



Financial Reporting & XBRL

May 25th, 2004

With the advent of XML technology and Sarbanes-Oxley, accounting firms, insurance regulators and industry must understand the flow from the detailed operational and transactional level of data -- ACORD standards -- to aggregated corporate reporting -- XBRL. This session will explain how XBRL will serve insurance clients and consumers with faster and better quality information and why accounting firms, technology vendors, and companies are embracing this technology.

Financial Reporting & XBRL

Don Gaskill

Chief Examiner

**Kansas Department of
Insurance**

dgaskill@ksinsurance.org

Paul Penler

Principal

Ernst & Young

**Vice Chairman XBRL
International**

paul.penler@ey.com

**James H. Dreyer, CFE, CISA,
AIE**

**Managing Director,
Insurance Regulatory and
Compliance Solutions
PwC Global**

james.h.dreyer@us.pwc.com

Mike Willis, CPA

Partner

**PricewaterhouseCoopers
Founding Chairman
XBRL International**

mike.willis@us.pwc.com

Financial Reporting & XBRL

- What is XBRL?
- Example: Automating the Analysis & Exam Process
- Market Adoption
- Benefits for Preparers
- Benefits for Consumers
- What Next?

Business Trends

- 1974
 - Average Grocery Store had 9000 SKUs
 - Chewing Gum sale in Ohio changed that forever



“We showed that it could be done on a massive scale, that cooperation without antitrust implications was possible for the common good, and that business didn’t need the government to shove it in the right direction.”

Alan Haberman, Chairman
Symbol Standardization Subcommittee

Business Trends (cont)

Giant Metal Boxes.....



- Up until the 1960's
 - Shipping individual pieces of cargo
 - Loaded, packed, arranged and unloaded separately
 - Significant breakage and pilferage

- Today, Containerization
 - 90% of world trade moves in containers
 - Shipping costs reduced by 70%
 - Exporting of goods flourished

What is the problem?

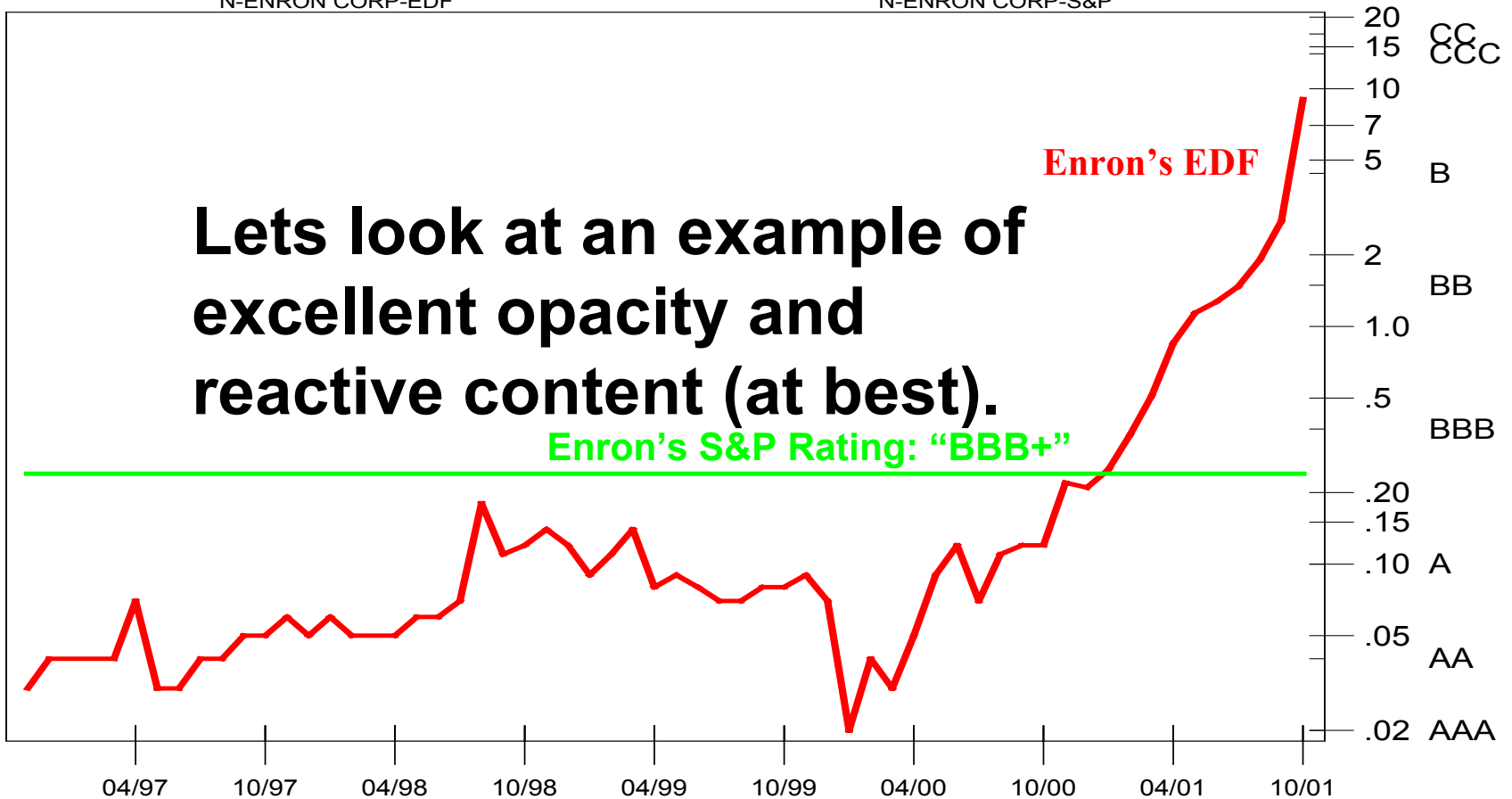
- Manual supply chain orientation
- Need for greater accuracy and efficiency
- External reuse is largely ignored
- Cost of consuming information is high
- Accuracy and timeliness are victimized
- Analysis adversely impacted
- Transparency is all about content
- Opacity thrives
- Uninformed decisions are the status quo

Enron: EDF vs. Agency Rating

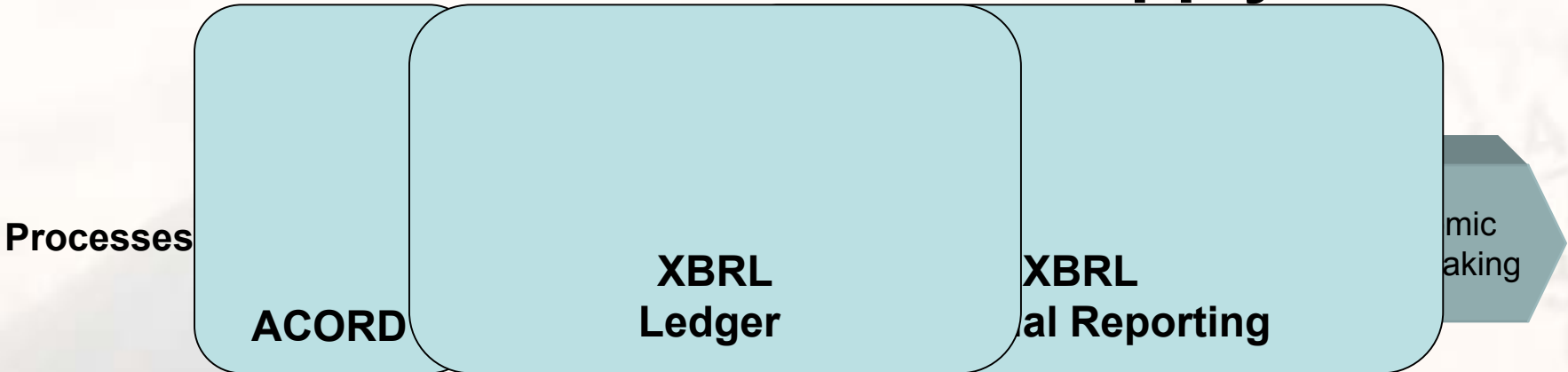
Credit Monitor


N-ENRON CORP-EDF

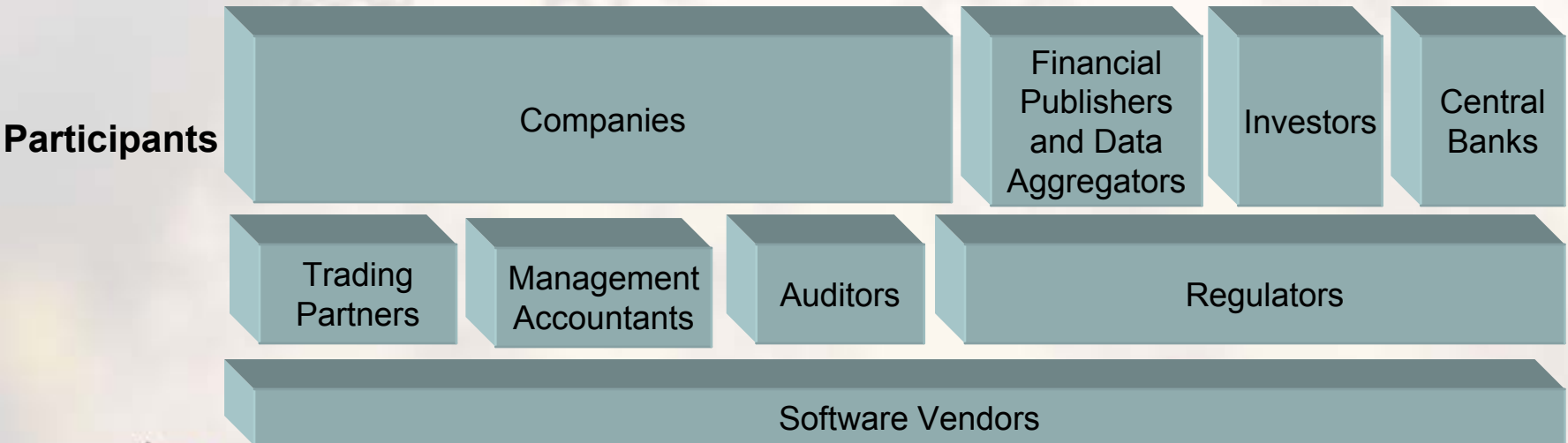

N-ENRON CORP-S&P



The business information supply chain



XBRL is good for all processes and participants



What is XBRL

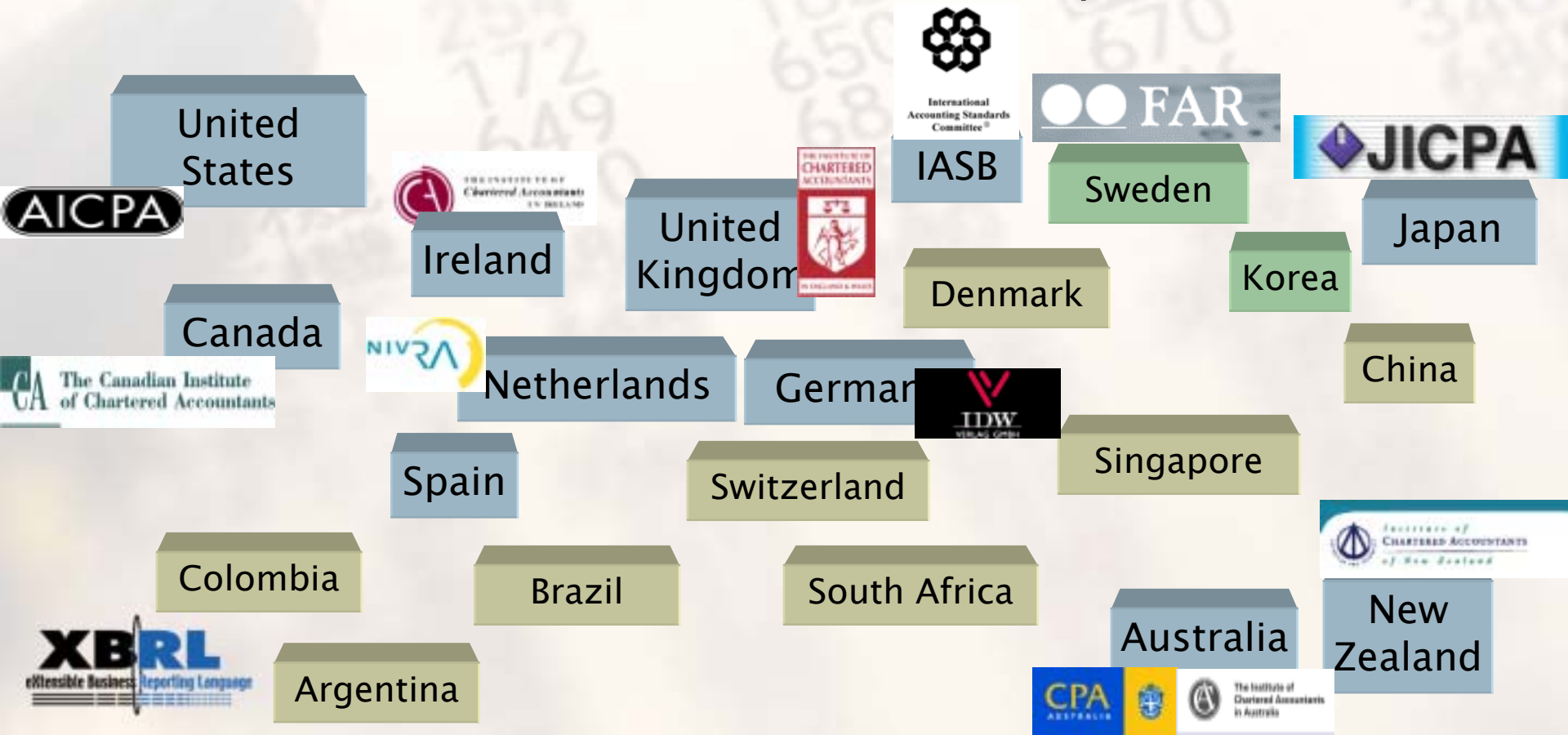
- An international market driven corporate reporting information format standard
- A platform for corporate reporting standards already adopted by the IASB for IFRS
- A market reality with broad and accelerating regulatory adoption around the world
- A tool that can enhance the quality and efficiency of business reporting
- A way to enhance the analysis of information contained within business reports

XBRL (eXtensible Business Reporting Language) is:

- **An information standard designed specifically to enhance business information exchange**
- **Available on a royalty free basis**
- **Based on accepted reporting standards**
- **The convergence of:**
 - **Technology = XML-based specification (information format)**
 - **Language / dictionary = (information)**
 - **Terms by jurisdiction (US, Germany, Ireland, Spain, Japan,.....),**
 - **Terms by regulation / industry (Basel 2, IFRS, GL, Accountants, Analysts,.....)**
 - **Collaboration by over 220 Consortium Participants**

XBRL International is a non-profit consortium

- Manages the royalty-free intellectual property
- Facilitates knowledge sharing with members
- Provide a framework for further development



The Growing Family



Over 220 and growing



MORGAN STANLEY DEAN WITTER



International Accounting Standards Committee



We bring good things to life.



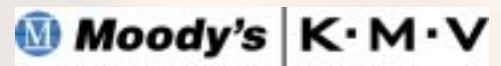
Grant Thornton



Deloitte.

PRICEWATERHOUSECOOPERS

Standard Advantage



REUTERS 



FUJITSU

PPC Practitioners
Publishing
Company
A THOMSON TAX & ACCOUNTING COMPANY

QUICK
Financial

DecisionSoft

THOMSON


Eagle  TM
technology management

NEC

MZW
Value-Based Systems Consulting

RR DONNELLEY

HITACHI
Inspire the Next

EDGAR[®]
Online[®]

IPEDO 

 MEDIA FUSION
Digital Media Communications

PeopleSoft[®]

UBMATRIX[™]
Automating Data Exchange

 GROUP
SYSPRO

JDEdwards[®]
Enterprise Software

SAP 

ORACLE[®]


CASEWARE
INTERNATIONAL INC.

CAPITAL
Printing Systems Inc.

Microsoft[®]

XBI
XBI SOFTWARE INC.



XBRL
eXtensible Business Reporting Language


EDGAR[®]
ONLINE[™]

eXtensible Business Reporting Language



Canada Customs and Revenue Agency

Agence des douanes et du revenu du Canada



INTEGRATED INFORMATION



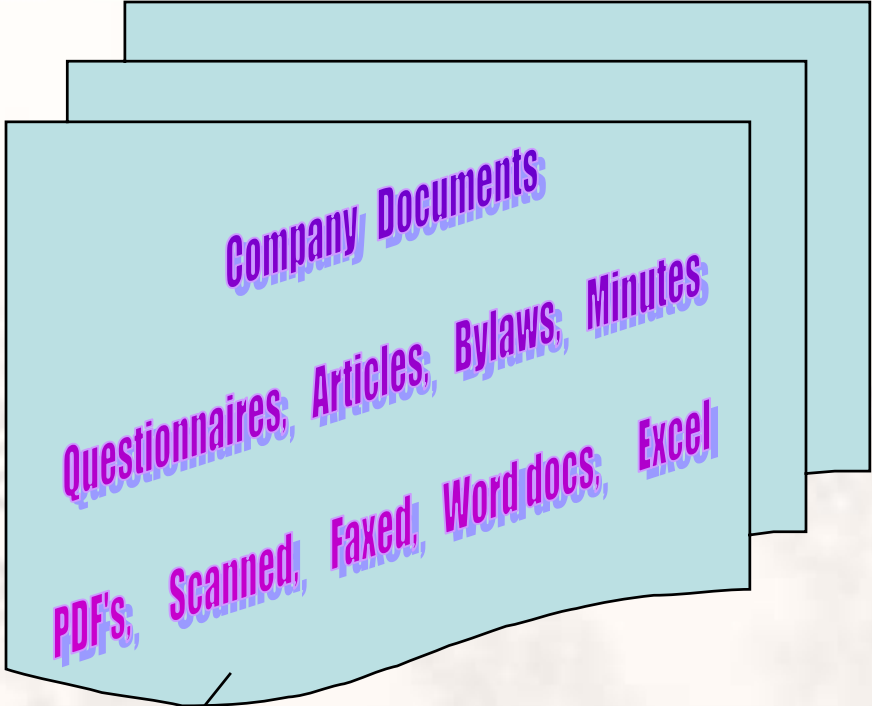
Financial Reporting & XBRL

- What is XBRL?
- Example: Automating the Analysis & Exam Process
- Market Adoption
- Benefits for Preparers
- Benefits for Consumers
- What Next?

Electronic Workpaper History

- Kansas Developed Workpapers (August 1999)
 - Problems with Security
 - Difficult to review
 - Problems with Size of Files (Machine Crashes)
- Licensed 3rd Party product (March 2000)
 - Demonstration given to KS Ins. Dept.
 - Solved Problems with KS Developed W.P.
 - Also could be used for Analysis Work and Admissions

Examination Process



Finished Workpapers

Electronic Workpaper Issues

- Document Files (Workpapers)
 - Examiners became professional scanners
- Data files (ACL)
 - Examiners became professional programmers

Examination Process Retooled

- Document files that are requested on each exam
 - Static - Articles, Bylaws, Certificate of Authority
 - Updates - Biographicals, Conflict of Interest, Minutes
- Standardized Data Files
 - Used data fields described in Examiners Handbook
 - [Company required to reconcile data](#)
- Meetings with Companies regarding new process

Schedule for Requested Items

- Requests sent out in October 2003 for Exams to be completed in 2004.
- Item Due Back December 1, 2003.
 - Information Systems Questionnaire (ISQ)
- Items Due Back December 31, 2003
 - Questionnaires (Exam Planning, Fraud, Accounting Controls)
 - Forepart documentation
- Items Due Back March 1, 2004
 - Data Files

Schedule for Examiners

- **Reviews at Department**
 - January – February
 - Questionnaires (Exam Planning, Fraud, Accounting Controls)
 - Forepart documentation
 - March – April
 - Data File Reviews
- **Onsite visits at Companies**
 - May - December

Company Documentation Files

Problems

- Companies did not have PC's
- Companies did not have Scanners
- Companies sent Hard Copy documentation –
Department sent the Hard Copy back to Company

Company Data Files

Problems

- Some companies unable to reconcile data
 - Fired programmers
 - Bought new computer systems
- Conversion of data to ACL
 - Data types not consistent (ASCII, xls, txt, dbase, mdb, etc.)
 - Field types not consistent
 - File names not as specified by request
- Length of time to convert data
- Cost to Companies

More Issues

- Companies not meeting the due dates
- Companies not wanting to change
- Meetings with Companies (helps to have Assistant Commissioner present)

Financial Analysis Process

Financial Statements
NAIC Reports
HTML, CSV, TAB, RTF

Company Documents
Agreements, Reports, Letters, Forms
PDF'S, Scanned, Faxed, Word docs, Excel

Finished Workpapers



Financial Statements

Problems

- HTML

- [Difficult to read](#)
- Unable to manipulate data
- Requires printing manipulations
- Requires download to R:drive from I-Site and upload into Workpapers

- PDF

- [Readable at times](#)
- Unable to manipulate data
- Requires download to R:drive from I-Site and upload into Workpapers

NAIC Reports

Problems

- Report data types vary
 - HTML, csv, tab, rtf
- Conversion process into Workpapers difficult
- Length of time to convert
- Cost

Analyze the Problems

1. Financial Statements
2. NAIC Reports
3. Company Data Files

KID requested a solution from

- Eagle Technology Management
- PriceWaterhouseCoopers
- Using XBRL
- [TeamLink](#)

XML/XBRL Benefits

Company Data Files

- No data conversions
- Easy loading of data into ACL
- Decrease cost of examinations

Financial Statements and NAIC Reports

- Automatic input into Workpapers
- Allows drill down to company general ledger
- Allows streaming data
- Easy to read
- Data manipulations
- Significant decrease in Lost Production

Roadblocks to use of XBRL

- Communication Barriers
- Education of Benefits
- Getting All Participants to Join Up
 - Regulators
 - Companies
 - NAIC
 - Financial Publishers
 - Software Vendors
 - Auditors
- Agreement on Taxonomies (dictionaries)

Temporary Solution

- Data Transfer, Conversion & Distribution
 - Financial Analysis
 - Examinations

Financial Reporting & XBRL

- What is XBRL?
- Example: Automating the Analysis & Exam Process
- Market Adoption
- Benefits for Preparers
- Benefits for Consumers
- What Next?

XBRL Regulatory Adoption – Publicly Announced

- **Australian Tax Office**
- **Banco de España**
- **Bundesbank**
- **Chinese Securities Regulation Commission (CSRC) {funding work at Shenzhen and Shanghai exchanges}**
- **Danish Commerce & Companies Agency**
- **Dutch Tax Authority**
- **Dutch Water Authority**
- **Eurostat**
- **EU Commission – XBRL in Europe**
- **The Irish Revenue**
- **KOSDAQ – Korea**
- **Luxembourg Stock Exchange**
- **National Tax Agency of Japan**
- **New Zealand Exchange**
- **Patent and Registration Office (PRV – Sweden)**
- **Shenzhen Exchange**
- **Tokyo Stock Exchange**
- **Toronto Stock Exchange**
- **UK Financial Services Authority**
- **UK Inland Revenue Bank of Japan**
- **US Federal Financial Institutions Examination Council (includes the FDIC and the Federal Reserve Board)**

Representative XBRL-enabled Products

- Shipping

- SAP mySAP financials
- Microsoft Business Solutions Navision
- Oracle FSG
- Creative Solutions (et al.)



Moody's | K-M-V



- Announced

- Microsoft Office 2003 Add-in
- Hyperion Financials
- PeopleSoft Enterprise Financial Management



- Custom

- CaseWare Financials
- Hitachi GEMPlanet



XBRL has no competitors

	Capital Markets	Banking	Real Estate	Insurance
Transactional	Capital Markets Data Exchange: ISO 15022, FinXML	Securities Trading SWIFTML, FIXML, STPML	Consumer & Business IFX, OFX	Mortgage MISMO
	Derivatives: FpML		Real Estate Transactions RETML	Consumer & Business ACORD
	Securities Vocabularies MDDL			
Reporting	All Financial Reporting: XBRL			
	Financial Research RIXML, IRML	Financial News MarketsML		

Source: Copyright © 2002, ZapThink, LLC

Industry Extensions

Completed & Available

- Commercial & Industrial
- Banking & Savings Institutions

Drafts available

- Insurance
- Broker Dealer

WIP – working draft planned for 9/30/04

- Oil and Gas
- Investment Companies
- US State Governments

Insurance Sector Collaboration

Insurance Companies active in IGIS:

- Metlife
- Merrill Lynch
- New York Life
- Hartford
- Northwestern Mutual

XBRL & ACORD White paper:

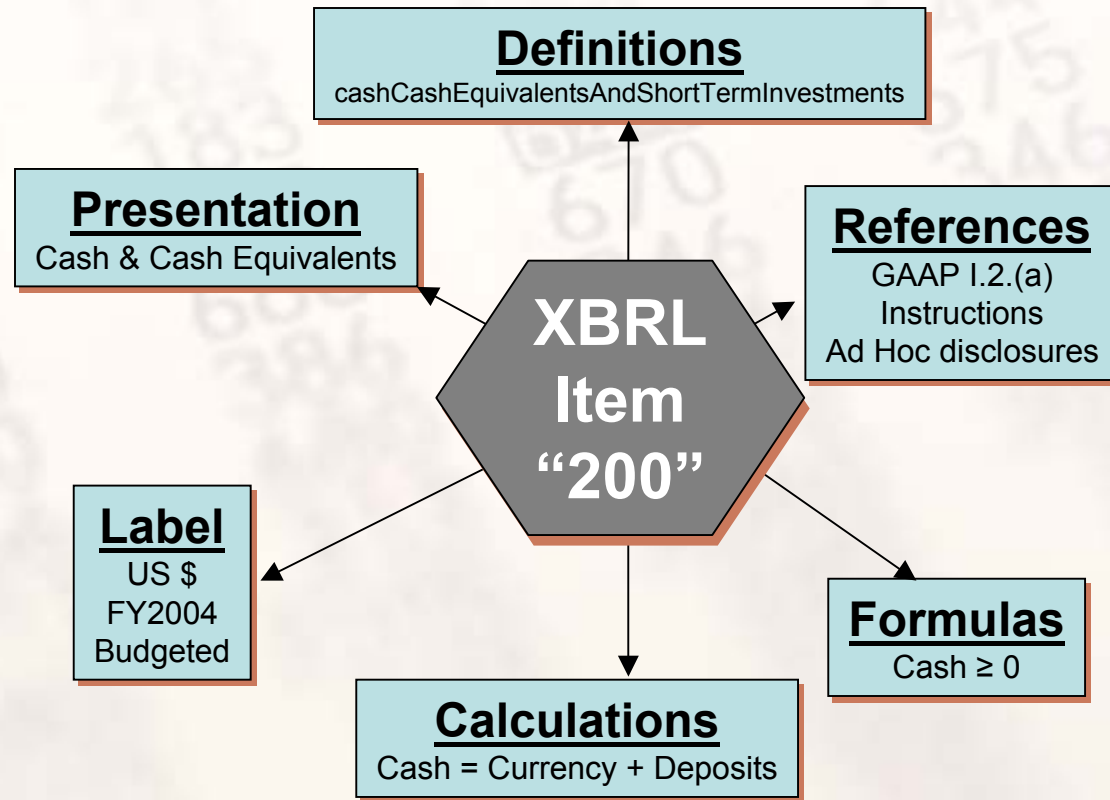
- Insurance companies on 'Review Committee' for the paper:
- Prudential
- XL Capital
- AllState
- ereinsure

XBRL – More than just definitional tags

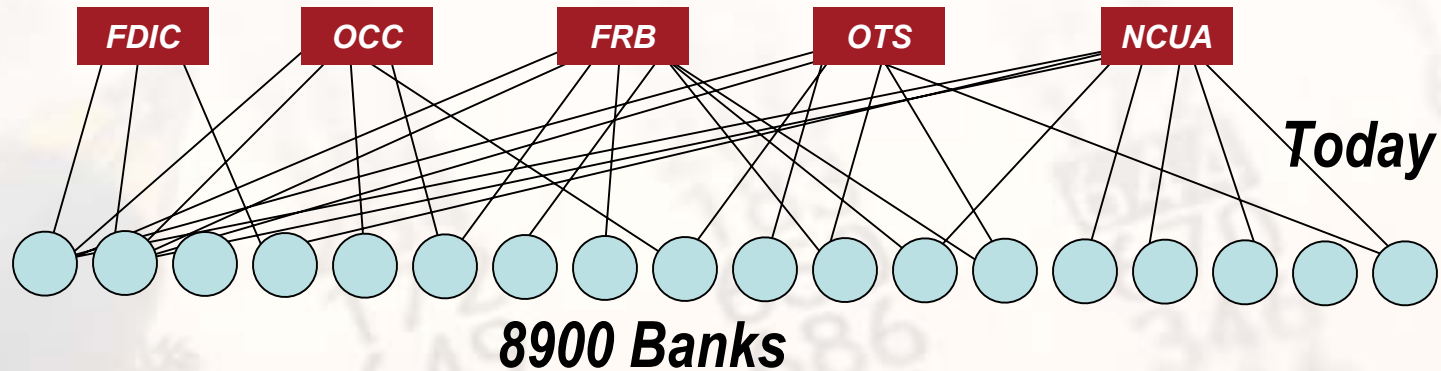
XBRL adds to XML:

- Multi dimensional financial data representations
- Financial reporting vocabularies (taxonomies)
- Aliases and other definition relationships
- Mathematical relationships between concepts
- Flexibility about how to present items to users
- Structure for authoritative policies and guidance

Reporting apps need these even when using XML

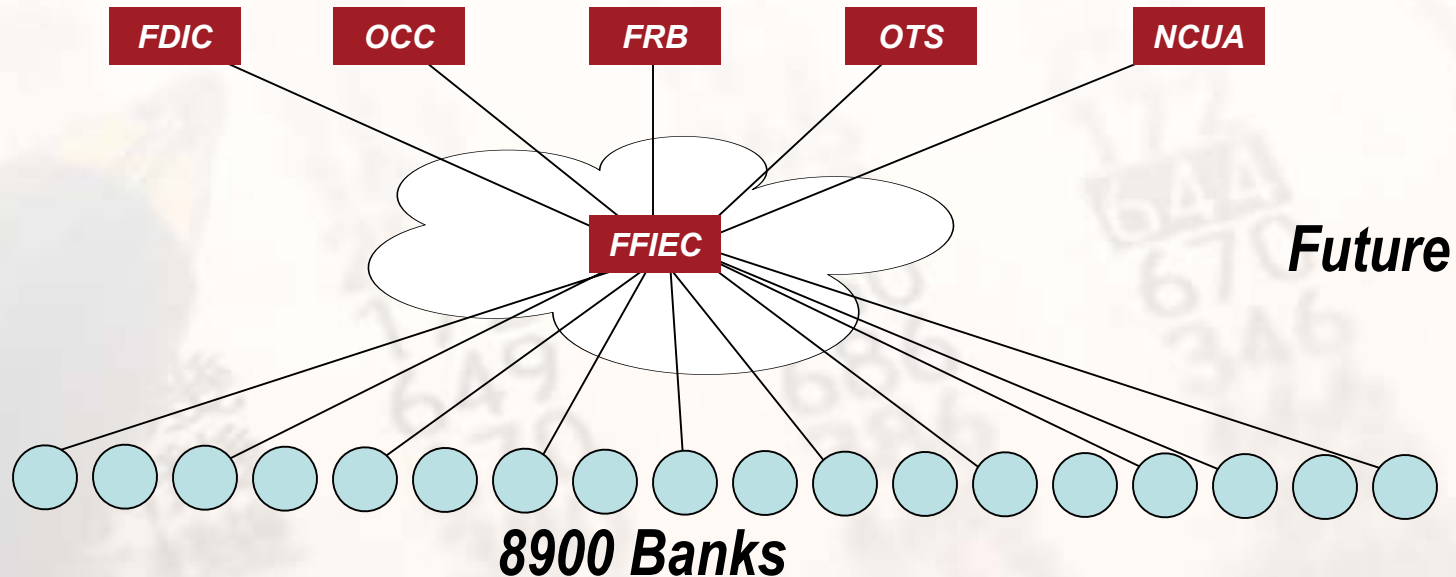


The US Banking industry example



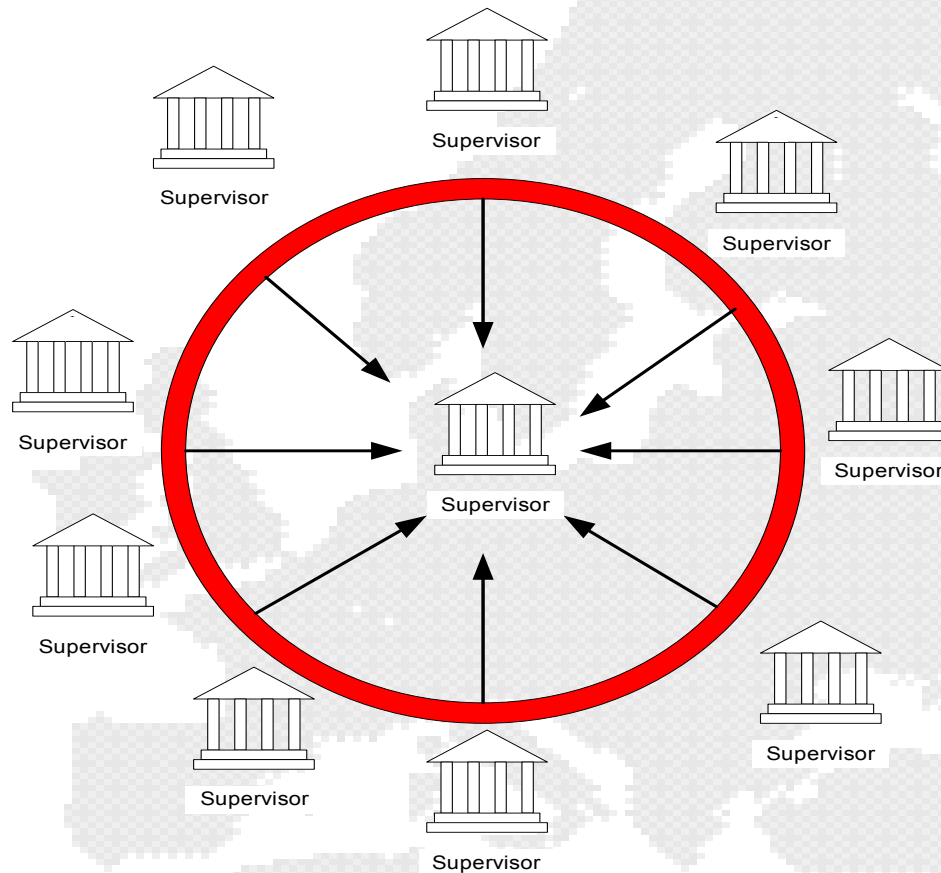
- Multiple copies of data exist inside multiple agencies (*error prone*)
- Avg of 60 – 75 days to receive, validate + publish filings (*not timely*)
- Estimated processing costs over next 10 years - \$65 million (*costly*)
- March 2003 reports had nearly 18,000 errors that needed to be corrected (*integrity issues*)
 - 1,000 basic math errors
 - 17,000 quality (validation) errors

The US Banking industry example



- XBRL open source data standard used for communicating report requirements, validations, instructions (*timeliness/flexibility*)
- Filers required to submit data in XBRL format over the web (*automation*)
- Multiple sources of data \Rightarrow SINGLE SOURCE (*integrity*)
- Processing Time 60-75 days \Rightarrow 2 Days (*timeliness*)
- Processing Costs \$65M \Rightarrow \$39M, a savings of \$26M (*cost/efficiency*)

Overcoming future challenges



- Enhance supervisory co-operation.
- Promote information exchange between supervisory authorities (all sectors).
- Provide financial information to all supply chain member in an open and transparent manner.
- Set up a common framework and standard for the collect and publication of the financial information.

Does XBRL enhance comparability?

	2003	2002	2001
Company 1 Premiums	164,196	162,256	160,504
Company 2 Premiums	185,524	177,324	169,051

Are these elements comparable?

Financial Reporting & XBRL

- What is XBRL?
- Example: Automating the Analysis & Exam Process
- Market Adoption
- Benefits for Preparers
- Benefits for Consumers
- What Next?

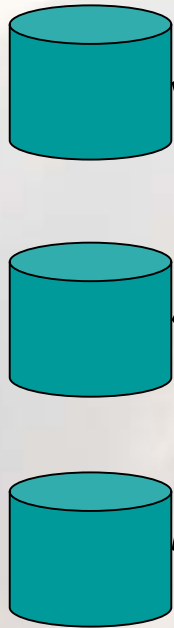
Benefits of XBRL for Preparers

- Lower cost of producing information
- More timely, accurate, data for decisions
- Enhanced analytical capabilities
- Better control environment
- Tell your own story (precise & clear)
- Accelerate adoption of reporting models
- Enhanced functionality
- Ease of use

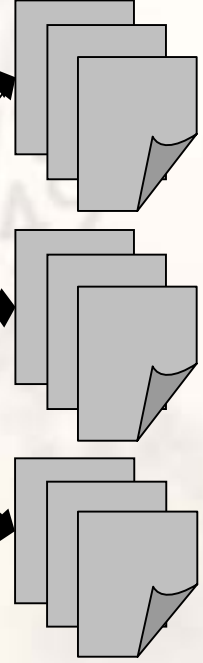
What is in this for companies?

Management Reporting Architecture

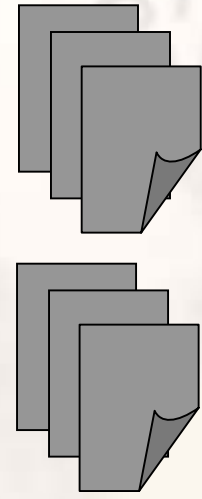
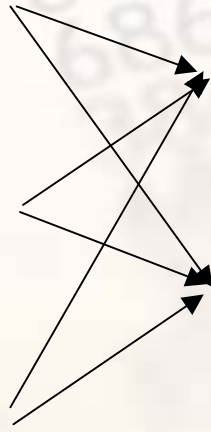
Transaction Data



Multiple Departmental Excel Spreadsheets



Consolidated spreadsheets for management



Senior Management



2000 elements = 6500 spreadsheets (this is not a typo)

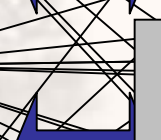
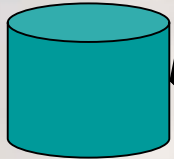
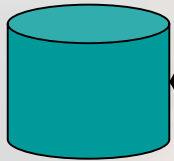
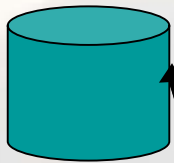
Management Reporting Architecture

Transaction Data

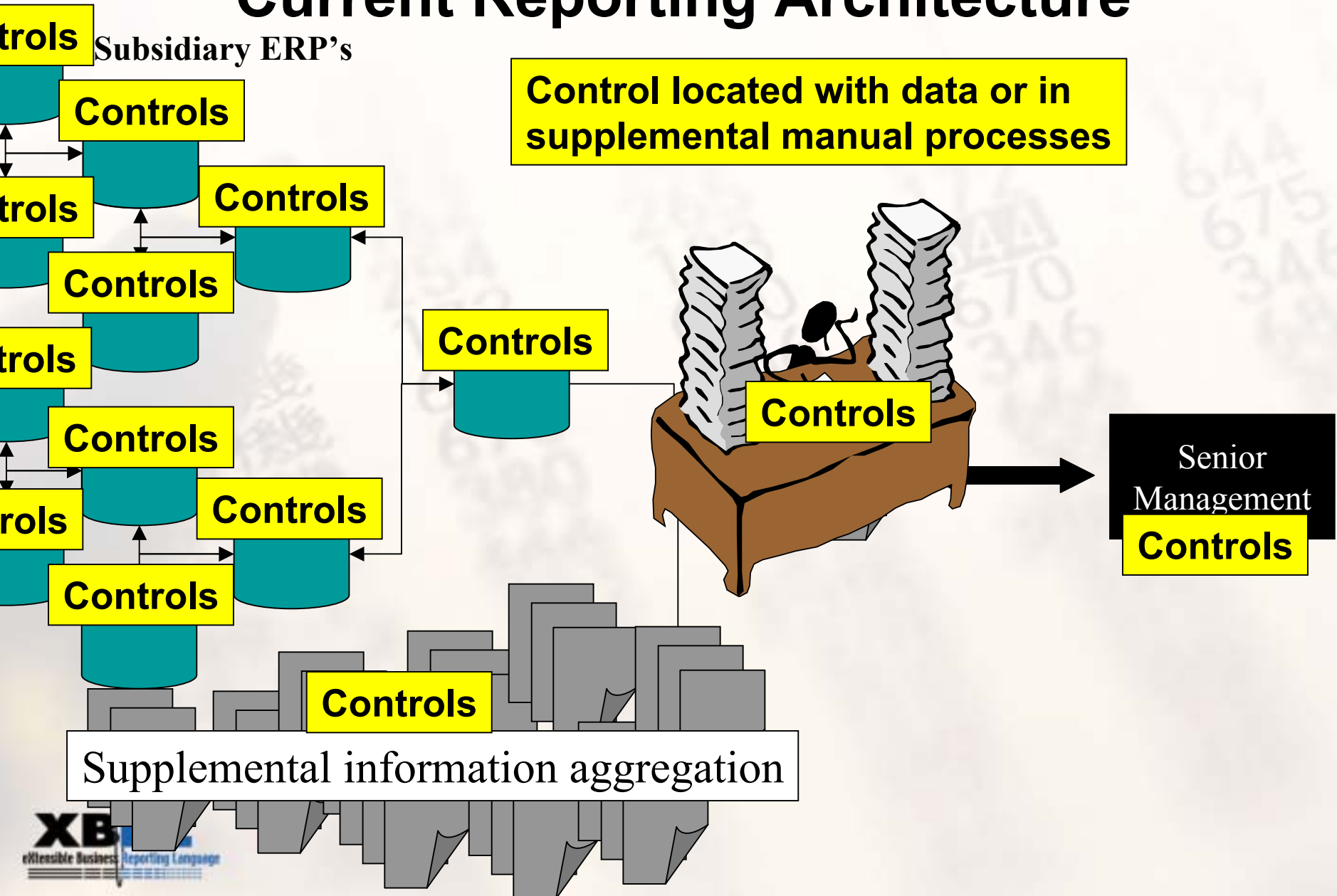
Multiple Departmental Excel Spreadsheets

Validated spreadsheets for management

Senior Management

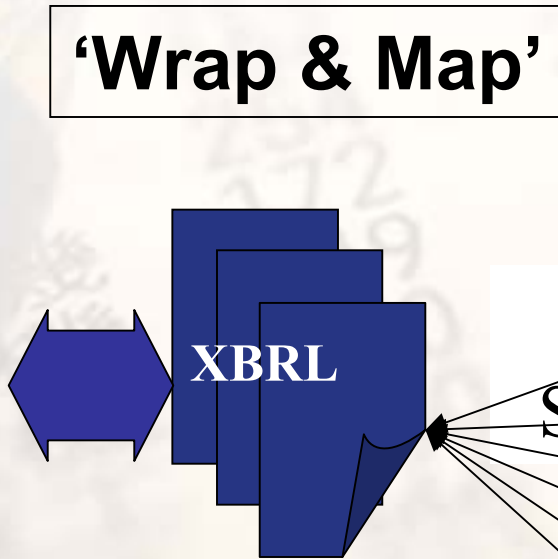
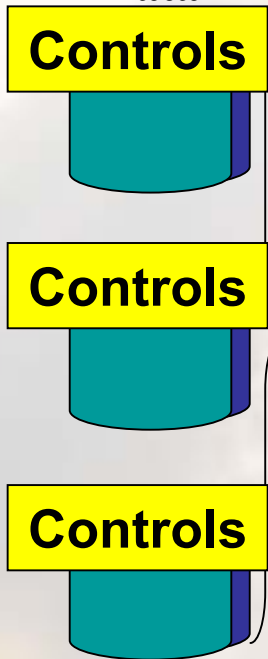


Current Reporting Architecture



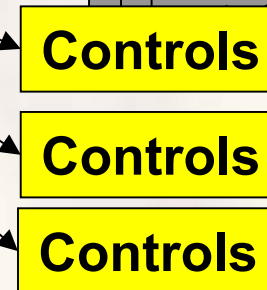
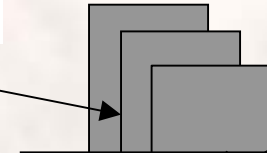
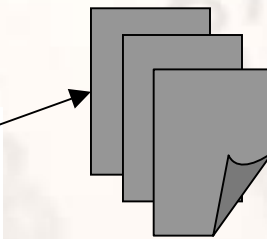
Taxonomy Driven Architecture

Transaction
and or
subsidiary
Data



Viewing and aggregation for
department & management

Web
Services



Senior
Management

Impact on Control Environment

Today

1. Manual
2. Periodic
3. Physically connected to Internal data store
4. Segregated in each business unit/redundant costs
5. Reactive/untimely
6. Opaque/ deep in organizational processes
7. Less secure

Taxonomy Driven

1. Automated
2. Persistent
3. Embedded in data process flows - Optimized
4. Integrated within enterprise processes/cost effective
5. Proactive/timely
6. Visible/transparent
7. More Secure

Outcome is to move controls further up the quality curve

Financial Reporting & XBRL

- What is XBRL?
- Example: Automating the Analysis & Exam Process
- Market Adoption
- Benefits for Preparers
- Benefits for Consumers
- What Next?

Benefits of XBRL for Consumers

- Lower cost of consuming information
- Faster access to information
- More timely, accurate, data for decisions
- Enhanced analytical capabilities
- Enhanced functionality
- More useful access to information
- Ease of access to definitions enhance comparability
- Facilitates language translations



Welcome to the home of the Microsoft Excel® Investor's Assistant

Overview

- This demo provides a snapshot of how information reported by companies in the XBRL format will be more efficiently, accurately and timely consumed and analyzed by investors, analysts and other users. This demonstration attempts to highlight the inherent analytic capabilities related to XBRL formatted data for companies and their stakeholders.
- For the first time, users will be able to blend both stock market data provided in XML and financial data tagged in XBRL
- The demo was developed by a collaborative team from Nasdaq, Microsoft and PricewaterhouseCoopers

Download the spreadsheet

- [XLS File](#)
- [Zipped version of the XLS File](#)

System Requirements

Excel XP or Excel 2000 and IE 6.0 [More...](#)

FAQs

- [Why did we build this demo?](#)
- [What is really different here?](#)
- [What does this demo consist of?](#)
- [Why is transparency important?](#)
- [What is XBRL?](#)
- [Why is this relevant to me?](#)
- [Investor](#)
- [Analyst](#)
- [Company](#)
- [Regulator](#)
- [IT Technical](#)
- [Who was involved?](#)

http://www.nasdaq.com/xbrl

Financial Reporting & XBRL

- What is XBRL?
- Example: Automating the Analysis & Exam Process
- Market Adoption
- Benefits for Preparers
- Benefits for Consumers
- What Next?

Next Steps

- Learn More
- Assess Goals/objectives
- Develop a plan
- Taxonomy Considerations

Next Steps – Learn More

- Attend XBRL Conferences (US &/or International)
- Attend training sessions
 - Awareness
 - Taxonomy / FRTA training (Business)
 - Specification training (IT)
- Taxonomy Reviews
 - US GAAP Taxonomies
 - US Statutory taxonomy
 - Internal taxonomy
- Read Progress Reports: <http://www.xbrl.org/whatisxbrl/index.asp?sid=42>

Next Steps - Assess Goals/objectives

- Assess the optimal state of information
 - Information Access
 - Aggregation and Assembly Processes
 - Disclosure & Value
- Master plan on information requirements
 - Conduct an assessment of information requirements (vs. schedule/forms approach)
 - Consider this an opportunity to eliminate redundancies in current reporting and aggregation forms

Next Steps – Develop Implementation Plan

- Implementation Plan:
 - 5% Technology
 - 10% Information
 - 85% Change Management
- Test in a pilot area
 - Pain is a good place to start
 - Controls around reporting processes (worksheets?)
 - Look to adjacent areas/processes
- Inventory applications & tools
- Taxonomy develop approach
 - Internal reporting processes (standard accounts)
 - External reporting requirements

Next Steps – Taxonomy Considerations

- Public Taxonomies
 - Assess participation & collaboration level
 - Gap analysis for external reports
- Develop Approach for:
 - Maintenance of industry extensions to core meta data
 - Validation rules, data quality tests, analysis rules
 - Taxonomy maintenance via custom application or off-the-shelf metadata tool
 - Archiving of company extensions
- Inventory applications & tools



Financial Reporting & XBRL

May 25th, 2004

With the advent of XML technology and Sarbanes-Oxley, accounting firms, insurance regulators and industry must understand the flow from the detailed operational and transactional level of data -- ACORD standards -- to aggregated corporate reporting -- XBRL. This session will explain how XBRL will serve insurance clients and consumers with faster and better quality information and why accounting firms, technology vendors, and companies are embracing this technology.