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Role of Xtensible Business Reporting Language (XBRL) in Insurance Sector

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Abstract

An insurance contract provides risk coverage to the insure. A purchaser of insurance pays a fixed premium in exchange for a promise of compensation in the event of some specified loss.

Insurance is bought because it gives peace of mind to the holders. The comfort level is important in personal and business life. Those primary purposes of insurance is to provide risk coverage, when the contract period extends over along time, as in the case of life insurance, premium payments comprise of two components-one for buying risk coverage and the other towards savings. This bundling together of risk coverage and savings is peculiar to life insurance and its more common in developing countries like India. In the industrially advanced countries, this is not necessarily so and short duration life insurance contracts without savings components are equally popular. In the developing economies, because of the savings component and the long nature of the contract, life insurance has become an important instrument of mobilizing long-term funds. The savings component puts the life insurance in institutions and savings instruments. Insurance in any company is regarded asa pillar of growth and it works as a catalyst in the overall development of the economy. The industry always remains a source of long-term funds, which are vital for the development of the basic and capital market and also vitalizes the market for government bonds. Well run insurance companies are of the best recyclers of a country's money in the interest of the countries' overall development, particularly because these companies match their liabilities with local assets. Insurance is, basically defined as a financial agreement that redistributes the cost of unexpected losses. Today, it stands both as a service and industry in its own right.

Keywords: XBRL, insurance, financial services, banking, insurer.

1.0 Introduction

Indian insurance industry is currently.

Insurance sector plays an important role in the financial sector of a country. The marketing strategy should be laid out in such a manner that it includes the requirement from the launching policy till the final stage when it reaches in the hand of customer, means the service provided to the policy holders or the end users. It should be planned accordingly, suiting the Indian society, because it is a diversified one from high income group of the low one. The new entrants in the insurance business sector should take pains and understand peoples demand and needs and transform their policies as per their choices. They should be designed to provide the facilities to customers as to give the customers fullreliance and satisfaction. In meeting the challenges and making the best of the opportunities lies the future of the Indian insurance companies.

Today, financial data is kept on a variety of disparate systems and spreadsheets throughout an insurance company. This financial data flows through the organization in variety of ways including email. Controls are necessary to ensure the integrity of the financial data as it passes through the organization. In the future, ACORDXML and XBRL tagged data will help an insurance company ensure that its data flows throughout its organization in a more controlled manner. Once data is tagged, it is less susceptible to clerical error or manipulation.

When internal data is tagged in an interoperable manner and is therefore highly portable, it influences the nature and application placement of controls (e.g. more likely to apply monitoring controls) which is particularly relevant in helping a company improve its internal control environment and manage the ongoing cost of compliance.

2.0 Objective of the Study

1. To study the role of Xtensible Business Reporting Language (XBRL) in Insurance Sector in India.

Methodology

The study is mainly based on secondary data collected from journals, articles, websites on insurance sector and the study in its scope confined to the insurance sector India India.

Significance of XBRL (Xtensible Business Reporting Language)

Insurance companies realize significant benefits by deploying XML standards, like XBRL, over existing internal systems, insurance companies can migrate more information production and consumption to the Web, eliminating manual processing — and its costs. Current systems and software can understand and process XML enabled information, therefore, deploying XBRL standards for enterprise business reporting could facilitate the following efficiencies in the enterprise business reporting process in a relatively short time:

• Re-deploying resources from low value “data shoveling” tasks to those more meaningful to the business.

• Increasing data accuracy by minimizing the risk of manual transcription errors.

• Preserving data integrity through a "hands free" information environment and ability to more easily trace information directly to its originating source.

• Facilitating instant internal and external report creation at any time.

• Facilitating management access to more of the information resident in company systems directly through analytical tools for better, more informed decisions.

• Strengthening management controls by establishing direct information feeds from enterprise systems to monitoring processes.

• Facilitating the audit function by providing a better audit trail for each item of information.

Based upon the above noted benefits, it is most likely that XBRL standards are going to generate positive change in the following areas:

• Preparation of Consolidated Management and Enterprise Business Reports

XBRL will streamline the consolidation processes for organizations that currently utilize reporting systems that are not on a common platform. This will result India both a more timely gathering process and will facilitate the re-use of the information for varying types of reporting and analysis. Uploading of information and reconciliation will be greatly reduced as XBRL draws upon a single source of data for multiple re-uses (i.e. financial statements, separate account reporting, tax returns, press releases etc).

• Enterprise Business Reporting Applications

XBRL will enable more timely and accurate internal/management analysis based upon single input of data across products, geographies, distribution channels, businesses processes, or any other specified and mapped criteria.

• Actuarial Analysis

XBRL will allow less costly, timelier and more accurate preparation of loss reserve analyses and other actuarial reports because XBRL is a common format that helps organizations to aggregate detailed information from disparate financial information sources (i.e. Schedule P, internal loss reserving, benchmarking among peers and across the industry).

• Credit Analysis of Reinsurers and other Business Partners such as MGA's

XBRL will enable less costly and more real-time analysis of enterprise business information for assessing the financial stability of reinsurers and other business partners.

• Investment Portfolio Analysis

XBRL will enable more timely and flexible enterprise business analysis of investments on both a portfolio basis and an individual investment basis. Elements of analysis include financial performance as well as non-financial measures and communications.

• Corporate Insured Risks

XBRL will enable greater transparency for insurers regarding financial and business operations of their corporate insured entities and risks. Greater transparency can be utilized in the context of improved underwriting of new business and continuous monitoring of existing risks.

• Competitor Analysis

XBRL will enable tailored analysis of competitor financial and business information (including benchmarking) in a timely and efficient manner with resources redirected from information gathering to information analysis.

Conclusion

Today organizations and their regulatory bodies are drowning in the data ocean, leading to issues with long processing time, error reconciliation, re-working to clean the data and data analysis. XBRL can resolve the problems. Standardized reporting language and processes can help business leaders make informed decisions based on meaningful data, which would lead to improved risk management. It would also save time on data collation, allowing for prompt action to be taken.

IT systems captures data (ERP systems and accounting systems), an entity prepares it (CFOs and their teams) and another labels the data (XBRL accountants), auditors make sure the labels are correct and finally another entity ensures that this entire process was in accordance with the MCA.

Today investors, analysts and leaders in organizations have adopted data analytics at all levels of the decision-making process. Analytics is proving useful for best-in-class performing global companies by not just providing insights to key management personnel and analysts, but as a model for corporate behavior that can positively impact all key users in the way they gain insights and make better decisions. The result of the analytics processes should not be restricted to only one kind of user or to a small number of users and, of course, they should not be very difficult to understand.

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