Opportunities for Standards in Insurance

A joint study from BSI and Long Finance –2014

Prepared by Z/Yen Group for BSI

About the Publishers

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Executive Summary

Following the publication of *Backing Market Forces: How to Make Voluntary Standards Markets Work for Financial Services Regulation* by BSI, CISI and Long Finance in November 2013, BSI asked Z/Yen Group to research opportunities for voluntary standards development in selected sectors of financial services, starting with insurance (the focus of this study), and investment and asset management (I&AM).

This report provides an overview of the opportunities for standards development in the insurance industry (particularly wholesale insurance) that emerged throughout this study, based on interactions with industry professionals and associations during workshops, informal discussions, and responses to an online questionnaire.

The research showed that voluntary standards market approaches would be particularly suitable around product development, product information and processes in insurance.

Respondents confirmed the striking need for standards aiming to improve transparency, information quality and access in order to increase customer satisfaction and product comparability in insurance. Such standards could take the form of a 'Fair Insurance' product information standard (similar to the Fairbanking scheme but for insurance). These could build upon recent achievements, such as the first life insurance product that was awarded (in August 2014) a trusted mark in accordance with the *Sergeant Review of Simple Financial Products* and based on an independent certification process run by BSI – the BSI Kitemark for Financial Products.

As the findings of this study highlight, and based on industry support, the development of standards could benefit a number of areas. Z/Yen Group recommends that BSI explores the following opportunities further:

- Standards and certification of transactional data exchange.
- Certification of model building and model data exchange with industry actors.
- Standardized policy wording.
- Anti-fraud standards.

Strong industry interest was also expressed for standards aiming to support market modernization and process streamlining efforts. This could be particularly around claims operations (i.e. handling, processing, accounting and settlement), a critical area of the business which accounts for significant expenditure and has a direct impact on customer satisfaction.

Finally, risk modelling and scenario development were highlighted as specific areas where standards could help to standardize data interfaces, support data management and storage, and enable sound methodology development guidelines for scenario development.

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1. Introduction

1.1 Background and objectives

In November 2013, BSI, CISI, and Long Finance published *Backing Market Forces: How to Make Voluntary Standards Markets Work for Financial Services Regulation* following a five-month research project which explored the role of voluntary standards in financial services.

The central finding of the report was that voluntary standards markets could play a greater role in rebuilding a safer and more trusted financial services sector. Financial services are a relatively moderate user of voluntary standards compared with other commercial sectors, such as shipping or food processing. Financial services are heavily regulated and financial regulation is complex, involving different industry actors at local, national, regional (e.g. EU), and international levels. Voluntary standards could, however, play a greater role in increasing transparency and improving industry practices while encouraging competition. The report advocated a 'New Combined Approach' to regulation in financial services featuring voluntary standards where applicable.

Following the publication of the report, BSI asked Z/Yen Group to research opportunities for voluntary standards development in selected sectors of financial services, including insurance and reinsurance. This research project explored gaps and opportunities for standards development in insurance and reinsurance. To this end, Z/Yen Group engaged a cross-section of the insurance industry and related industry associations through two workshops (see Appendix 1), informal discussions with industry professionals and an online questionnaire (see Appendix 2). This report provides an overview of the opportunities and priorities for standards development in the insurance industry that emerged throughout the project, with a focus on wholesale insurance although opportunities relevant to retail insurance are also considered. These opportunities are not meant to be exhaustive but point to possible priorities for standards development particularly around products and processes.

1.2 Voluntary standards markets

A voluntary standards market is 'a commercial system in which actual and potential buyers and suppliers of products and services rely on conformity assessments'.[1] Conformity assessments are carried out against standards and can consist of self-certification, second party and third party independent verification and certification (BSI, CISI and Long Finance, 2013). Voluntary standards are typically developed on the basis of consensus of all interested parties, are subject to unrestricted open consultation and undergo systematic review to ensure their continued validity.

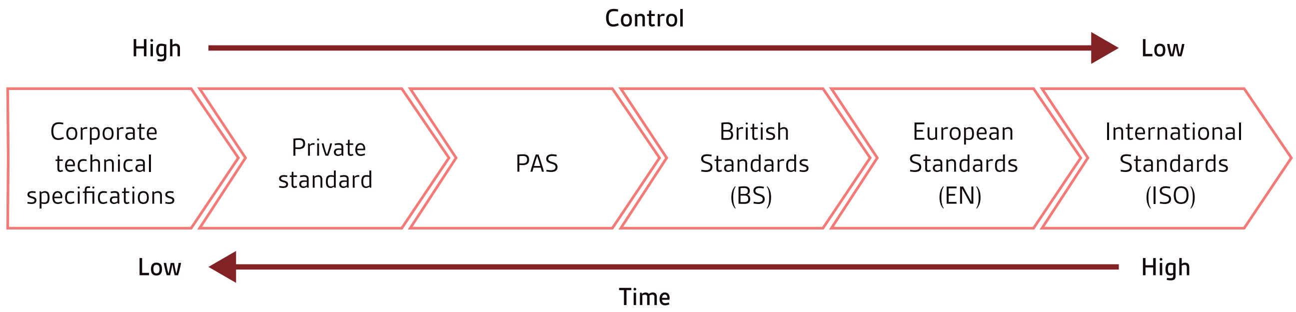
As highlighted by *Backing Market Forces* (2013), the voluntary standards markets can be categorized according to their focus, such as:

- **people standards** focus on organizational and individual behaviour, values and conduct, and include standards of professional competence and codes of conduct;
- **product standards** focus on the characteristics and technical specifications of products including design and manufacturing features, safety, interoperability and materials;
- **process standards** focus on production or operational processes and include, for example, data management, quality management systems, disclosure, reporting, risk and resilience management and assessment standards;
- **system standards** provide rules and principles addressing risk at a systemic level including risks related to systemic stability, competition, macroprudential regulation and leverage.

Voluntary standards can evolve over time from a corporate standard – an internal specification or protocol developed and applied within an organization – to publicly available and formal standardization such as an international standard (ISO) where compliance can be independently assessed through third party verification and auditing (see Figure 1).

1 Some standards cannot be assessed but might be used as guidelines instead, for example, principle-based standards. Source: BSI, CISI and Long Finance. *Backing Market Forces* (2013), p. 2

Figure 1 — Types and evolution of standards



[Source: BSI, 2014]

Standards bring benefits by:

- reducing technical barriers to trade;
- providing a framework for achieving economies of scale, efficiencies, and interoperability;
- improving risk management;
- supporting public policy objectives; and where appropriate
- offering effective alternatives to regulation.

Standards are market-based solutions, which enable innovation (e.g. technological standards) and support competition among industry actors where it matters and where it helps clients (e.g. standards granting market access). Competition is good insofar as it encourages innovation. Standards should not prevent desirable competition by unnecessarily restricting market access or by discouraging innovation. Competition adds value when it promotes evolution for a period of time. Standards can then emerge over time to address market needs.

2. Insurance Industry Landscape

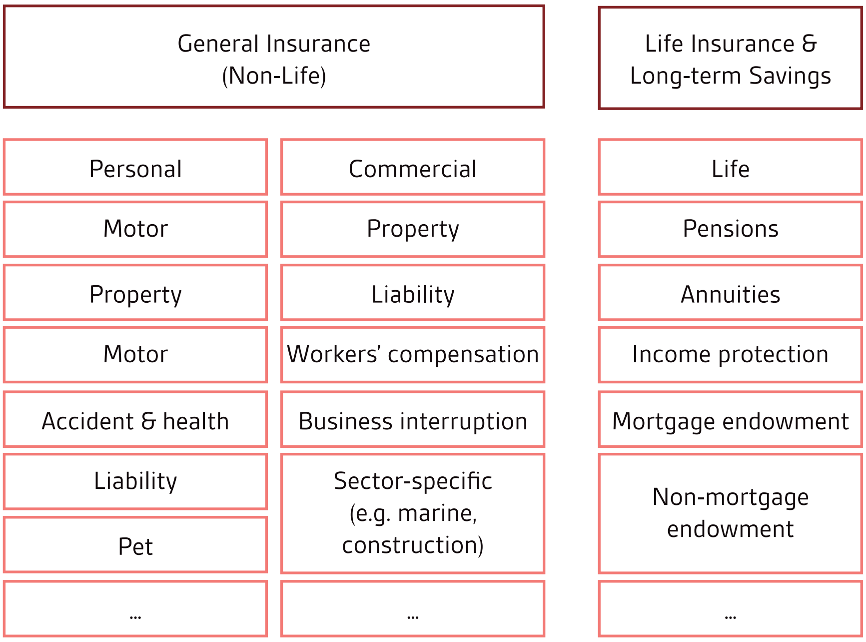
2.1 About the insurance industry

Insurance is a risk management mechanism designed to protect the financial well-being of individuals, companies and other entities by transferring the costs of a potential significant loss to other entities, i.e. insurance companies, in exchange for monetary compensation, i.e. premiums. Based on the 'law of large numbers', insurance companies pool different types of risk and use statistical analysis to project what their actual losses will be within a given class. Premiums are generally invested to generate income, which allows paying for actual losses while generating a profit. In most instances, the absolute level of risk exposure of an insurance company will outweigh the capital held on its balance sheet. Thus, insurance companies often seek to transfer risk to third parties through reinsurance policies, which help to stabilize expected results, strengthen their financial situation and protect against catastrophic losses.

Different types of insurance exist and are generally classified between life insurance and long-term savings on the one hand, and general insurance, also called non-life insurance, on the other hand. The chart in Figure 2 provides an overview of the main types of insurance policies.

By mitigating the effects of exogenous and unpredictable events such as illness, accident, death and natural disaster, insurance offers an effective protection and risk management mechanism and limits or relieves the financial burden on the insured. Insurance's contribution to society, however, goes beyond a risk management mechanism as the industry also contributes by facilitating financial intermediation, providing information on risk, promoting financial stability and supporting economic growth (The Geneva Association, 2012).

Figure 2 — Types of insurance policies



[Source: adapted from ABI, 2013]

The UK insurance industry is the third largest in the world after the United States and Japan, and the largest in Europe. In the UK, the insurance industry employs about 320,000 people (nearly a third of all financial services jobs), manages investments worth about GBP 1.8 trillion and contributes over GBP 10 billion in taxes (ABI, 2013).

Insurance companies are major institutional investors and asset managers. Related opportunities for standards development in I&AM are not discussed here but can be found in a second industry report titled *Opportunities for Standards in Investment and Asset Management*.

2.2 Regulatory landscape

The insurance industry is a tightly regulated industry. Supervisors and regulators at all levels seek to protect consumers and the solvency of the industry. The biggest current issue in European insurance regulation is the development of an economic approach to solvency regulation. The *Solvency II Directive*, due to come into force in January 2016, is a set of EU-wide capital requirements and risk management standards with the aim of increasing protection for policyholders (Blackrock, 2013).

In the UK, insurance contract law reform has been subject to much debate. Since 2006, the Law Commission has produced three consultation papers (and nine issue papers), in an effort to update the Marine Insurance Act 1906 and to redress the balance between insurers and the insured. Proposals for reform mainly focus on the consumer insured's duty of disclosure, the business insured's duty of disclosure and the law of warranties. Of these, only one led to a bill, the Consumer Insurance Act, which came into force in 2013. A second bill focusing on the law of disclosure in business insurance was entered into Parliament in July of this year (Clyde & Co LLP, 2013; UK Parliament).

There are conflicts with best practice and regulation. For example, Aviva is reported to have pushed for the UK Treasury to enact more rapidly some Law Commission's insurance contract reform proposals, 'the industry itself should take greater responsibility for this process' (Hilton, 2014).

2.3 Existing standards

Many types of standards already apply to the insurance industry. These include:

- financial, accounting and solvency standards;
- standards of practice for conducting business (such as claims-handling standards and standards for amending or discontinuing coverage);
- underwriting standards;
- actuarial standards for pricing and reserving; and
- information and data-management standards.

The International Association of Insurance Supervisors (IAIS) is a voluntary membership organization of insurance supervisors and regulators from more than 200 jurisdictions in nearly 140 countries. Established in 1994, the IAIS is the international standard setting body responsible for developing principles, standards and other supporting material for the supervision of the insurance sector and assisting in their implementation. The key standard developed by the IAIS is 'The Insurance Core Principles' (ICPs) which provide a globally accepted framework for the supervision of the insurance sector.

The IFRS (International Financial Reporting Standards) is due to release a final version of the *IFRS 4: Insurance Contracts* accounting standard in early 2015. The Insurance Contracts project aims to provide a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The project also aims to enhance comparability of financial reporting between entities, jurisdictions and capital markets.

In the UK, the actuarial profession complies with standards issued by the Financial Reporting Council (FRC), which is the UK's independent regulator. The FRC is responsible for promoting confidence in corporate governance and reporting and is responsible for setting technical actuarial standards. The FRC also reviews regulatory activities conducted by the Institute and Faculty of Actuaries (IFoA), which include education, training, CPD, ethical standards, professional conduct, discipline, practising certificates and monitoring.

ACORD, the Association for Cooperative Operations Research and Development, is the insurance industry's non-profit standards developer. ACORD is based in the US but develops international standards currently used by many countries. Their standards apply mainly to information and data management. Their standards encompass three primary areas: products, people and processes and are applicable to the life insurance, health insurance and annuity sectors.

Along with the finance industry, the insurance industry has made steps toward sustainability through the development and adoption of internal codes of conduct and environmental regulations. The industry has also adopted voluntary standards such as BS ISO 14001 (environmental management systems) and is a signatory to the UNEP Finance Initiative (UNEP FI). In 2012, the UNEP FI launched the 'Principles for Sustainable Insurance (PSI). By mid-2013, approximately 60 major insurers, insurance market bodies and international organizations had signed up to the Principles.

In addition to global bodies such as the UN and ISO, there are national bodies that drive the development of standards for many industries including insurance. These include ANSI (American National Standards Institute), DIN (Deutsches Institut für Normung) and BSI (British Standards Institution).

PAS 125, *Automotive Services* is a specification for vehicle damage repair processes which helps to ensure a consistent level of quality in the repair process, as well as improved customer satisfaction and safety. Developed with input from the motor insurance industry and the vehicle repair industry, it will be updated as a British Standard BS 10125 in 2014. Body shops that are compliant with motor insurance industry PAS 125 demonstrate that they are competent, that their vehicle repair services meet the criteria of the standard and repairs take place in accordance with manufacturers methods. As a result of the additional assurance provided, some insurers now recognize PAS 125 compliant body shops outfits as being 'approved'.

Formal standardization has been adopted by the insurance industry for the assessment and management of risk in relation to business (and customer) exposure to natural disasters or business resilience issues. Flood risk (BS 8533), Business Continuity Management (BS ISO 22301) and management of physical high value assets (BS ISO 55001, *Asset Management*) can provide assurance.

3. Opportunities for Standards in Insurance

During the research carried out in 2013, we gave preliminary indications of areas in financial services where voluntary standards market approaches could be suitable by contrasting the primary risk issue – people, products, processes and system – against the type of actors in financial services, using H – high, M – medium and L – low suitability. Suitability was defined as a combination of need, applicability and desire. People, products and process standards were identified as highly suitable for wholesale insurance and re-insurance. Low suitability was found for people standards, medium suitability for process standards but high suitability for product standards for insurers in retail insurance.

Voluntary standards should help to improve insurance industry practices where benefits outweigh the costs and without reducing competition where it is needed. Based on the previous paragraph, and engagement with insurance industry professionals, further research on opportunities for standard development in insurance seems to confirm that voluntary standards market approaches would be particularly suitable around product development, product information, and processes – three areas which are explored in greater detail in the following sections.

Research and discussion in this study highlighted that national and international voluntary standards could be particularly suitable across all three areas – product development, product information and processes – in insurance market segments such as micro-insurance that have developed in recent years and for which regulatory frameworks are emerging but tend to vary greatly across jurisdictions. In the case of micro-insurance, voluntary standards could assist in harmonizing product requirements, improving contract ease and clarity as well as consumer protection and in simplifying processes for premium payments, claims handling and adjustment as well as compensation payment (All, 2010).

According to respondents, people standards do not represent a priority area for voluntary standard development in the insurance industry, except perhaps for standards intended for professional bodies and aiming to define good practice and clarify roles, for example around brokering. Similarly, system standards were not found to be most relevant as insurance areas relevant to systemic stability are usually dealt with through regulation (e.g. solvency). Some respondents did however suggest that standards could emerge to improve transparency and materiality disclosure across the industry and to better define relationships and interactions between different insurance actors such as brokers and agencies, including the underwriting of sub-agencies.

3.1 Product development standards

Voluntary standards could assist in optimizing product development for emerging risks such as cyber risk or natural disaster risk and new technologies being developed and implemented, e.g. nanotechnology.

Losses arising from emerging risks such as cyber risk and natural disaster risk should not be underestimated. According to the Center for Strategic and International Studies, 'the annual cost to the global economy from cybercrime is more than USD 400 billion in losses' (CSIS, 2014: 2). Cyber crime does not only impact on individuals whose records are stolen but also on companies' performance and national economies by damaging trade, competitiveness, innovation and economic growth. While risk management frameworks are emerging, adequate insurance products have only appeared in recent years, offering in most instances restrictive coverage limited to specific exposures (e.g. disruption of activities following attacks) (CRIF). Voluntary standards could help the insurance industry in optimizing relevant product development, developing and standardizing information requirements as well as risk management best practice and guidelines. Similarly, insurance losses from environmental risks such as natural disaster have risen sharply in recent decades, totalling USD 370 billion in 2011, of which USD 116 billion was insured (Capgemini, 2013). A significant portion of the global economic damage from natural events is not covered by insurance, but is borne by victims or partially alleviated by disaster relief funding provided by governments and multilateral organizations. Improvement is therefore needed to ensure the needs of stakeholders are met. While standards are emerging (e.g. BS 8533, *Flood Risk*), the insurance industry needs to play a part in developing a new

Table 1 – Opportunities for product development standards

Area of opportunity	Description	Possible stakeholders	Potential benefits
Emerging risks, e.g. cyber risk, natural disaster risk	Insurance product development against new types of risks, e.g. cyber attack on company.	• Risk experts and scientists • Insurance product development teams	• Improved understanding of risk, impact and opportunities • Optimized product development
New technologies, e.g. nanotechnology	Optimizing insurance product development in light of new technologies being developed.	• Insurance product development teams (starting with commercial insurance) • New technologies experts or developers	• Improved understanding of risk, impact and opportunities • Optimized product development

approach towards better understanding these risks and their impact, which could be facilitated by the development and adoption of natural disaster risk management and resilience assessment standards.

Voluntary standards could also play a role in optimizing product development as new technologies emerge, for example, nanotechnology or synthetic biology. While the effects of nanotechnology on human health and the environment have not yet been determined, this new technology can potentially impact on various types of insurance policies, particularly liability insurance on resulting products.

Current standardization efforts by BSI and ISO TC 229 focus primarily on terminology, classification, testing, specifications, and health and safety, which is a first step towards reducing misunderstanding and legal ambiguity as clear definitions can help to avoid unexpected cover or gaps in cover and thus support insurance product development and adjustment (ISO; Baxter, 2009). Further, the impact of new technologies and innovation (e.g. digital technologies) on consumer markets should not be ignored. Digital technologies create new security needs to cope with fraud and data risks for example. At the same time, digital technologies also offer new and innovative opportunities for the customization of insurance products (e.g. motor insurance by the mile). Voluntary standards could help in terms of both product development and process (risk management, for example).

3.2 Product information standards

Voluntary standards in the area of product information could assist in improving customer satisfaction and understanding. Insurance products have generally been criticized for being complex, having high distribution costs and being applicable to only a limited range of loss circumstances.

Improving customer experience is regularly cited by industry studies as a critical performance factor for many insurance companies. Superior customer satisfaction and understanding of customer needs is increasingly becoming a key factor of competitiveness in a market characterized by competitive pricing, quick replication of innovations and commoditization of products (Capgemini, 2013).

Some respondents suggested that a 'Fair Insurance' scheme aimed at improving transparency, information quality and access should be developed in relation to insurance products and customer relationships. A similar scheme – Fairbanking – already exists in retail banking where the Fairbanking Foundation regularly publishes ratings of financial products based on how well they serve customers and is the first accredited body for financial products in the UK (Fairbanking, 2013). In the UK, the *Sergeant Review of Simple Financial Products* (March 2013) recommended a set of nine principles to guide the development and sale of savings and protection insurance products including their features, language and purchasing process. In August 2014, a Fixed Term Life Insurance product from Barclays was the first product to be independently certified by BSI in accordance with the Sergeant Review and awarded the BSI

Kitemark for Financial Products (Barclays and BSI, 2014). Such certification processes could perhaps be applied to other products and industry players to offer greater comparability between products and clarity to customers.

Policy wording was also cited as an area where standards could add transparency. Wording is a complex area, it can have far-reaching implications, for example when claims are disputed and is not necessarily always easy to understand for clients. Policy wording can only be standardized to such an extent as insurers compete on wording differences (and thus the extent of coverage). Standardization in this area might make competition clearer for clients by helping them to identify more easily where insurance actors differ, particularly in terms of coverage. Such standards could focus on defining where policies use standardized wording and provide a structured chain of audit with sources and dates of amendments.

Table 2 – Opportunities for product information standards

Area of opportunity	Description	Possible stakeholders	Potential benefits
Transparency	Improve information quality on and access to products, calculations, claim coverage and exclusions.	• Product sale teams • Customer protection agencies • Legal team	• Customer satisfaction and understanding
Policy wording	Add clarity for clients to identify where policies differ.	• Policy developers • Legal team	• Transparency and better comparability of policies

3.3 Process standards

Process standardization represents the area in the insurance industry where voluntary standards could have the most impact in terms of opportunities for streamlining, efficiency gains and harmonization of procedures within and across companies and ultimately operational cost effectiveness, as illustrated by the number and diversity of opportunities presented in Table 3.

Claims operations are a critical part of the insurance business model both in terms of expenditure (nearly 80 % of the premium is spent on claims payments and processing costs) and the insurance company's ability to perform and meet customer expectations efficiently (Accenture, 2008). To better understand who is involved in claims processing and how, Figure 3 shows typical interactions between a client and different insurance actors, while Figure 4 illustrates a typical claim process.

The need for operational and performance improvements in relation to claims handling and processing is widely acknowledged among insurance professionals and voluntary standards could support such improvements particularly around procedures, documentation processes, data collection, management and storage. Respondents highlighted, for example, transaction processing as an area for improvement. Insurance companies tend to face a relatively higher volume of low value claims, which are generally handled in the same way as high value transactions. Standards supporting a more streamlined approach recognizing the different types of transactions as well as their volume and value could lead to operational cost efficiencies.

Voluntary standards have a role to play in supporting market modernization and process streamlining efforts, including around core processes such as claims processing, accounting and settlement. Market-wide initiatives are

Table 3 – Opportunities for process standards

Area of opportunity	Description	Possible stakeholders	Potential benefits
Claims handling	Assessment and communication on coverage issues, document process workflow, claims management, dispute resolution mechanisms.	• Claims professionals and related associations • Customer protection agencies	• Customer satisfaction • Operational cost efficiencies
Claims adjustment	Determination of claim settlement, setting policy adjustments e.g. age-related, condition-related.	• Adjusters and related associations	• Customer satisfaction • Operational cost efficiencies
Accounting and settlement	Processing of claims settlement, messaging, control mechanisms.	• Claims professionals and related associations • Accountants	• Customer satisfaction • Operational cost efficiencies
Process standards, e.g. placement (beyond ACORD)	Common data language, data collection and management, system security.	• Operations teams • ITC suppliers	• Operational cost efficiencies
Emerging risks, e.g. nanotechnology, cyber risk	Risk assessment, data collection and management.	• Top management • Risk analysts • Scientists • ITC suppliers	• Guidance on best practice • Greater accuracy and efficiency
Risk modelling and scenario development	Support the development of adequate risk rating engines and catastrophe modelling software, models, scenarios and reporting processes.	• Risks analysts • ITC suppliers	• Accuracy and sound methodologies • Efficiency gains

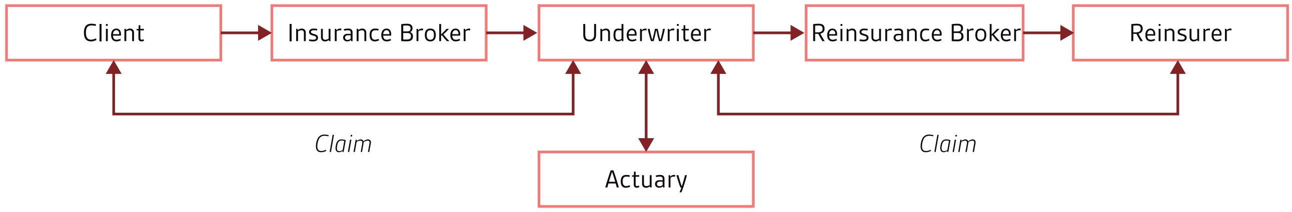
emerging, for example, the Central Services Refresh Programme (CSRP), a programme supported by London Market Group, the International Underwriting Association, Lloyd's Market Association and others, which aims to develop a model for future processes taking into account customer benefits (IUA, 2013). Standards should underpin such efforts, including around data (e.g. ACORD data standards), placing (e.g. Market Reform Contract), accounting and settlement as well as related electronic processes.

Emerging risks though difficult to define and standardize also represents an area where voluntary standards could help in assisting the development of data collection processes and risk assessment frameworks for use by underwriters and brokers. Nanotechnology, for example, is used to make products containing materials built on the atomic scale, and is seen as a rapidly growing and potentially very large future market. Risks arising from nanotechnology relate to nanoparticles which often have unknown toxicity, disperse easily in air and water and for which ultimately the impacts on health and the environment are unclear (Lloyds, 2007; OECD and Allianz, 2005). In the absence of tangible scientific evidence or specific regulation on this matter, voluntary standards could help in establishing adequate risk assessment and management frameworks as well as underwriting guidelines to ensure adequate risk insurability and coverage, particularly for companies operating nanotechnologies (Baxter, 2008).

Contrary to Figure 3, clients can also contract insurance companies directly, without using broker intermediation.

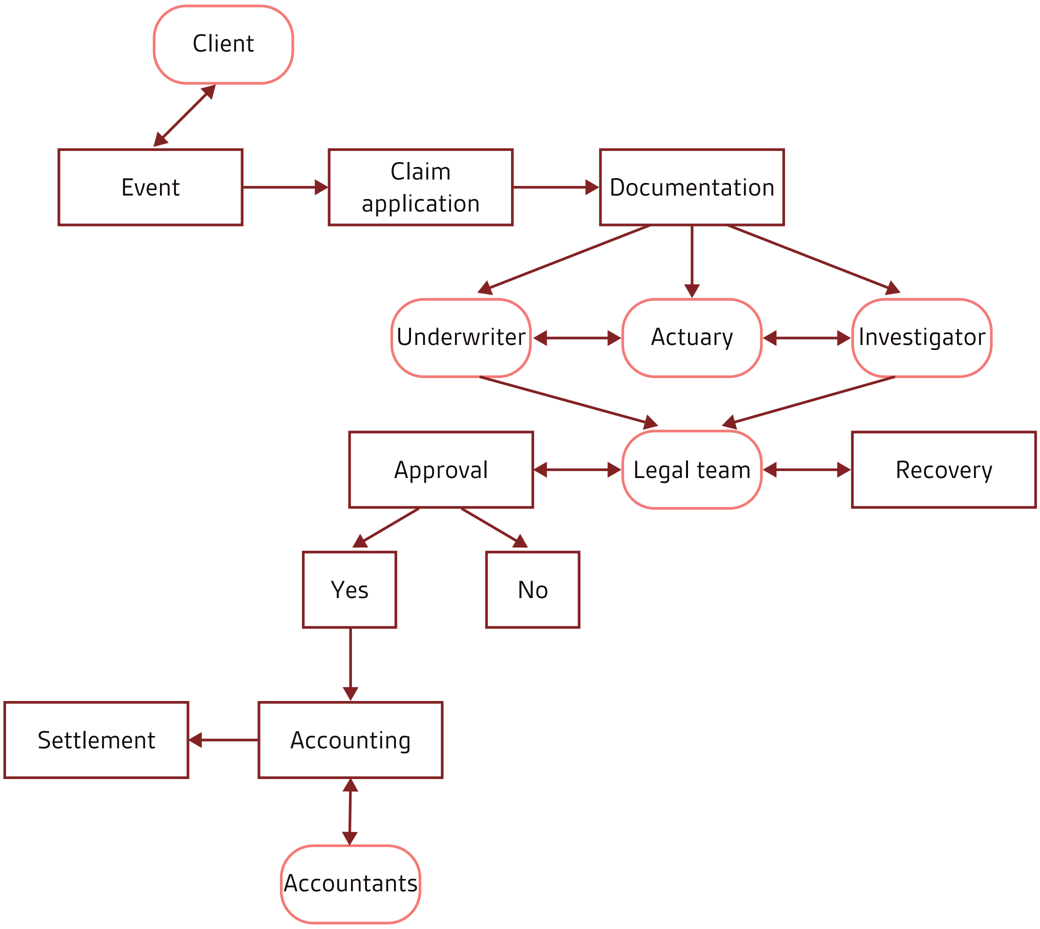
Risk modelling and scenario development is an area where standards could help to standardize data interfaces and support the development of methodology guidelines for scenario development. While standards exist for

Figure 3 — Interactions between a client and different insurance actors



exposures and policy data structures (e.g. ACORD framework), model data interfaces for example around industry loss databases, hazard footprints and damageability functions are not yet standardized. During informal discussions, industry representatives highlighted that while catastrophe modelling has significantly evolved over the last decades, the model marketplace has remained unchanged. Initiatives like the OASIS Loss Modelling Framework are devoting efforts to open the marketplace for data and models in order for the industry to have wider access to effective tools for catastrophic risk assessment (OASIS). Similarly, the Lloyd's Market Association Exposure Data Project, which started in July of this year, represents an effort to define a set of practical solutions to the organization, maintenance, and communication of exposure and related information and data and could lead to reductions in both transactional costs and costs related to mis-analysis (LMA, 2014).

Figure 4 — A typical claim process



[Adapted from Delpachitra, 2008]

4. Conclusion and Recommendations

4.1 Conclusion

The insurance industry is a complex and tightly regulated industry. Opportunities for voluntary standards development exist, particularly around product and process standards.

This research indicates that:

- **people standards** do not seem to be an important area for standards development as they are reasonably dealt with using professional bodies and training;
- **product standards** are an area for more consideration. In the wholesale markets there was more interest in product standards around new product development. In the retail markets there was recognition that scandals such as those in banking, as well as rising levels of mistrust in society, meant that there might be a need for certification of product information, an insurance equivalent of Fairbanking, perhaps building on the Sergeant Review and BSI independent certification process; and
- **process standards** were an area of greater interest. Process standards would help to ease friction and reduce costs among insurance firms, though principally in the wholesale markets. Of particular interest were standards related to information interchange, both about insurance transactions and the construction and exchange of risk models. In both cases there are existing initiatives setting out how these processes should work. For insurance transactions, there is ACORD. For model exchange there is OASIS. A voluntary standards market for both could focus on the certification of compliance with the standard.

4.2 Recommendations

The objective of this research was to delve deeper into one area of financial services, namely insurance, and see if there were more specific areas in which voluntary standards markets could provide benefits. Amongst a plethora of theoretical suggestions, four areas appear worth further investigation based on industry interest, and might be useful for BSI to take forward:

- **Standards and certification of transactional data exchange** – ACORD members might find certification of compliance useful in proving that other members have valid data exchange systems.
- **Certification of model building and model data exchange** – risk analysts might find particularly useful a process model for building, validating, verifying, and testing models. Equally, as the OASIS and Lloyd's Market Association Exposure Data Project indicates, there is potential for standards and certification to standards to reduce both transactional costs and potentially much larger mis-analysis costs in modelling.
- **Standardized wording** – while a complicated area, and as noted previously an area of competitive advantage, it might be useful to explore, for example, with Lloyd's or Xchanging, whether there is some potential to develop a certification of standardized wordings. Such a standard should not stand in the way of customization or bespoke wordings, rather it should indicate where contracts are standard and provide a structured chain of audit with sources and dates of amendments.
- **Anti-fraud standards** – with CIFAS there is the potential to develop an anti-fraud standard, not just for the processes, but also the responses and information sharing that prevents fraud spreading through the insurance markets. This is a slightly speculative suggestion, but one where certification could again play a major role in increasing public confidence whilst simultaneously reducing inter-insurance industry costs.

Appendix 1: Events Held

'Voluntary Standards Markets and Insurance'

Wednesday, 11 June 2014, 08:30 to 10:00, Z/Yen Group offices, London

This workshop invited insurance professionals and representatives to discuss the role of voluntary standards for the insurance and reinsurance industry and attempted to address the following types of questions: What are the perceived benefits of introducing voluntary standards? What are the challenges and opportunities? Are there any existing standards that would be useful for the insurance industry? Participants expressed the need for an industry-led approach to restore credibility and trust in the industry. It was felt that opportunities arose from areas including governance, people, processes and products with organizational excellence and claims handling being of particular interest.

For online information about this event

www.longfinance.net/index.php?option=com_content&view=article&id=886&Itemid=175

'Opportunities for Standards in Insurance'

Tuesday, 1 July 2014, 08:30 to 10:00, Z/Yen Group offices, London

This workshop invited insurance professionals and representatives to opportunities and priorities for standards development in insurance. After an overview of the first workshop and of the role and different types of standards, participants discussed several opportunities particularly around product information and processes including policy wording and administration systems, claims handling and adjustments, modelling and risk management, accounting and settlement and how to address emerging risks.

For online information about this event

www.longfinance.net/index.php?option=com_content&view=article&id=888&Itemid=175

Appendix 2: Questionnaire

Professionals and representatives from the industry were invited to complete a short online questionnaire. Similar questions were used during informal interviews.

1. Do you use any voluntary standards in your day-to-day role? If so, which ones?
2. To what extent do you think that the insurance sector as a whole could benefit from industry-specific standards?
3. Are there any issues in the insurance and reinsurance industry that you think are not yet addressed through regulation (either government or industry self-regulation)?
4. Which insurance areas could benefit from standards development?
5. Which areas do you think should be prioritized?
6. To what extent do you think standards could be relevant in the following areas? (1 being not relevant, 3 being indifferent, 5 being very relevant.)

Areas	1	2	3	4	5
Risk modelling (including systemic risk)					
Insurance for emerging technologies					
Credit insurance					
Big Data					
Claims handling					
Claims adjustment					
Accounting and settlement					
Emerging new risks					
Other – please specify					

Appendix 3: Acknowledgements

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Anthesis

Blue Horse Consulting

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OASIS

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Seven Investment Management

Shires Partnership Limited

SwissRe

Temperley Consultants

Thatcham

TIW Group

Willis

UKAS

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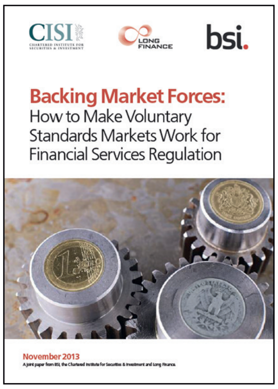

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