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The Time For Standards Has Come

You've been hearing about data standards for risk managers since the millennium. What do we really mean by data standards? What will change for you as a risk manager if they are successfully implemented? What's taking so long?

For years, personal lines and small commercial accounts reaped the benefits of standardization to achieve speed and accuracy in quoting, policy issuance, and other processes. The industry felt that these benefits could only be successful for high volume, low premium policies. After all, risk management accounts are not generally standard policies and endorsements. They are often individually negotiated and contain many manuscript endorsements.

But, just think about all of the data that is common, even on manuscript policies, such as basic information like policy number, effective and expiration dates, and line of business. More importantly, large accounts with hundreds or thousands of locations require massive amounts of standardized data to be shared between risk managers, brokers, carriers, and TPAs. And that volume of data will only continue to increase.

Post 9/11, insurers and their reinsurers began asking for more detailed data on exposures. Workers compensation is a perfect example with new data requirements now including number of floors occupied by the insured, number of shifts, and number of employees per shift.

This is where efficiencies can be gained across the industry using standards.

The idea isn't new. RIMS and ACORD have been working together since mid 2000, defining standardized exposure and loss run spreadsheets and standard data layouts to allow integration of the data into rating, policy administration, and claims systems.

The problem is that there hasn't been a great deal of standards implementation. Risk managers are still sharing data using diverse spreadsheet formats with no ability to integrate to broker or carrier systems. But times are certainly changing.

Today, there is a major push by the leadership of RIMS, through the Quality Initiative and in conjunction with the Technology Advisory Council to drive implementation of the standards. The time has come for risk managers to reap the benefits of standardization and implement.

What have we done?

We started by looking at workers compensation and had several brokers share their submission templates. We then merged and harmonized them into one and combined that with the work ACORD and RIMS had done several years ago. Now, we are reviewing it with carriers to ensure that the data meets their needs.

Once we have that validation, we will ensure that all the data requirements are met in the ACORD XML standards and then work with the carriers and brokers to get implementation moving. If you're not a techie, you need to know that XML is the latest and greatest language for moving data throughout and across industries.

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What does this mean to you?

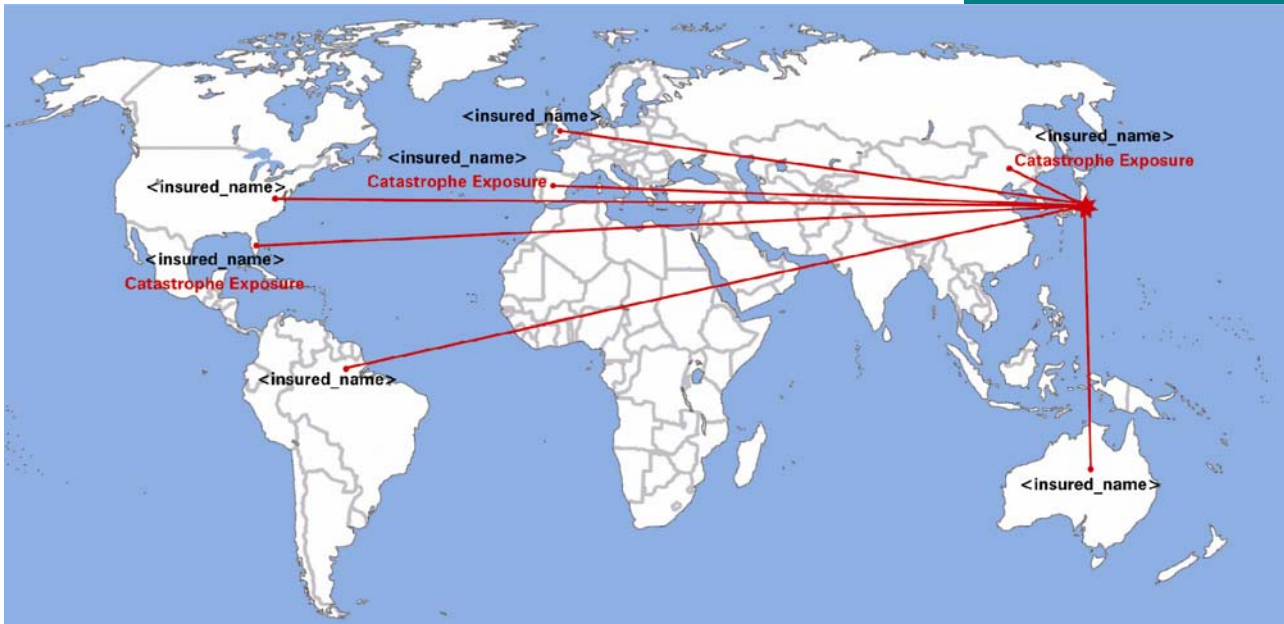
Once we're done, we will encourage all brokers to collect data using the same standardized spreadsheet format. This makes it easier for you, as a risk manager, to manipulate and move your data. Brokers, carriers, and TPAs will be able to pass it electronically using the same standardized format. In the end, it improves data quality and consistency. Also, the definitions will be consistent so you will really know what is meant by premium or loss and you'll be able to benchmark effectively over a long period.

No, we're not talking about a full standardized application like you'd see for a BOP. You and your brokers will still be able to do all of the creative things you need to do on a new business or renewal submission. We're focusing on standardizing those large chunks of data, such as exposures, so you can more easily and accurately integrate the data into your systems. That part should be transparent to you but you'll see the benefits on the back end.

Why should carriers care?

More and more, carriers are expected to prove to regulators and their investors that they are using solid risk management practices across the enterprise (ERM, another major RIMS initiative). In Europe, Solvency II is a regulatory initiative to move to a principles-based approach to financial solvency regulation. Carriers need to have good detailed exposure information to have a handle on risk from a "big picture" perspective. The utilization of standards to collect exposure data ensures that carriers and reinsurers actually have accurate data that can be utilized for catastrophe modeling and managing aggregation of risk.

There is a need for data consistency within an organization across geographic borders for efficient data aggregation and risk analysis.



Does the implementation of standards take away competitive advantage from partners in the value chain? Absolutely not! Companies gravitate towards organizations that make it easy to do business with them.

Once you implement standards and use the tools available, you can stop reinventing the wheel for your data needs and focus on your core business and responsibilities. Do what you do best!

So, this is a call to risk managers, insurance carriers, brokers, vendors, and suppliers to get on board the train. It's leaving the station now.

TAC welcomes feedback on this bulletin and suggestions of topics for future bulletins. Topics and content are the sole discretion of TAC.