White Paper

Toronto Insurance Council Data Exchange Proof-of-Concept Project:

First Notice of Loss

November 2018

TORONTO INSURANCE COUNCIL

Executive Summary

In May, 2017, the Toronto Insurance Council (TIC) published its white paper "Commercial Technology Integration: It's time to cut the costs out," focusing on the insurance industry's unnecessarily inefficient and costly communications processes, and the innate wastefulness of proprietary arrangements.

Subsequent discussion with industry leaders challenged the TIC to help address this issue, and the TIC resolved to contribute to the actual implementation of solutions. The TIC strongly believed that deploying real-time data integration, using the IBAC endorsed Data Exchange (D/X) principals, is inherently the most cost-effective means to transfer data at the lowest cost. By following the long-established IBAC D/X principles, all parties in a transaction use the common language of CSIO standards, the cost of intermediate translations are avoided, and there are fewer critical points at which communication can fail.

Wishing to capitalize on the momentum of other D/X compliant implementations, the TIC launched a proof-of-concept project for First Notice of Loss (FNOL), to be executed within participants' own test environments. The participants included: AIG Insurance Company of Canada, Travelers Canada, Royal & Sun Alliance Insurance Company of Canada (RSA), SGI CANADA, Keal Technology and Custom Software Solutions Inc. (CSSI). The Centre for Study of Insurance Operations (CSIO) agreed to lend their expert resources, and the Insurance Brokers Association of Canada (IBAC) also participated as an observer.

The specific project objective was defined as follows: To demonstrate the viability of real-time integration between an insurer technology platform and a Broker Management System platform, using the information comprising a First Notice of Loss notification and confirmation, following the nationally-endorsed IBAC D/X principles.

As part of the project, the group spent some time examining the minimum data sets required to initiate a claim in their various systems, and quickly agreed on the essential items. As one participant observed, "we are more alike than we thought." Consultation with CSIO confirmed that, while the CSIO library includes different forms for use in the claims process, the existing standard already contains all of the necessary elements.

The TIC and its partners on this D/X FNOL project consider the effort to be an unqualified success. The objectives were met and the groundwork has been laid for further development, both for the general application of D/X and for the claims process specifically. To support that further work, there are a number of recommendations to consider:

- Specific detailed standards need to be agreed upon, not only for the data being exchanged, but also for the exact settings for the communications services to be used.
- To accommodate additional dialogue between systems throughout a claim, BMS automated polling functionality needs to be enhanced.
- In addition to expanding the scope of claims messages between brokers and carriers, much of the same information could be exchanged, using the same principles, between carriers and third parties involved in claims process, and between brokers and clients via brokers' customer access points.

- Future working groups should have a detailed discussion in advance about the necessary time commitments to ensure that all participants can make realistic allocations of resources during the planned timeframe.

The TIC is grateful to all the participants on this FNOL project for sharing their own resources with the industry, and setting aside proprietary differences in favour of long term benefits for all, including:

- cost and time savings through elimination of duplicated data entry
- cost and time savings through direct point-to-point communication
- reduced potential errors or omissions by eliminating duplicate data entry
- creation of foundations for connectivity to other stakeholders
- most important of all, **significantly improved service for customers** by expediting the claims process

The FNOL proof-of-concept is one step in our industry's progress, along with a soon-to-be-launched repository for shared services, and upcoming IBAC D/X Working Group, focusing on additional specific implementation areas.

Toronto Insurance Council Data Exchange Proof-of-Concept Project: First Notice of Loss

Background

In May, 2017, the Toronto Insurance Council (TIC) published its white paper "Commercial Technology Integration: It's time to cut the costs out," focusing on the insurance industry's unnecessarily inefficient and costly communications processes, and the innate wastefulness of proprietary arrangements.

Subsequent discussion with industry leaders challenged the TIC to help address this issue, and the TIC resolved to contribute to the actual implementation of solutions. The TIC strongly believed that deploying real-time data integration using the IBAC endorsed Data Exchange (D/X) principals is inherently the most cost-effective means to transfer data at the lowest cost. By following the long-established IBAC D/X principles, all parties in a transaction use the common language of CSIO standards, the cost of intermediate translations are avoided, and there are fewer critical points at which communication can fail.

Wishing to capitalize on the momentum of other D/X compliant implementations, the TIC launched a proof-of-concept project for First Notice of Loss (FNOL), to be executed within participants' own test environments.

The current state of electronic information exchange in the claims process made the FNOL an obvious choice. Presently, for both brokers and insurers, there is little consistency in how information is collected or shared. Even at the initial stage of reporting a claim, brokers face different instructions from each carrier, and may wait days for a simple acknowledgement to share with the customer. Subsequent updates may be even less reliable. Certainly, an improved and consistent approach to facilitate claim reporting delivers an immediate enhancement of the customer's experience. In addition, the reporting of a claim is coverage-agnostic, so improvements benefit both personal and commercial lines clients.

For industry partners, both insurers and brokers, using D/X to capture and acknowledge initial reports have immediate pay-offs. These include eliminating multiple duplications of data entry (and the potential errors accompanying those repetitions) and reducing the lag time in communications between all parties in the ecosystem.

The specific project objective was therefore defined as follows: To demonstrate the viability of real-time integration between an insurer technology platform and a Broker Management System platform, using the information comprising a First Notice of Loss notification and confirmation, following the nationally-endorsed IBAC D/X principles.

Those D/X principles are:

- *All transactions that start in a broker management system (BMS) must finish in the broker management system.*
- *Data flows between systems occur electronically and transparently, without user intervention.*

- *All data transmissions must strictly adhere to CSIO standards.*
- *Data that flows from a company's system is processed and returned in real-time.*
- *Workflows must avoid connection to, and a broker's use of, an insurer's web portal.*
- *Translations are to be addressed on the insurer's side of the transmission — not on the broker's side.*

From among the many interested parties, a diverse workgroup was assembled to demonstrate the viability of standard electronic process for First Notice of Loss. Participants included: AIG Insurance Company of Canada, Travelers Canada, Royal & Sun Alliance Insurance Company of Canada (RSA), SGI CANADA, Keal Technology and Custom Software Solutions Inc. (CSSI). The Centre for Study of Insurance Operations (CSIO) agreed to lend their expert resources, and the Insurance Brokers Association of Canada (IBAC) also participated as an observer.

The Project

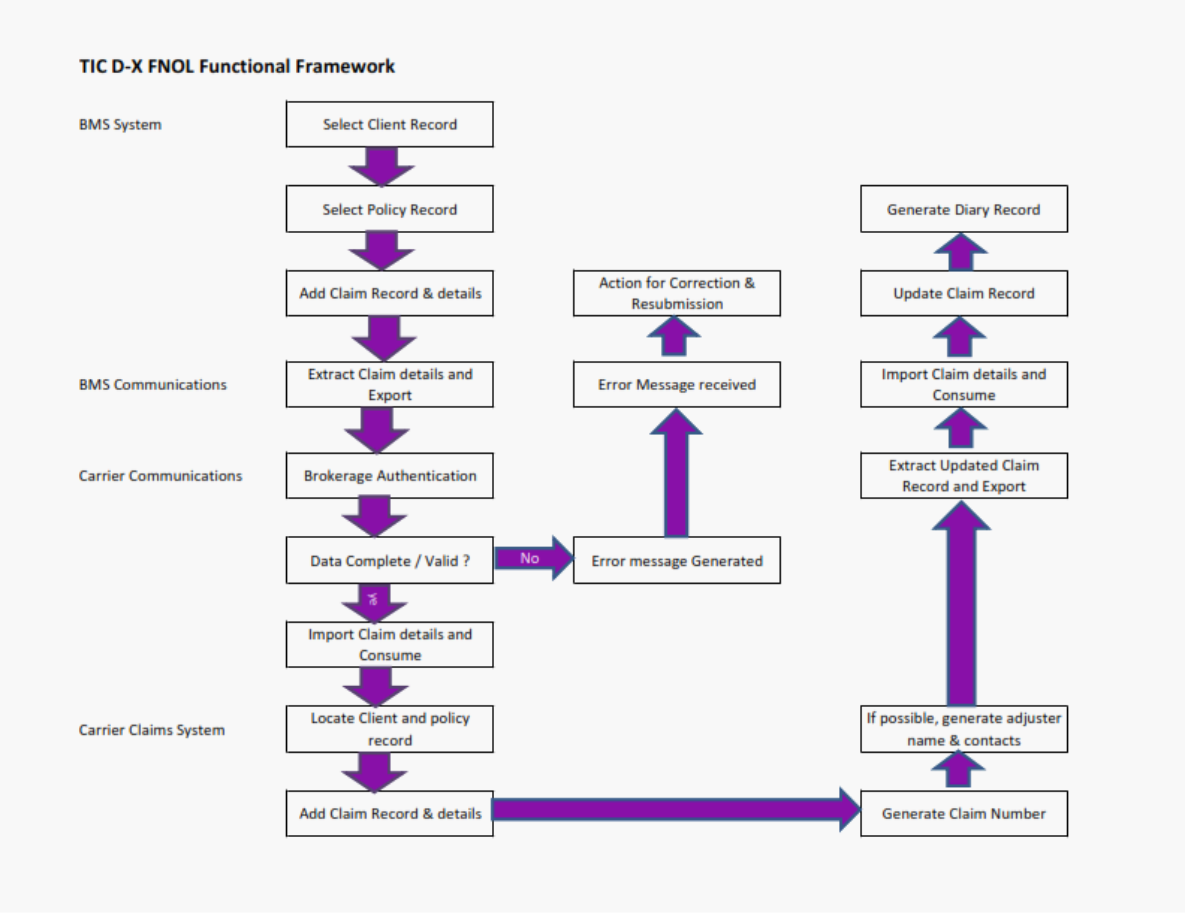
In addition to the initial objectives, early in the project the group also agreed on more detailed objectives. Supplementary project requirements became that:

- The design results in an overall positive user experience.
- Errors or missing information are handled via CSIO-format messages to create records in both systems.
- French and English notifications can both be supported.
- Brokerage-level authentication is used, with individual user identification and tracking.
- Communication complies with the privacy and security needs of carrier and broker.
- The design supports data consistency and quality.
- The design is scalable, maintainable and enables robust performance.

However, it was decided that certain other desirable objectives would be out of scope, for the time being, such as further claim status updates, including polling by BMS companies to capture update messages, aggregated loss reports or loss runs, and the reporting of claims on expired policies, or by third parties.

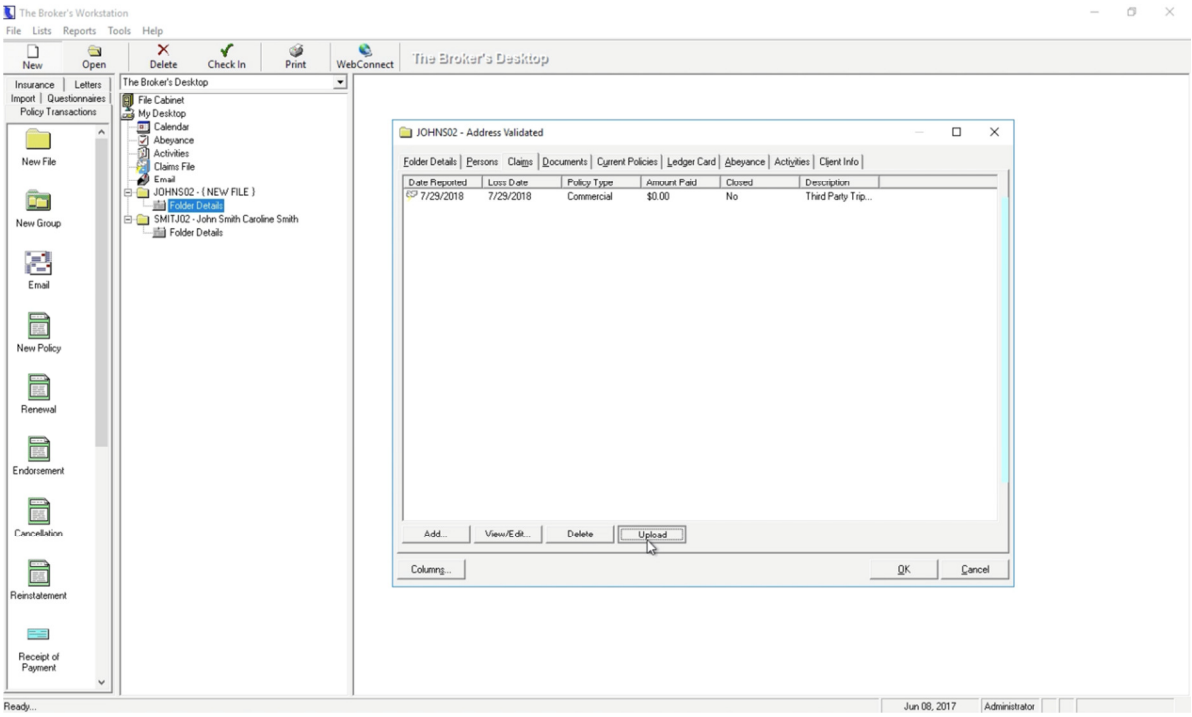
The basic process was easily defined (as illustrated below).

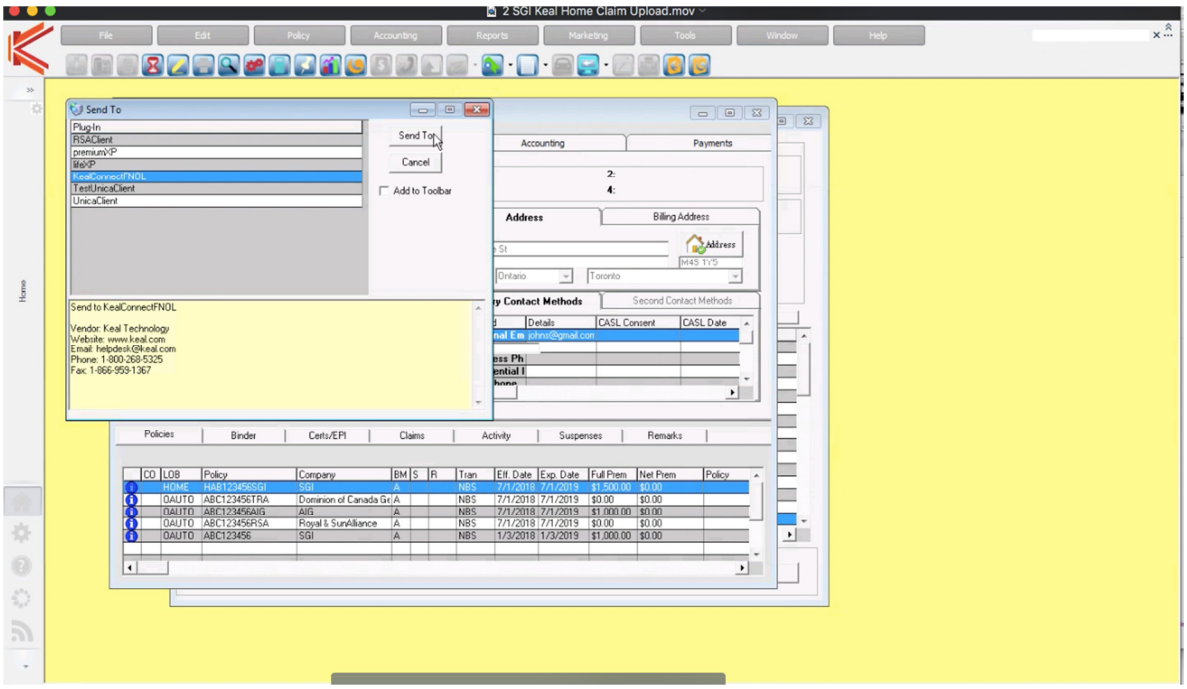
1. Information passes from the broker system to the carrier once it is confirmed as complete and valid.
2. Data that does not meet those qualifications still triggers an error message of explanation.
3. Data that is accepted is processed by the carrier system and generates a response message, which includes the carrier's newly-assigned claim number which is then recorded in the BMS.



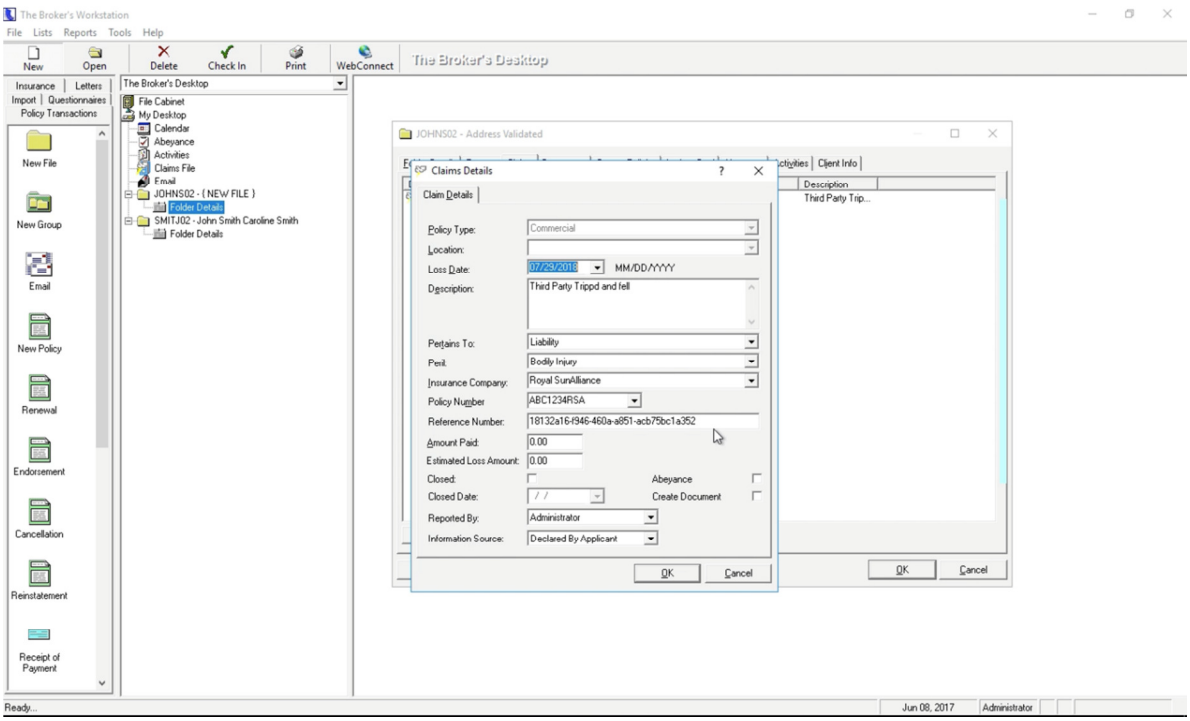
The group spent some time examining the minimum data sets required to initiate a claim in their various systems, and quickly agreed on the essential items. As one participant observed, “we are more alike than we thought.” Consultation with CSIO confirmed that, while the CSIO library includes different forms for use in the claims process, the existing standard already contains all of the necessary elements. The BMS companies then needed to map those existing elements into a single FNOL transmission to relay to the carrier, where they were, in turn, mapped back to the carrier’s own database.

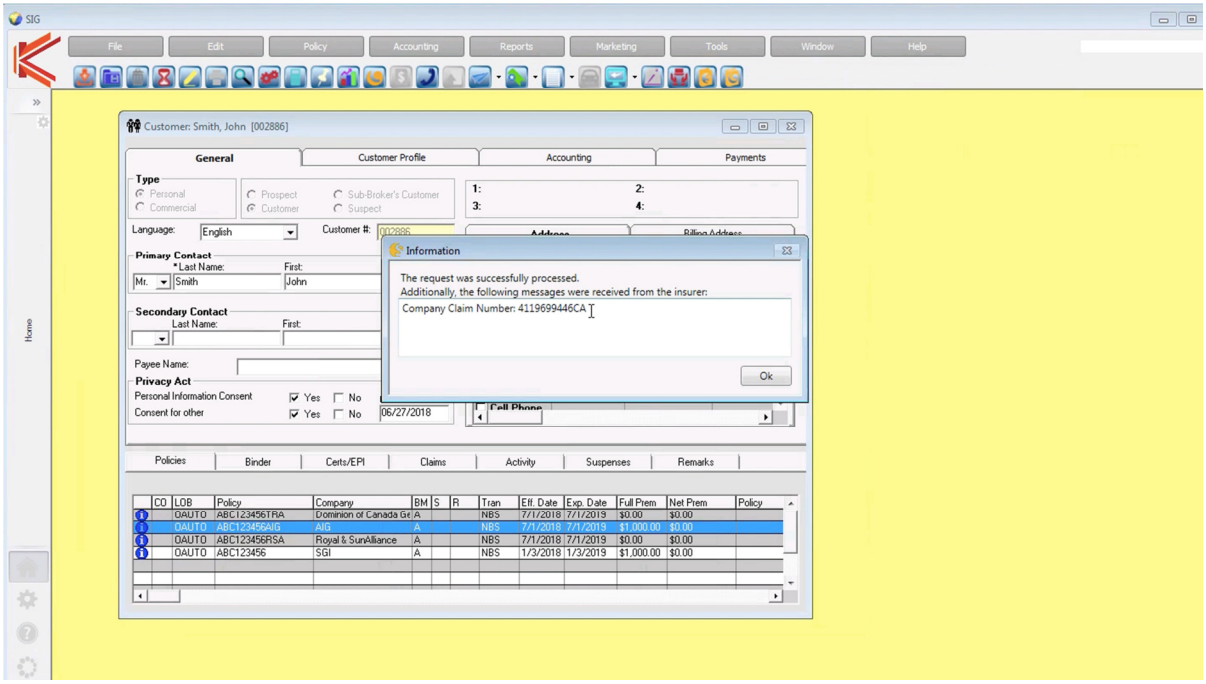
Technical staff for all participants worked to test communications between the different environments, using SOAP communications protocols. At that point, test FNOL messages were uploaded from the different BMS systems to the carriers, using various scenarios that mimick real-life data such as correct postal codes, lines of coverage and categories of loss.





Within a few seconds, the insurer systems returned a confirmation that the claim had indeed been opened to be addressed by their staff, thus completing the round trip.





Challenges Encountered

The extended working group did encounter a few challenges. Perhaps most significant was one that is also most common for projects such as this; managing competing priorities with finite time and resources. Group members were constantly juggling their commitment to this project along with their other responsibilities within their own organizations.

Another more specific issue was the work required to fine-tune communications settings. While the group agreed at the outset to use SOAP as the common protocol, additional time was spent aligning systems within those parameters. It would have been helpful to make more specific commitments at the outset. However, since we were working within temporary test environments, the participants were not necessarily prepared to make adjustments that would have affected permanent configurations.

Finally, there was some frustration with stopping the dialogue between systems at the initial stage of report and acknowledgement. Certainly, the real value for the client of claims service is still to come at that point. Project participants were keen to continue development to generate more benefit from the work.

Recommendations

The TIC and its partners on this D/X FNOL project consider the effort to be an unqualified success. The objectives were met and the groundwork has been laid for further development, both for the general application of D/X and for the claims process specifically. To support that further work, there are a number of recommendations to consider:

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Conclusion

The TIC is grateful to all the participants on this FNOL project for sharing their own resources with the industry, and setting aside proprietary differences in favour of long term benefits for all. The FNOL proof-of-concept is one step in our industry's progress, along with a soon-to-be-launched repository for shared services, and upcoming IBAC D/X Working Group, focusing on additional specific implementation areas.

TIC members look forward to working cooperatively with your organization to further Data Exchange adoption.

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