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## Discovering common ground

Standards are fundamental to the vitality and growth of our industry. As the industry continues to change and innovate, standards provide efficiencies alongside new routes to market – and generate new markets. By connecting companies, partners and customers, standards enable the modern business environment.

Our guest columnist Steve Goswell reports on the progress of the ISO20022 standard, an initiative intended to serve the whole financial community but which thus far has had little impact on insurance. ACORD has developed its standards as a pragmatic community effort, extending into models in recent years in response to user needs. ISO20022 included models from the start, so it set out a bold architectural vision at its inception.

With the financial services world becoming ever-more complex and connected, co-operation and harmonisation across standards drives increased value. While insurance is clearly a financial business, the information needs of the industry are often located outside finance. We are interested in data from cars and blood samples, from weather satellites and demographics. We are voracious.

However, finance is also becoming (even) more complex and dependent on non-financial information. If you can insure it, you can probably get a loan for it. There is real scope for benefits from a dialogue between the ISO20022 world and the insurance community.

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# ISO 20022 today and the insurance industry

We look at ISO 20022 on its 10th birthday and whether the financial and insurance sectors can benefit from shared knowledge



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The stated goal of ISO 20022 is to provide standards coverage for the entire financial services industry. It has been called the one standard to bind them all. With 20022 heading for its 10th birthday, now is a good time for a progress check.

### Covering the financial world

ISO 20022 is much more than just a set of XML messages. It is also a framework by which standards can be created and that allows standards to co-exist and inter-operate. There are three main components that make 20022 a very powerful proposition: first, a formal modelling methodology; second, a centralised repository for all the business definitions and technical artefacts; third, a set of message design rules. Whenever we talk about 20022 we need to be very clear whether we mean the messages or the model. Unfortunately people tend to use the term 20022 generically and often interchangeably, which causes all sorts of confusion.

From a coverage perspective the standard includes models and messages that support the institutional trade life cycle for securities, payments, treasury and the cards business. However, there is very little coverage of over-the-counter derivative products and, curiously, no support at all for the insurance industry. That said, the standard is still very much a work in progress and the scope will evolve over time. The International Swaps and Derivatives Association (ISDA), for example, is an active member of the 20022 governance process and it is widely expected in the future ISDA's FpML messaging syntax will be aligned with 20022 at the model level. Others will surely follow.



ISO 20022: Providing global standards for the financial sector, but what could be gained from sharing data?

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### Adopting the standards

In the early days of 20022 it was generally a question of if we should adopt the message standards, but in the recent past there has been a subtle shift. There is an air of inevitability about adoption, so now it seems to be much more a question of when.

Some say developing a standard without a plan for adoption is just an academic exercise. But inventors in any field cannot usually make decisions about adoption for their respective markets. The makers of Blu-ray knew they had a technology that was significantly better than the incumbent DVD. They knew they had competition but could not possibly have predicted how things would play out. Today, you can buy a movie combo-pack that includes a DVD, a Blu-ray disk and a digital copy. All these standards quite happily co-exist and no-one really talks about one format replacing another. It may or may not happen eventually but it is hardly under the control of the original inventors.

### Beyond the silos

In any given business silo within a bank, 20022 can be thought of as a new set of XML messages that replaces an existing set of mes-

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sages, which for the most part work reasonably well. This makes it hard for individual business lines to make a solid business case to migrate.

But the bigger picture tells a very different story. Several market infrastructures such as T2S, DTCC and Jasdec are forcing a migration to 20022 in their respective markets. Some of these initiatives are already implemented. Adoption of 20022 messages will go through the roof in the next few years as others go live. Sooner or later the individual business silos will be caught up in enterprise-wide initiatives to adopt 20022 inside most large financial institutions. Their business case will be handed to them on a platter.

### New impetus for the model

The 20022 model has not been widely adopted to date. The model, while open and in the public

domain, is based on UML, not exactly what you might call a mainstream technology. However, this is all set to change. In May 2013 ISO released the 20022 repository in a much more readily accessible format. I expect technology vendors will now integrate the 20022 model into their products. This ought to make it easier for banks to leverage 20022 as a basis for their internal enterprise architectures.

### Standards in harmony

All financial services are interconnected on many different levels, as the global crisis of 2008 so cruelly demonstrated. It is reasonable to expect the underlying standards should be similarly connected.

The insurance industry has a well-established standard of its own, ACORD, which is designed around principles similar to 20022. I would very much like to see some engagement between 20022 and the insurance world. We should understand where the lines are drawn and identify where there is overlap. We may discover opportunities for collaboration and avoid duplicative efforts. I am certain that we can learn from each other. ■

Steve Goswell's blog can be found at: <http://standardsgeek.blogspot.co.uk>