to the RIMS Data Standards e-group to see some of the questions and answers that your partners and peers are posting.
3. Specifically ask where your business partners – brokers, carriers, technology suppliers - stand on this. If they don't know, suggest that they do their own investigation.
4. Look for places in your operation where the use of data standards would improve processes. If you see someone using a computer printout and keying that information into another system, that's a real clue.
5. Let us know what you think would help you. If you are seeing some success strategies, let us know that too – we'll share it with others.

### WHAT ARE DATA STANDARDS?

Data standards are a lingua franca for two computers to communicate data and information. According to the ACORD Web Site: "To put it in the simplest possible way, standards are a set of rules and guidelines that provide a common framework for communication. ACORD Standards allow different companies to transact business electronically with agents, brokers and other data partners in the insurance, reinsurance and related financial services industries. They serve as a common communication method for use by multiple parties, thereby increasing the efficiency of the entire industry."

This is best expressed in an example. Say a risk manager's system store dates as "DD-MMM-YYYY" (22-June-2004) and a carrier's system stores dates as YYYY/MM/DD" (2004/06/23). The Standards will specify that when the date is **transmitted** electronically, there will be a common format of "YYYYMMDD" (20040623). To adhere to the standard, the risk manager's system and carrier's system must have the capability of translating the standard format into the format used by the user. The providers of the system, or the internal I/T departments will typically provide the base translation software. This is referred to as "mapping".

The Standards also specify the order in which the data will be transmitted and what data may be included in the transaction.

The primary value of using Standards is to allow communication with multiple business partners using a common framework. If a risk manager receives claims data from 5 different carriers, the risk manager's system would either have to use standards, use 5 different systems, or build 5 unique interfaces.

### CONTACT TAC

If you have an idea for a RIMSTech Bulletin or have comments you wish to share, you may contact by email any of the following individuals:

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