

## Data in the value chain

The concept of having one or multiple global insurance programmes in place has continued to be attractive to multinational corporations. The benefits are well understood and include contract certainty and regulatory compliance and, having agreed coverage terms, conditions then apply on a blanket basis to all of the international operations within the programme.

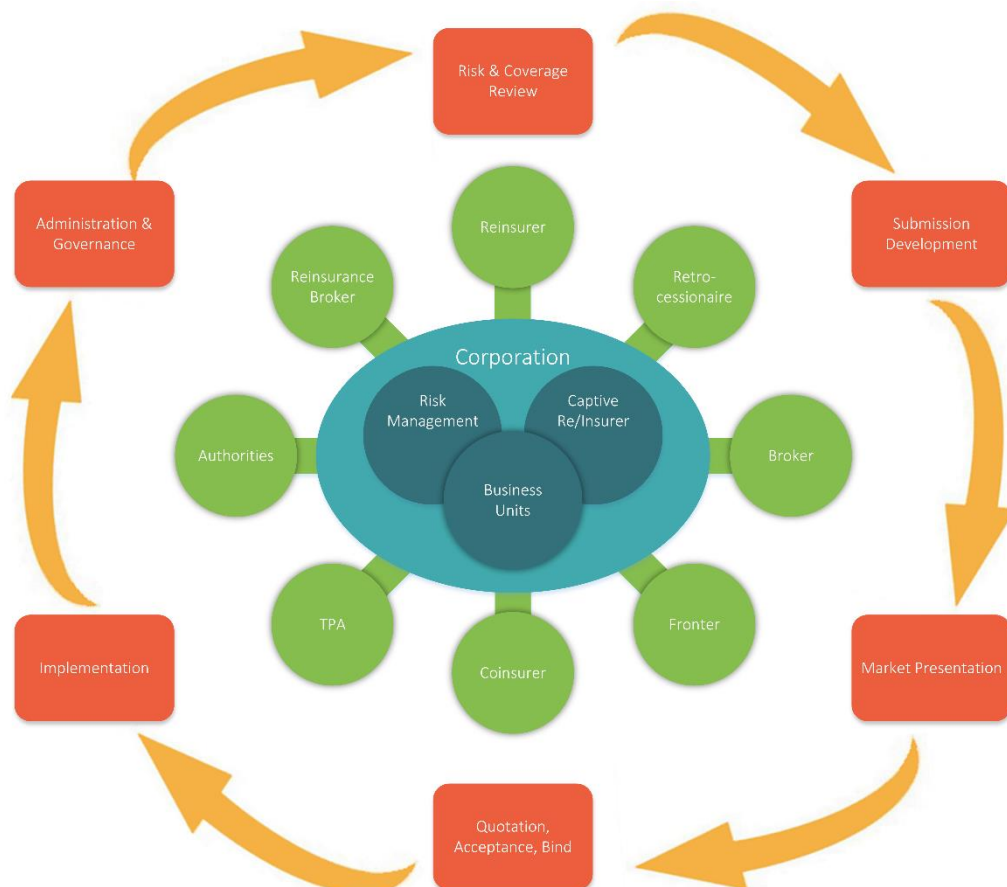
The insurance industry is currently under a lot of strain with increased regulation and the pressure to reduce operational overheads. Solvency II, for example, may have a tendency to drive an increase to the capital reserves but at the same time, under Beps, captives have to make sure not to carry excessive capital reserves as that may be seen as tax evasion. These challenges for global insurance programmes need to be met head on by all the participants in the value chain, especially the captives and captive managers, and this drives an increasing dependency on comprehensive data that is reliable and auditable.

### Key considerations

One of the most recent and positive trends is the increased capacity available in both traditional (re)insurance and alternative capital markets. The soft market in combination with low interest rates and a mature investor base ready to invest into medium tail risks has led to even the largest reinsurers entering into business agreements with captives. This results in yet more participants in the value chain and greater need for automated exchange of data.

The management of the data and the exchange of data between the different parties in the insurance value chain in particular become a critical consideration for all parties especially captives.

Below is an outline of the parties and data flows involved in a typical global programme:



The perpetual cycle of running global programmes involves:

- ✓ Risk and coverage review
- ✓ Submission/disclosure development (including asset value collection)
- ✓ Market presentation
- ✓ Quotation/acceptance/bind
- ✓ Implementation of the programme
- ✓ Governance and administration of the programme

The submission, followed by requests for more information and data, will result in a final quote which is then bound and subsequently implemented. The implementation will consist of the allocation of the premium in accordance with regulatory requirements and corporate guidelines. Instructions will be compiled and sent out to the global network of the broker and/or carrier and executed with various degrees of speed – follow ups, reminders, credit checks and cash tracking are usually required, in particular when different currencies and variance caused by exchange rate changes are involved. As everybody involved in global programmes knows, data is passed back and forth between all the parties involved. Each party keeps its own version of the data to analyse, process and report on which then needs to be aligned with the versions the other parties are keeping. Ultimately, the corporation (or captive) will need to consolidate all of the data to get a view of how much its TCO(I)R actually is.

Without going into the challenges involved in actually collecting the values from the business entities, regulation such as the new UK Insurance Act makes the task of presenting a corporation's risk data to the market more challenging than ever. The data now needs to be fully compliant with the 'duty of disclosure' requirements and, therefore, requires meticulous preparation and attention to detail as it will be processed multiple times in hand-offs between the various participants within the value chain.

Other challenges include the administration of premiums, cash flow and credit control. There is frequently in excess of a six month delay from the time that instructions are being given for the premiums to be invoiced and paid by the corporations' local legal entities to the local insurance companies, to the time that they are being received back into the corporate global programme. This can lead to credit control challenges and loss of investment opportunity.

## Addressing challenges

As governments attempt to deal with both pervasive and specific areas for substantive improvements in corporate (and market) governance, a continuously changing and evolving compliance and risk management landscape is here to stay. Keeping up with the pace of these regulatory requirements has a price for both the captives and their parents. In the past there was pressure to shrink risk management and insurance teams, however, compliance with increasing regulatory requirements adds to the workload creating either the need to hire staff or to improve efficiency.

To reduce administration costs some of the large global commercial carriers are encouraging captives to seek reinsurance multi-year and multi-line deals to reduce the amount of administration necessary for annual renewals. Key to this is for the captive to have reliable and auditable data, in a single consolidated environment – the so-called 'single version of the truth' - from which to produce accurate management information. This now places further demands on IT to deliver robust end-to-end administration systems that can also deliver meaningful business intelligence through interactive dashboards and reporting. Imagine a time when the insurance manager can sit in a broker's or fronter's office and show an up-to-date position of a global programme interactively on a tablet.

Technology is evolving very fast. When considering how individuals are ubiquitously connected and are consolidating all of their important data on smart devices and in the cloud, it's surprising how difficult and antiquated the process of data exchange, processing and analysis in the insurance industry has remained. Yet the concept of automated data change between business partners has been around for a long time, the banking industry has been doing it for decades but it required a push from interested parties to develop data standards to achieve this.

### How we advance

So where the banking industry led the insurance industry now follows. Different initiatives have been carried out with the aim to agree on commonly defined messaging and data transmission standards. In the reinsurance value chain the Ruschlikon initiative has worked towards automating premium and claim transactions, and credit control that has delivered measurable tangible efficiencies. An element of the TOM initiative in the London market will look to establish the Global Placing Message, which should address the issue of bad quality data input. It seems though, that any data interface between systems is still an individual and pricy effort and far from just a plug-in between systems.

Common messaging standards are here and improving all the time through the good work done by ACORD and this needs to be embraced by both the industry and the software providers to make the industry future proof. Further efficiencies could be gained by accepting the need to improve the way data is exchanged and processed within the global programme value chain. There has been quite a few calls for innovation within the insurance industry but quite frankly, whilst management of data is not the most attractive topic, it will have to be addressed!

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### About **eurobase** international group

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**eurobase** insurance solutions, including insurance and reinsurance

**eurobase** banking solutions, including FX, MM, treasury

**eurobase** consultancy, including general IT consultancy and technical services

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Established in 1988 and headquartered at the heart of the Insurance and Banking district in the City of London, **eurobase** supports a wide range of clients throughout the world. **eurobase** prides itself on the strength of its partnerships with leading technology providers such as IBM, Oracle, Microsoft and Hewlett Packard.

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With its long-standing experience in its chosen market sectors, **eurobase** insurance solutions is a leading global provider of insurance software solutions, with customers in more than 25 countries across 5 continents.

Extensive knowledge of the insurance, reinsurance and captive industries means **eurobase** insurance solutions' packaged application software can readily support clients' business needs. Teams of delivery experts ensure the system is deployed rapidly, meaning customers can swiftly capitalise on business opportunities in their chosen markets in a cost effective way.

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