



The Internal efficiency driving modernisation effort

Keeping up with a changing and expanding business is always a challenge. There comes the point for any expanding firms to take a long, hard look at their different operating systems and think about the best and most efficient way of bringing them all together. The XL Capital group of companies took such a decision some time ago and recently successfully implemented its single global Reinsurance platform supporting the Association for Cooperative Operations Research and Development (ACORD) based messaging standards.

Over the last two decades or so the XL Capital group of companies have grown rapidly via mergers and acquisitions. Today the group employs around 3600 staff based in nearly 80 offices across 27 countries. The group's reinsurance arm, XL Re, has been part of this expansion, with 17 offices in 11 countries and four separate legal entities. As is common with rapid expansions, the internal infrastructure needs attention to ensure it does not get left behind.

In 2004, XL Re realised that approximately 80% of the functionality its staff

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used around the world was repeated on 11 different IT systems. These systems needed to be simplified and standardised if XL Re was going to continue to provide an efficient platform to service its global clients as well as delivering value to

shareholders. The business advantages for a single system, appropriately called "Destiny" were clear. Mark Berry, General Manager of the XL Re's London Branch and Peter Sammons, VP Systems Implementation, explain to the Newsletter how XL Re addressed their IT platform challenges and how this new system enables the company to play a part in the modernisation programme across the London market.

"Our programme was not about headcount savings," explains Mark Berry. "The driving motivation behind the work has always been about getting better at what we do, delivering a service to our customers and improved management information for XL Re." He highlights data quality as a key to this goal. "Our business is underwriting, which is a lot about the appropriate interpretation of information. Increasingly the accuracy of that information helps us increase the technical quality of our underwriting. Six years ago we had eleven IT systems spread across the UK, Europe, Asia and the Americas. Pretty much every office processed their business differently. Some countries or operations would even

classify the same things in a different way. When we started to look at our operation as a whole, it took an entire morning to agree what we all meant by 'premium' and how to standardise this definition. Typical questions were: 'Did we mean net or gross premiums?', 'What currency did we express premiums in?' or 'what exchange rate was used for conversion?' We had no full consistency across the firm in how we expressed our

data. Our London and Bermuda offices, for instance, used the same software system, but in completely different ways. While the local operations were accurate, they were not always consistent as part of the whole network".

"The rate of growth at XL Re was creating opportunities and problems alike,"



Mark Berry - "XL Re is perfectly set up to trade in the increasingly electronic global marketplace"

he added. "The programme we started in 2004 could not happen overnight and it took five long years to get where we are now - but it has been worth it. We now have a first class platform which allows us to continue to compete in a rapidly developing market."

At the core of the programme has been a commitment by XL Re to use the relevant ACORD data standards as the benchmark. "ACORD has become the DNA of XL Re", explains Peter. "This is all about data and so the standard for exchanging that data has been crucial. We use ACORD as the basis for compliant messaging across our global offices and when dealing with our business partners." XL Re uses ACORD mes-



Peter Sammons - "ACORD has become the DNA of XL Re"

sages for claims, accounting, cash management and the supporting documentation. "We have also signed up for Xchanging's ACORD4ALL service and use this standard wherever possible", stresses Peter. "It fits our needs and more importantly it has the widest acceptance in the market. It provided the foundation for our internal efficiency gains and will increasingly allow us to interact electronically in our business dealings – building on a lot of the approaches that London has been at the forefront of developing."

"The improvement in the management information available has been incredible", says Mark. "Our global reinsurance offices are dealing across multiple distribution channels, territories and classes of business. With no real common standard, you could not get a truly consistent picture across the whole operation. By using the

same metrics and interpretation we can compare 'apples with apples' easily and efficiently. The new system allows our senior leadership team to see a single corporate dashboard, track progress and manage issues as and when they occur."

Peter points out that these improvements represent only the beginning for XL Re. "The aim has been to rule out manual error wherever possible by reducing re-keying and exchanging data electronically (hence our commitment to ACORD) and to develop controlled, auditable processes. We are looking to achieve efficiency and optimisation in our approach to underwriting. We can deliver extra horse power to that function if we can provide better, more current and accurate data. That will allow us to deepen our analysis, improve interpretation and assessments of the risks. An added benefit is the higher quality of information on which we base our internal capital modelling, reducing our overall operational risk exposure. Something that is especially important in the light of the looming Solvency II requirements."

However, this process has not been without its challenges. "At times it was a hard fought battle to keep people's minds

focused over the last five years," admits Peter. "Our business teams needed to give their input whilst they were holding down the day job. We have, inevitably, delivered a solution which requires some adaptation and compromises by the users, as we concentrated on the 'need to haves' and not 'nice to haves'. We needed to push through change across different cultures and continents. Working in different time zones meant that the time window for joint conference calls was small. Communication is always vital in any programme of this size, but it was a challenge at times."

Mark adds, "I believe we achieved something we can be very proud of. It's a system that will allow our staff to concentrate on delivering the job they are good at. They won't be tied down by unnecessary administration or data input. The system

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will free up time to service our clients and process business. We have achieved all this within a framework of global compatibility which means that XL Re is perfectly set up to trade in the increasingly electronic global marketplace".



Events...

Dates for your diary

The LMG Forum sessions are designed to provide an update on the progress of the reform programme and give more detailed information on particular projects or aspects of the process. Dates coming up are provided below. All sessions start at 9:15am at Willis Auditorium, Lime St.

- Friday 29th January**
- Wednesday February 24th**
- Wednesday March 17th**

Only those who pre-register will gain admittance. Online booking is available via www.londonmarketgroup.co.uk Places are reserved on a first come first served basis.

ACORD Club dates:

ACORD Club provides an update on the latest technological innovations in the market. The venue for this is Balls Brothers, Minster Court. All sessions start at 11am. Dates coming up are:

- Thursday January 28th**
- Thursday February 25th**
- Wednesday March 24th**

For more details on upcoming speakers, visit the ACORD website (www.acordlondon.org) or email Melanie Harding (mharding@acord.org)