



TRUST RE

PERSPECTIVES



ADOPTING THE

RUSCHLIKON-ACORD INITIATIVE:

AN OVERVIEW OF THE TRUST RE EXPERIENCE

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Preface

The behavioural shift of consumers towards more digital and mobile channels is a big enabler to push digitisation across the whole (re)insurance value chain. According to an EY global insurance survey, 80% of customers are willing to use digital and remote channel options for different tasks and transactions¹.

Digitising the (re)insurance industry will not only improve efficiencies and foster reduction in operating cost, but most importantly, it will enable companies to enhance customer centricity and improve pricing.

Back in 2008, the Ruschlikon initiative aimed to standardise and streamline processes between insurers, brokers and reinsurers in order to settle payments (premiums and claims) faster. The benefits are a shorter life cycle, less queries and minimising unallocated cash. The initiative comprises exchanging structural agreed data and agreeing on the transactions before any actual settlement takes place. The process is streamlined and it highlights the partnership needed between the stakeholders.

Adopting Ruschlikon can be done with a step by step approach, starting with minimal IT investments in a message gateway as a starting point. This allows the business to gain initial experience and familiarity with handling electronic message exchange and to realise its early benefits. Moreover, it creates the foundation on which to build a comprehensive plan for integrated solutions, providing full benefits, together with IT.

The process depends on exchanging information in real time. As soon as the broker books the premium/claims in their books, the reinsurer will receive a message about the transaction. The reinsurer will accept it if it matches their record, which means there is enough time to agree on the transaction prior to the due date. Thanks to structural and agreed standardised exchange data, it enables integration and automation of the validation process between the broker and the reinsurer's systems. Only agreed transactions will generate a hub of settlement requests that are sent to the Credit Control department. The end results are:

- increased reconciliation rate between reinsurer and broker
- any deviations are solved well before the due date, with great potential for automating the whole process.

¹ https://www.ey.com/en_gl/insurance/five-tech-trends-that-will-define-the-future-of-insurance

The Trust Re experience: challenges and opportunities

In this article, we would like to share Trust Re's journey so far, by outlining the benefits achieved, challenges faced, lessons learned and our perspective for the future.

As a customer-centric company, Trust Re believes that it has a responsibility towards supporting the (re)insurance industry in the regions in which it operates, broadly-speaking Asia, the Middle East and Africa. As part of that purpose, Trust Re engaged with the Ruschlikon initiative in 2014 as a pioneer. It was the first reinsurer in the Middle East to do so.

Initial steps included Trust Re communicating with ACORD and showing its interest to join the e-messaging arena in order to obtain a better understanding of this new technology and digest the potential benefits and challenges.

After a thorough study and analysis, Trust Re defined three key successes which are: the ability to change the existing processes within Technical Accounts, Claims and Credit Control departments, shifting a considerable volume of existing transactions to be processed by means of e-messaging and the ability to integrate with the core (re)insurance system in the future.

Switching to a new portal where you can obtain the messages with all the structured data you need to process bookings of premium and claims is not in itself a difficult change. However, removing manual steps now deemed unnecessary is a challenge. Employees are used to traditional ways of working and they may excel in it, especially long-service employees who are experts in the traditional process. Change management is key. Processes have to be streamlined and standardised to make the successful change from the manual to the digitised/automated world. Employees must be engaged in this journey from the very beginning and the metrics to steer the business have to be adjusted to create the right incentives for the employees to change. The metrics used for rewarding must shift from personal productivity to faster turnaround time, automation, analytics and simplification.

Attaining a sufficient volume of transactions of e-accounting / claims is also very important in order to reduce and eliminate the traditional process. Adopting both traditional and electronic ways is not an ideal situation. Keeping both processes (traditional and electronic) will create double practices, which in turn means double sets of measuring and control, which equates to extra cost if the volume is not enough to justify having two separate practices. The firm must have a clear plan of how to move gradually from traditional to electronic means and decide its targets which should be spaced out over a period of time to have frequent, incremental gains in terms of volume of messages exchanged. A clear change plan that takes account of all challenges, especially those associated with human capital transformation (the electronic process needs less data entry skills) is essential. This provides more opportunities for existing staff to learn new skills and to advance their careers.

Another important success factor is the ability to integrate the exchange portal with the core system. This will enable end-to-end automation of the process that will bring more benefits to both exchanging parties in terms of speed, efficiencies and effectiveness.

Continuing the digital journey

Once approval was gained for this project, Trust Re approached two of its partners (both brokerage firms) announcing its intention and plans to start a new move towards improving transactional efficiencies by adopting e-accounting / claims. ACORD was very supportive throughout the project and beyond. It provided the know-how and training materials as well as attending to any queries raised in a very swift manner.

The shift to online messaging with those two brokers went live in April 2014 with no change required in the reinsurance core system nor in IT infrastructure or services. The solution provider hosts the electronic gateway portal. All Trust Re needed was internet access in order to use the portal.

Measuring success

As a first stage, two main success criteria were defined:

- the period from booking to settlement (length of life cycle) and;
- unallocated cash transactions.

The measured reduction in life cycle was encouraging as it dropped from 120 days to 40 days for premium collection while it dropped from 50 days to 20 days for claims settlement.

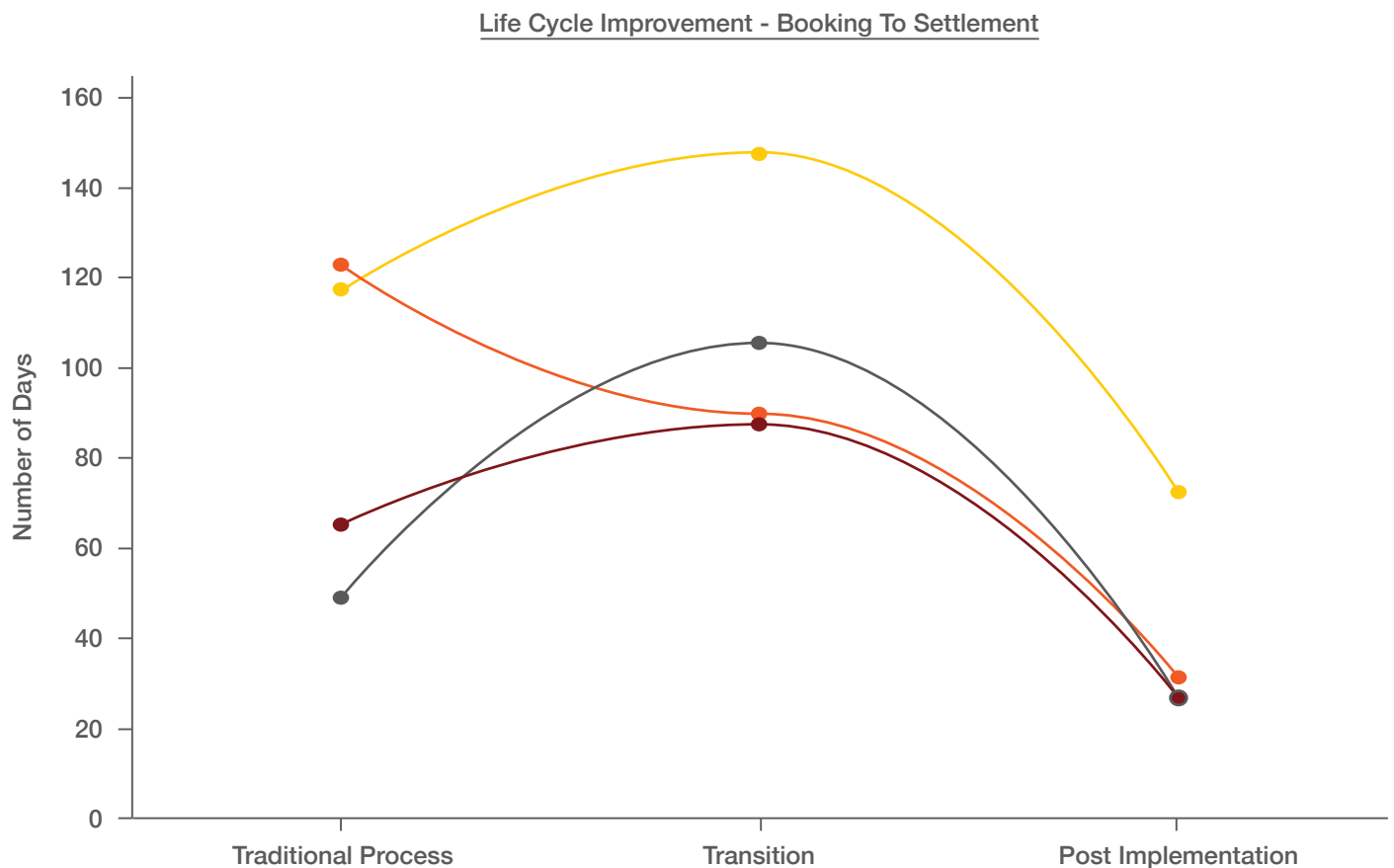


Figure 1: Improvement of collection life cycle with various exchanging parties - Trust Re

Conclusion

Facts and figures for Trust Re show that adopting the Ruschlikon initiative with ACORD standards as a process is an efficient and effective way to transact with various partners along the value chain. This initiative shows great potential to progress further to include e-placement and banks' actual settlement to cover the whole process across the (re)insurance value chain.

Trust Re is an active member of the Steering Committee of e-accounting/claims and is currently working on establishing a business implementation group in the region to foster quick and efficient adoption of the standard.

As one of the reinsurance industry's leaders in the Middle East and North Africa (MENA) region, Trust Re is committed to support modernisation and pledges to work with its partners to achieve this goal, at both a regional and global level.

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