

## BUSINESS PLAN

### CEN/TC 445

#### DIGITAL INFORMATION INTERCHANGE IN THE INSURANCE INDUSTRY

#### EXECUTIVE SUMMARY

##### **Business Environment**

The insurance industry is one of the main European industry sectors with over 5.300 insurance companies employing over 920.000 employees and generating a premium income of almost € 1.170bn yearly. In insurance distribution about one million professionals in intermediary organizations (e.g. brokers, agents) are responsible for 79.5 % share of total insurance premiums.

The insurance business is rapidly migrating from paper-based processes through digitalization and automation to electronic processes. Digitalization and automation require standardization of information interchange if electronic business processes connect independent organizations.

The standards developed by CEN/TC 445 will focus on the information interchange which connect insurance companies with their customers and their market partners, e.g. brokers, sales organizations, portals, service providers, and other insurers. The demand is to standardize the interfaces of the electronic processes connecting these organizations. The internal processes of the actors are not subject of standardization because market competition on insurance services should not be reduced.

The main categories of stakeholders benefitting from the standardization in CEN/TC 445 are:

- Insurance and reinsurance companies
- Intermediaries (i.e. brokers, agents and other sales organizations)
- Consumers and commercial clients
- Providers of insurance portals and other communication services
- Providers of software and services to the insurance sector

##### **Benefits**

The main benefits expected from the European standards developed by CEN/TC 445 are:

- Facilitation of cross-border digital information interchange to support the initiative "Digital Single Market" of the EU Commission.
- Market barriers will be reduced which will enhance the free distribution of insurance services within the EU.
- Migration from paper-based processes to electronic processes reduces costs for the insurance industry.
- Electronic processes facilitate just-in-time online processing of insurance transactions for improved responsiveness of the insurance market.
- All cost savings of the insurance industry will reduce ultimately the insurance premiums to be paid by the consumers and commercial clients.

## **CEN/TC 445 Business Plan**

**Date: 2016-02-26**

**Page: 2**

### **Priorities**

The following objectives of CEN/TC 445 have been discussed and will soon be evaluated:

- Transfer of electronic documents
- Electronic premium invoice
- Motor accident notification
- Interface to automotive insurance databases
- Reimbursement in health insurance
- Key information document for packaged retail and insurance-based investment products

# 1 BUSINESS ENVIRONMENT OF THE CEN/TC

## 1.1 Description of the Business Environment

The following political, economic, technical, regulatory, legal, societal and/or international dynamics describe the business environment of the industry sector, products, materials, disciplines or practices related to the scope of this CEN/TC, and they may significantly influence how the relevant standards development processes are conducted and the content of the resulting standards:

- The insurance industry provides a risk transfer as a service which is documented in an insurance policy. By nature, insurance is a service which is not based on the production of material goods, but insurance supplies a virtual product.
- The insurance business is rapidly migrating from paper-based processes through digitalization and automation to electronic processes. Digitalization and automation require standardization of information interchange if electronic business processes connect independent organizations.
- At present communication standards for digital information interchange are limited in the insurance industry to national communities or to market initiatives which might be local or even global.
- These limited standards hinder on a technical level a single European market for insurance services in which the trading partners can cooperate across borders (with the exception of the global initiatives).
- The CEN Workshop eBES eEG7 "Insurance" has already developed with several European stakeholders and in cooperation with global partners a harmonized data model representing the requirements of the property and casualty insurance sector. The eEG7 recommendations cover data models for the processes in the areas of insurance policy administration and claims handling (for further information see [www.eeg7.org](http://www.eeg7.org)). These data models are based on the UN/CEFACT Core Component Library ([www.unece.org/cefact](http://www.unece.org/cefact)) with which classes and attributes are semantically defined without a specification of code lists.
- The European standards developed by CEN/TC 445 will focus on the information interchange which connects insurance companies with their customers and their market partners, e.g. brokers, sales organizations, portals, service providers, and other insurers. The demand is to standardize the interfaces of the electronic processes connecting these organizations. The internal processes of the actors are not subject of standardization because market competition on insurance services should not be reduced.
- In claims handling and services provided by insurers there is a tendency towards delivery of real services or even physical goods. In these cases standardized cooperation with partners from other industries is required.
- European standards for digital information interchange are required to enable technically a European single market for the insurance industry which is in line with the priority policy "Digital Single Market" of the EU Commission.
- The EU Commission's Green Paper on retail financial services of 10 December 2015 underlines the importance of digital information interchange in the European insurance industry.

- The main categories of relevant stakeholders benefitting from the standardization in the CEN/TC 445 are:
  - Insurance and reinsurance companies
  - Intermediaries (i.e. brokers, agents and other sales organizations)
  - Consumers and commercial clients
  - Providers of insurance portals and other communication services
  - Providers of services to the insurance sector (e.g. assistance companies, loss surveyors, claim handlers)
  - Providers of software to the insurance sector
- Relevant standards of national communities or special markets used in European countries are (in alphabetical order):
  - ACORD (London Market, UK)
  - BiPRO (Germany)
  - IG B2B (Switzerland)
  - Polaris (UK)
  - Ruschlikon - ACORD (Global reinsurance and coinsurance)
  - SIVI (Netherlands)
  - Telebib2 (Belgium)

## **1.2 Quantitative Indicators of the Business Environment**

The insurance industry is one of the main European industry sectors expressed by the following indicators:

- Over 5.300 insurance companies are operating in European countries with over 920.000 employees (source: Insurance Europe for 2013).
- European insurers generate premium income of almost € 1.170bn yearly, pay benefits and claims of about € 943bn yearly and invest nearly € 9.900bn in the economy (source: Insurance Europe for 2014).
- About one million professionals in intermediary organizations (e.g. brokers, agents) are responsible for 79.5 % share of total insurance premiums (European average, source BIPAR for 2011).

## **2 BENEFITS EXPECTED FROM THE WORK OF THE CEN/TC**

The following general benefits are expected from the European standards developed by the CEN/TC 445:

- Harmonization of national and market-specific standards.
- Facilitation of cross-border digital information interchange to support the initiative "Digital Single Market" of the EU Commission.
- Market barriers will be reduced which will enhance the free distribution of insurance services within the EU.
- Migration from paper-based processes to electronic processes reduces costs for the insurance industry.
- Electronic processes facilitate just-in-time online processing of insurance transactions for improved responsiveness of the insurance market.

- Consumers and commercial clients will be served by electronic processes.
- Standardized digital information interchange will reduce the implementation costs for all the participants in the business processes in the insurance industry.
- Software providers will reduce their costs for software development due to fewer interfaces to be implemented.
- Standards will facilitate the cooperation of market partners and will increase competition amongst providers of services supporting the insurance industry.
- Standardized digital information interchange will facilitate the involvement of SMEs in the insurance industry.
- Standards support the independence of cooperating organizations.
- All cost savings of the insurance industry will reduce ultimately the insurance premiums to be paid by the consumers and commercial clients.

Specific benefits for each category of the relevant stakeholders will be added for each of the possible objectives (see section 4.1) during the evaluation phase described in section 4.2.

### **3 PARTICIPATION IN THE CEN/TC**

All the CEN national members are entitled to nominate delegates to CEN Technical Committees and experts to Working Groups, ensuring a balance of all interested parties. Participation as observers of recognized European or international organizations is also possible under certain conditions. To participate in the activities of this CEN/TC, please contact the national standards organization in your country.

CEN/TC 445 has already established a liaison with BIPAR, the European Federation of Insurance Intermediaries.

More liaisons are foreseen: Insurance Europe, CEN/TC 434 "Project Committee - Electronic Invoicing", CEN/TC 251 "Health informatics", CEN eBusiness Coordination Group. The establishment of liaisons depends on the final objectives of CEN/TC 445.

## **4 OBJECTIVES OF THE CEN/TC AND STRATEGIES FOR THEIR ACHIEVEMENT**

### **4.1 Defined objectives of the CEN/TC 445**

The TC 445 will elaborate a set of European Standards to facilitate the digital information interchanges between insurance partners in Europe. At the first meeting of the TC 445 on 12-13 January 2016 in Berlin the TC members discussed several possible objectives for standardization in different sectors of the insurance industry. The members will in a first stage evaluate and prioritize the proposals. After this evaluation stage the TC members will decide about the first objectives and the related Work Items.

The standardization objectives for CEN/TC 445 are:

#### **1) Transfer of electronic documents**

Transfer of electronic documents between partners in the insurance industry (e.g. between insurer and intermediary) with a digital document (e.g. insurance policy,

premium invoice, payment reminder, correspondence) in PDF format and certain meta data. These meta data (type of document, identification of insurer and intermediary, policy number, claim number etc.) are supporting the automated processing and archiving of documents at the recipient of the document.

The transfer of electronic documents is a mandatory prerequisite for cross-border processes in the European insurance industry. Low expectation for national or market specific requirements will facilitate the development and acceptance of a European standard.

Saved costs for document printing at the producer, saved costs for the transportation of physical documents and the avoidance of manual processing at the recipient due to automated processing are strong arguments for a digital transfer of documents. The reduced time for the document transfer supports faster processes for an increased satisfaction of insurance clients.

## **2) Electronic premium invoice**

Actually a European standard for an electronic invoice is developed by the CEN/TC 434 under a mandate of the European Commission. The European insurance industry is at present not involved in the work of TC 434. Therefore it is foreseen that special requirements of the insurance sector are missing in the draft under discussion at TC 434.

The proposed objective is to establish a liaison with TC 434 and to examine their results for insurance purposes.

The insurance industry is a high volume issuer of invoices for insurance premiums to private and commercial clients. A European standard will facilitate the cross-border transfer of insurance invoices.

Low dependency on the line of insurance business and low expectation for national or market specific requirements together with the use of the European standard invoice will facilitate the development and acceptance of a European standard for an insurance premium invoice.

The advantage for the insurance customers lies in the automated processing and archiving of invoices. Customers can import the invoices in their banking or accounting software to avoid manual processing and to improve the payment process.

The insurance industry benefits from reduced costs for printing and mailing as well as reduced time for the payment receipt from the customer.

## **3) Motor accident notification**

The documentation of motor accidents is facilitated already since many years by a European-wide standardized paper form, the European Accident Statement (EAS).

First software implementations for the EAS lack a standard for the mapping of the paper form to a digital information interchange format leading to proprietary implementations which are not compatible to each other.

Therefore a European standard for a digital motor accident notification from a client or intermediary to an insurer or service provider based on the already standardized EAS is demanded. This will support the cross-border transfer of accident notifications.

The development of this standard is facilitated due to the already standardized EAS paper form and therefore due to a low expectation for national or market specific requirements.

Automated processing from mobile devices (app based) to claims handling systems is supported by this standard which lead to reduced costs for manual processing at the sender and the recipient. Clients and insurers will benefit from faster notification of motor accidents through faster claims management actions.

Insurance Europe, the European association of all national insurers associations, has also discovered the demand for a digital version of the EAS. Therefore the members of TC 445 will contact Insurance Europe for a cooperation in the standards development.

#### **4) Interface to automotive insurance databases**

In case of motor accidents it is important to know by which insurance companies the involved vehicles are insured. For a fast access to this information in most countries central databases are maintained to which authorized users can enter a plate number and get the key information about the insurance of the specified vehicle.

All these databases are organized on a national level. In cases when a vehicle is involved in an accident in a foreign country information about this vehicle cannot be obtained from the national database of that country and has to be enquired by an expensive process from the database of the country where the vehicle is registered.

Because a central European-wide database would be too challenging to establish the more effective approach will be an access interface that is standardized European-wide. That will enable a fast and smooth access to the required information independent of the country in which a vehicle is registered. This will also help service providers to confirm insurance coverage in all processes related to the handling of automobile accidents.

The development of this standard is facilitated due to the existing databases for which only a harmonized access has to be developed. Because only very limited number of data elements are required for the access request and response there is only low expectation for national or market specific requirements.

The benefits from this standard are reduced costs for manual processing and a reduced reaction time in the handling of automobile accidents.

#### **5) Reimbursement in health insurance**

The content and the format of digital invoices from health care providers to the health insurance sector are at present standardized only at national level. Therefore the cross-border transmission of digital invoices is prevented which results in costly manual processing of invoices in cases where a patient was in treatment in a foreign country.

The development of the European standard for an electronic invoice by the CEN/TC 434 opens the opportunity to use the framework of this standard also for invoices from health care providers.

The CEN Workshop eBES eEG7 "Insurance" (see section 1.1 of this document) has already developed a data model for a reimbursement message from health care providers to the health insurance sector. These results can be mapped to the basic standards of the European invoice.

Due to higher mobility of people across Europe and the higher frequency of traveling across Europe the number of cross-border transfers of health care invoices is rapidly

increasing. The insurance companies will benefit from the reduction of manual processes whereas consumers benefit from reduced time for re-payment by the insurer.

For the development of this objective a liaison with the CEN/TC 251 "Medical Informatics" should be considered.

## **6) Key Information Document (KID) for PRIIPs**

In 2014 the Regulation on the key information document (KID) for packaged retail and insurance-based investment products (PRIIPs) was published in the Official Journal of the European Union (see: [http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L\\_.2014.352.01.0001.01.ENG](http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2014.352.01.0001.01.ENG)).

The KID is a uniform document to be applied across Europe. The content of the KID is defined by EIOPA in a regulation which will be available in the second half of the year 2016.

CEN/TC 445 could develop a European standard to map the terms coming from the EIOPA regulation to a uniform data model. This development could help the stakeholders, insurers and intermediaries, for a standardized implementation either for paper or digital usage. Because KID is a completely new document, no implementations are already in existence.

If TC 445 could immediately react in the second half of 2016 with a corresponding standard there is good chance that the implementations of the stakeholders will follow this standard. This will guarantee the digital information interchange of KIDs between insurers and intermediaries across Europe.

## **4.2 Identified strategies to achieve the CEN/TC.s defined objectives.**

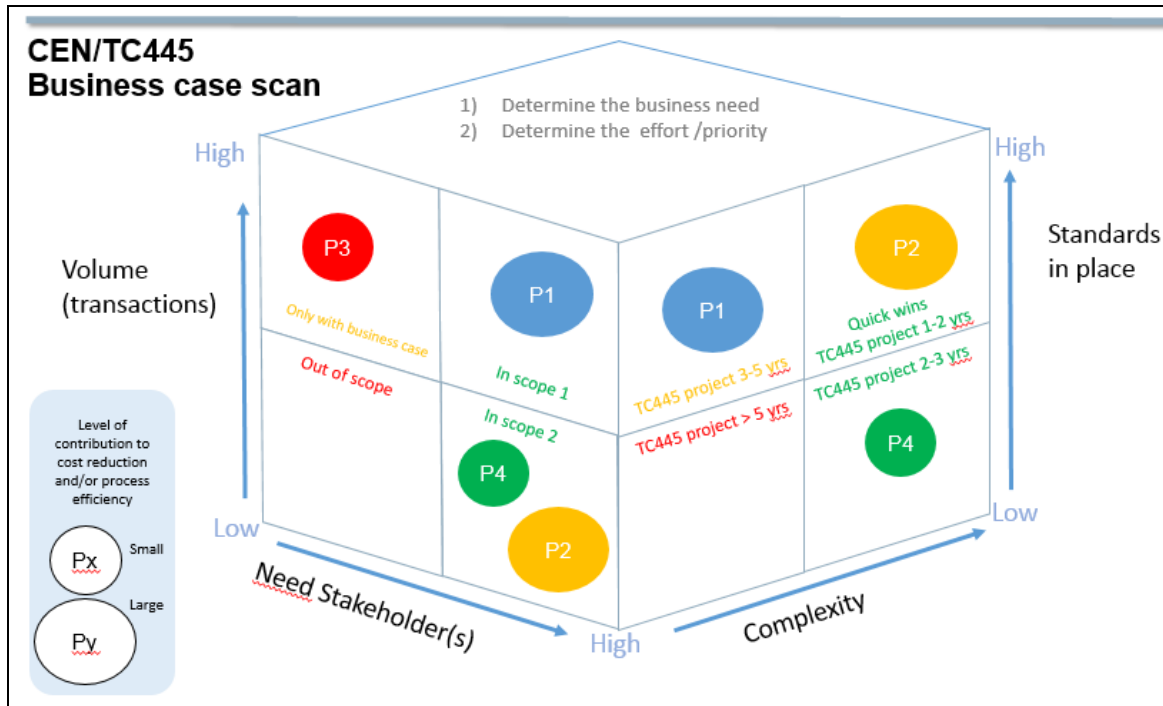
In order to achieve the proposed objectives outlined in section 4.1, CEN/TC445 will set up and follow a roadmap. This roadmap contains the following stages:

1. Basic scoping
  - what are both individual & shared market demands per stakeholder group?
2. Detailed scoping
  - view on need/processes/standards per insurance domain / stakeholders
3. Starting point
  - which process has the greatest need (e.g. volume) for standards?
4. Maturity state
  - which standards do we already have and which are missing?
5. Check re-use/overlap
  - relation between CEN-standards & Global standards (UNCEFACT)
6. Evaluating projects
  - inventory of proposals so far and potential missing projects
  - evaluation of proposals against feasibility (realistic and achievable)
7. Results & planning
  - choose projects & deliverables in scope (timeframe and justified priorities)
8. Promotion
  - advice for demand generation (who to contact with what message)



**Reality check**

During the roadmap phase CEN/TC 445 will use templates in order to evaluate the potential projects against feasibility. Part 1 of the reality check is a business case scan model:



Part 2 of the reality check is a questionnaire / check list which will be used in the involved countries. This check list is derived from the business case scan model above and will provide specific and detailed information on the relevant aspects like business need, complexity and maturity of standards.

<b>Generic Business Case Criteria</b>	
Cost efficiency / Process improvement	<i>How will the proposed objective result in cost reduction?</i>
Transaction Volume	<i>Expectation of volume of transactions (high/low and why?)</i>
Customer trust	<i>How will the proposed objective increase customer trust?</i>
<b>Stakeholder need</b>	
Political / Regulation	<i>Is there a political need or upcoming regulation?</i>
Customer journey	<i>How will the proposed objective benefit the customer journey?</i>
Insurers information: risk management	<i>Does applying the standard(s) contributes to gaining more 'intel' on the subject of risk management?</i>
Insurers information: product development	<i>Does applying the standard(s) contributes to gaining more 'intel' for adjusting the products?</i>
Need other Stakeholders	<i>Depending of the project</i>
<b>Complexity</b>	
Market specific requirements	<i>Low expectation for national or market specific requirements will facilitate the development and acceptance of a European standard</i>

Other factors	<i>To be specified...</i>
<b>Readiness / Maturity</b>	
Standards availability	<i>Are there already standards available in this field?</i>
Relation with global standards	<i>Tuning with global standards and/or contact with global standardization bodies needed?</i>

At the end of the evaluation phase there will be specific data from a broad European perspective for each project proposal in scope. The CEN/TC 445 will discuss and choose for which proposals Work Items will be submitted. Following this approach, CEN/TC445 will be able to:

- Prioritize the projects / Work Items;
- Have an overview of available national, international or market-specific source documents on which to base European Standards;
- Address and establish (if applicable) co-operation and liaisons with other CEN committees, CENELEC, ETSI and International committees as already outlined in section 4.1 for the proposed objectives;
- Plan the expected deliverables (EN's, CEN/TS's, CEN/TR's);
- Specify needs for pre/co-normative research to support the CEN committee's work program (so that an analysis can be made to detect any timing or funding difficulties).

### **4.3 Environmental aspects**

The environmental aspects will be specified when the objectives are finally defined.

In any case all objectives will have a positive effect on environmental factors because the scope of CEN/TC 445 is to facilitate digital information interchange in the European insurance industry. Any digital information interchange is supporting an electronic process which is replacing an equivalent paper-based process.

Therefore the following positive effects on environmental factors are foreseen:

- Lower usage of paper reduces both the consumption of natural resources and the negative environmental effects of paper production;
- Lower printing reduces the negative environmental effects of printing toner production and usage;
- Lower usage of paper-based documents which have to be shipped physically reduces the negative environmental effects of transportation with fuel consumption and pollution as well as reduced demands for transportation infrastructure;
- At the end of the life-cycle of paper-based documents the negative environmental effects of paper recycling are reduced which is important because the life-cycle of paper-based documents is now already ending immediately when the document is scanned at the recipient.

## **5 FACTORS AFFECTING COMPLETION AND IMPLEMENTATION OF THE CEN/TC WORK PROGRAMME**

The factors affecting completion and implementation of the CEN/TC 445 work programme will be specified when the objectives are finally defined.