

XML may live up to its hype as a revolutionary business tool.

Business Insurance, May 2001
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It seems that every year a new technology is introduced that promises to revolutionize the way we do business on the Internet. Some have been more successful than others, but most have fallen short of their lofty goals. XML is the latest acronym that's been buzzing around the e-commerce world, carrying with it as much excitement as any new technology could hope for.

But is the hype warranted? What makes XML unique? In the words of Bill Gates, speaking at Comdex 2000, ``If there is one thing I thought was the key in the last year, it was the rise of XML. ...I believe both Microsoft and the industry should really bet their future around XML; the standards around XML are key to where we need to go." XML stands for "extensible markup language." It was developed by the World Wide Web Consortium and has rapidly become the standard for defining data interchange formats within the Internet world. A markup language is a set of data descriptions, known as tags, and rules that simplify and enhance the process of data interchange between unlike computer systems.

XML is similar to hypertext markup language - or HTML - in that it uses tags to encode information on the Internet. But the similarity ends there. HTML tells browsers, such as Internet Explorer or Netscape, how to display information on a Web page, whereas XML defines values for the information. Also, unlike HTML, which has preset identifier tags, XML gives users freedom to create their own tags. The best way to explain XML is to provide an example. Imagine that you are a broker setting up your database to exchange underwriting information with an insurer. Descriptions of the applications and various fields are written in HTML so they can be read via a Web browser such as Internet Explorer, but the names and addresses of clients and underwriting information are formatted with XML. Here is an example of a cargo insurance application using XML:

```
<Customer-Details id ="CompanyX12345">
  <CompanyName>CompanyX</CompanyName>
  <Address>
    <Street>463 Risk Blvd.</Street>
    <City>New York</City>
  </Address>
  <UnderwritingInformation>
    <InsuranceType>Ocean Cargo</InsuranceType>
    <InsuredValue>300000</InsuredValue>
    <Destination>Tokyo</Destination>
  </UnderwritingInformation>
</Customer-Details>
```

An actual XML cargo application would be considerably more detailed than this, but this provides an idea of how it would look. If you were to display this application on your browser, the address and underwriting tags would not show up on the screen. Unlike HTML, XML tags do not affect the way information looks. Instead, they assign values to pieces of information. These values will allow companies to exchange the information contained within an application regardless of the particular computer system they are working on.

XML will become the standardized mechanism for the exchange of insurance data and documents. One of the greatest impediments to the development of e-commerce in the insurance industry has been lack of a common standard to exchange information. Until now, companies and brokers using different operating systems, databases and customer

management software have had difficulty linking together. XML is the way for the various companies and brokers to exchange information across the Internet.

Information is critical to insurance-related companies' survival in the next decade and beyond. Insurance companies and agents/brokers need to make multiple systems and databases communicate with one another. XML will enable this cross-platform communication .

Some of the advantages that XML has over previous "revolutionary technologies" include:

- Broad acceptance. Remember Windows vs. Mac, Explorer vs. Netscape or, even further back, VHS vs. Beta? There are no competing standards with XML. One of the most remarkable aspects of XML is the agreement between leading vendors such as Microsoft, IBM and Oracle regarding its development. Even longtime rivals Microsoft and IBM have set aside their differences to promote the XML standards.
- Comprehensive and coordinated standardization efforts. Standardization of XML is essential to its success. For this reason, many associations and working groups have been formed to establish common standards. The organizations responsible for creating a common standard for the insurance industry is ACORD in the United States and CSIO in Canada. ACORD ([ww.acord.org](http://www.acord.org)) and CSIO (www.csio.com) have agreed to collaborate so there will be one standard for North America. "XML is critically important for our industry by allowing us to use Internet technology to be interconnected in real time," said Gregory A. Maciag, president and CEO of ACORD.
- Platform independence. XML allows for the easy retrieval of data, regardless of where it is and on what operating platform it sits.
- Cost effectiveness. XML is also much more cost-effective and easier to implement than traditional e-commerce systems such as electronic data interchange.

By the end of this year, Gartner Group expects 75% of the Fortune 500 companies to be using XML in at least one prototype project. By 2003, the research firm predicts that 80% of business-to-business Web traffic will be XML-based.

There is no question that XML will have a profound effect on the distribution of insurance products and services. Over the next few years, companies in the insurance industry will have to adopt this new technology in order to stay ahead of the competition.

But XML is still in its infancy. For the most part, the only companies that are involved in the development of XML are large insurers. What, if anything, should the small to medium-sized agents and brokers be doing to prepare for XML? This is a common question. The answer is, everything you can. This is not to suggest that agents and brokers should run out and invest significant resources in a technology that has not been fully embraced by the industry. But there are many things agents and brokers can do to prepare for XML that are not costly or time consuming:

- Keep informed about developments in XML.
- Ask your insurance markets about their work in XML and how you can be involved.
- Incorporate XML into your Web site, even if only on a very small scale. If nothing else, this will give you an understanding of the workings of XML by seeing it in action. Try building a small search engine on your site using XML.
- Investigate the advantages of building your company database around XML.

In a survey by IDG Research Services Group of 500 chief information officers, it was projected that spending on XML will increase by 86% this year over last.

XML may be the future of business-to-business e-commerce but companies that have existing EDI systems do not have to be in a hurry to make the switch. In fact, most companies with large EDI systems are only in an investigation phase of the new XML technology. For these companies, it simply wouldn't make sense to abandon 10 or 15 years of EDI work overnight.

But fortunately, you don't have to look at EDI and XML as being competitive solutions. In fact, they're complementary. And the switchover from EDI to XML need not be a sudden one. One of the advantages of XML is that it can be slowly integrated into an existing EDI system. Rather than replace EDI right away, XML capabilities can be added to complement the EDI system.

Companies looking at XML today can be relatively certain that their investment won't be obsolete. Even though XML won't be standardized and ready for everyday business use in the next year, companies need to start preparing for it. Companies are no longer investing in EDI. The future of insurance e-commerce – and global e-commerce overall – is XML.