



**ACORD Life:  
Using Industry Standards as a  
Core Integration Model**

Kirstan Vandersluis  
Chief Technology Officer  
XAware, Inc.  
March 10, 2004

XAware, Inc.  
2060 Briargate Parkway, Suite 150  
Colorado Springs, CO 80920  
[www.xaware.com](http://www.xaware.com)

Copyright © 2003 XAware, Inc. All rights reserved. This statement pursuant to Title 17, United States Code, Section 401 (17 USC 401) hereby notifies all users of the copyright law protection under which this and all other XAware, Inc. documents and software are dispersed. Under the copyright laws, neither the documentation nor the software may be copied, photocopied, reproduced, translated, or reduced to any electronic medium or machine-readable form, in whole or in part, without the prior written consent, of XAware, Inc., except in the manner described in the documentation.

#### DISCLAIMER OF LIABILITY

While XAware, Inc. strives to maintain a high level of accuracy in its internal and external forms of documentation, neither XAware, Inc. nor any of its employees makes any guarantees, express or implied, to the completeness, or usefulness of any documentation, in whole or in part, that was either copied, photocopied, reproduced, translated, or reduced to any electronic medium or machine-readable form with or without prior written consent granted by XAware, Inc., including its merchantability and fitness for a particular purpose other than the purpose for which the document was proposed initially upon its original date of publication by XAware, Inc.; furthermore, neither XAware, Inc. nor any of its employees assumes any legal liability or responsibility, in whole or in part, for the accuracy of said documentation.

XAware, XA-iServer are trademarks of XAware Inc. in the United States and other countries.

Other company, product and service names mentioned in this document may be trademarks or service marks of others.

## Executive Summary

As technology demands grow within the Insurance industry, so do the business challenges facing insurers. Profitability pressures, reduced cushions against claims and losses, and unprecedented levels of merger and acquisition activity have created an environment where the single largest obstacle to doing business is data integration.

To remain competitive and satisfy consumers, insurers must get data out of older systems and interface with new technology. Also, most insurers would like to replace aging core technologies, but doing so is expensive. As such, they are looking for ways to incrementally improve operations by extending the lifespan and improving the value of legacy systems.

By simplifying data migration and improving information sharing, the new life insurance standards set out by ACORD have significant potential to improve integration and offer substantial technology cost savings. ACORD XML leverages open and standards-based technology that is vendor-neutral and easy to work with. Because XML is not dependent upon any particular programming environment or platform, it can easily connect disparate insurance applications and infrastructures. This enables insurers to see immediate ROI in terms of interoperability and flexibility.

To help insurance companies rapidly adopt new platforms and systems, while incorporating ACORD XML technology, XAware has developed XA-iServer, an advanced enterprise integration server based on the XML standard. By leveraging XA-iServer, insurers can connect to customers, agents, distributors, and partners—as well as new systems and platforms—using simple, intelligent data integration and migration processes. Also, XA-iServer provides an open architecture, eliminating the costs associated with maintaining internal or proprietary vendor information models.

## Insurance Challenges Explored

Today insurers face greater challenges than ever before:

- Profitability pressures have led companies to sharpen their focus on minimizing costs and optimizing operations;
- The high-rolling investment boom of the late 1990s provided insurers with a substantial cushion against claims and losses that no longer exists today;
- Seeking to increase profitability and globalization, insurers have pushed merger and acquisition activity to unprecedented levels—a measure that more often than not results in huge challenges to reduce system redundancy and integrate information.

Meanwhile, technology demands have not diminished. Quite the contrary, they have increased. Providers need to share information with internal and external partners, information providers, agents, producers, brokers, customers, and others—faster and through more channels than ever before.

Yet getting the data out of older systems and interfacing with new technology remains cumbersome and costly—truly the antithesis of lean and mean. Indeed, according to Gartner research, insurers continue to spend upwards of 25% of their budgets for new projects on staffing and consulting costs associated with data integration.

Moreover, insurers need to replace aging core technologies, but budget limitations get in the way. Consequently, they're seeking other ways to improve and extend their legacy systems, and incrementally improve operations. Everyone is facing the same challenges—with tighter budgets than ever before.

The new life insurance standards set out by ACORD promise easier data migration and better information sharing. The net result: improved integration and substantial technology cost savings.

## The Promise of ACORD XML

Enter ACORD XML, the electronic language of the insurance ecosystem, facilitating real-time, cross-platform, peer-to-peer communication, and enabling internal and external integration. Developed by the ACORD consortium of cooperating insurance companies (a non-profit insurance association founded some 30 years ago to facilitate the creation and adoption of standards for insurance companies and related financial services organizations), ACORD XML for Life Insurance incorporates the ACORD Life Data Model with the industry-tested XML language. The ACORD Life Data Model defines the data that life, health, and annuity insurers must use to communicate—and thereby delivers the benefits of reusability and consistency of data, and expandability and interoperability of systems.

ACORD XML offers the promise of leveraging open and standards-based technology that is vendor-neutral and easy to work with. Because XML is not dependent upon any particular programming environment or platform, it can easily link the disparate applications and infrastructures that typify today's life insurance operations. XML's text-based language

enables organizations to easily incorporate it, as well as see immediate payback in terms of interoperability and flexibility.

ACORD XML enables organizations to continue to transform their operation over time—saving integration costs, and delivering improved system integration and interoperability, without the need for custom interfaces and complicated workarounds.

The ACORD XML for Life model consists of three components:

- A data model, which defines the terms and relationships (e.g., agent, carrier, policyholder, etc.) and individual characteristics and relationships
- A data structure that defines how to create tabular data
- And a “Transaction Wrapper,” which provides a set of codes for transactions (e.g., claims, accounting and reporting, billing and payment, etc.)

ACORD XML for Life Insurance is nothing new—in fact, it has been under development and used by “early adopters” for a few years now.

Today, the Life Data Model has been established, implemented by a number of early adopters, and is ready for broad-based implementation. Interestingly, while early adopters didn’t expect to see huge initial improvements in productivity, interoperability and the like, they are seeing better-than-expected results and cost savings in data integration. Clearly, the benefits of adopting the standard are great. Recent research by Celent Communications estimates that the insurance industry as a whole will achieve technology cost savings of about \$250 million annually by moving to ACORD.

## Integration Remains a Daunting Task

In spite of the promised cost savings and ease of integration, the task remains daunting. Insurers rely on legacy systems—and a lot of them. Because the insurance industry was one of the earliest to embrace the use of technology, its reliance on mainframe, legacy technology surpasses most other industries. These systems are typically large, cumbersome and inflexible. Moreover, they rely on proprietary models with custom interfaces for integration and electronic data interchange (EDI). And as we continue to develop systems utilizing newer technologies, we frequently see redundant information repeated from system to system.

Furthermore, insurers today are beginning to rely on the Internet as a “value added” delivery extension to their agents, brokers, and customers. Consequently, not only do systems need to “talk” to one another, they also need to feed information to new web-base distribution channels for origination, customer service and fulfillment channels.

## A Single, Open Solution from a Proven Leader

XAware, Inc., a worldwide leader in XML enablement, data integration, and information exchange delivers XA-iServer, an XML-based integration server.

This new technology helps insurance companies rapidly adopt new platforms and systems, effectively reducing project cycle times, while incorporating ACORD XML technology. By leveraging XA-iServer, insurers can connect to customers, agents, distributors, and partners—as well as new systems and platforms—using simple, intelligent data integration and migration processes.

Also, XA-iServer provides an open architecture, eliminating the costs associated with maintaining internal or proprietary vendor information models. Effectively, the XAware solution provides a much less risky alternative for insurers that want to embrace an ACORD XML strategy. Rather than committing a large amount of financial and intellectual capital to standards that are not yet firmly established, the XAware solution allows insurers to selectively and flexibly adopt changing information structure and business rules.

Moreover, because mapping is performed at the metadata level, the choice to create data warehouses, ODSs, and data marts becomes an option instead of a requirement. In fact, in many situations, the traditional physical data repositories become unnecessary, and can be easily replaced with virtual views of the business information stored in the legacy “book-of-record” repositories. XAware enables insurance companies to move from “Old World” to “New World” strategies for integration, conversion and decommissioning of systems while leveraging ACORD XML.

## Conclusion

Data integration is one of the single largest obstacles facing the Insurance industry today. To overcome this obstacle, insurers must implement low-risk, cost-effective solutions that provide the most operational flexibility and interoperability.

XAware has a proven track record of helping companies envision and achieve new technology-enabled processes that translate business strategies into real-world success. No other organization is better positioned to help life insurance organizations adopt ACORD XML standards. With XA-iServer, insurers benefit from a single software platform and an industry-standard open architecture—from a proven leader in XML-based integration technology.

## About XAware, Inc.

XAware, Inc. is a worldwide leader in XML enablement, data integration and information exchange supporting Web Services, Java, Windows and .Net technologies. From a single point of access, users can query, customize and gain visibility to information from hundreds of application and data sources inside and outside the corporation. XAware eliminates the need to write complex custom code to retrieve, translate, manipulate and exchange information; shortening project schedules, reducing costs, and enabling information exchange between systems, companies and government agencies. XAware is focused on serving the needs of government agencies and financial services companies. Founded in 1999 with venture funding, XAware is based in Colorado Springs, Colo. For more information on XAware, visit [www.xaware.com](http://www.xaware.com) or call 719.884.5400.

XAware, Inc.  
2060 Briargate Parkway, Suite 150  
Colorado Springs, CO 80920  
[www.xaware.com](http://www.xaware.com)