ACORD European Summit Addresses Industry Changes, Trends, Standardization

Recently, ACORD hosted an interactive meeting in Munich, Germany to discuss current changes and trends within the European insurance industry and roles for standards. More than 60 executives including leading international brokers, insurers and reinsurers, IT service providers, consultants, academics, European standards organization representatives, and the ACORD Board participated. Juergen Heck, ACORD Program Director for Europe, moderated the sessions.

The event opened with remarks from Hermann Pohlchristoph, CFO for Reinsurance at Munich Re. He first addressed the industry's current financial picture with today's low interest rates and insurance equity undervaluation. This segued directly into ways companies, according to Pohlchristoph, are meeting today's challenges using customized solutions and new products while increasing profitability rather than only focusing on volume.

However, he explained, efficiency is key and there is a great deal of potential to improve efficiency through increased process standardization. Pohlchristoph concluded by discussing how both gathering and understanding quality information is vital to survival. He examined how new changes, such as those tied to Solvency II, increase the importance of quality data in meeting these demands.

Finally, while e-Trading has not yet deeply penetrated the industry, Pohlchristoph sees it as having great potential to increase efficiency in interactions between partners and improve data quality. In this area, Munich Re fully supports ACORD standards and the Rueschlikon Initiative as a key industry development.

State of the Industry

Next, a panel made up of Al Iuppa of Zurich, Gerhard Hastreiter of Allianz, Daniel Haefeli of the Geneva Association, and Bill Pieroni of State Farm shared detailed views on the general state of the industry as well as how low interest rates, a soft market, and increased competition are affecting the global marketplace. Regulation was, as expected, a major area for discussion. Globally, the group saw the emergence of new policymaking bodies with participants who have little or no background in the insurance industry as a potentially volatile source for decision-making and for bank-style regulatory approaches not suitable to long-tail risks. One such area of concern was participation of finance ministers in the G20 discussions.

Increasing regulations in Europe will place more burdens on insurance companies. It is questionable, according to the panel, whether new regulatory approaches can live up to the expectations policy makers have publicly espoused.

Finally, the role of technology in addressing these and other issues was discussed. The group agreed that data and process standards are essential for success. Legacy systems remain a burden on older, more established companies and could give new organizations an advantage in the marketplace. New technologies, including cloud computing and mobile devices, need to be examined for their applicability to industry needs. Finally, it was agreed that agility and nimbleness remain essential assets for companies trying to remain competitive.

e-Trading and Standards
e-Trading remains a major topic of discussion around the world as is the role of standards in its implementation.

This international panel agreed that, while fragmented in terms of market approach, products, and language, European insurers are making progress in standardization due to increased globalization. According to Manuel Reimer of eEG7, cooperation among national standards organizations could pave the way to more international interoperability in Europe.

Today, many of the standards remain nationalized, according to Monique Hesseling of Zurich, as there is still, no incentive to move to global standards if companies aren't working across borders. Process standardization, however, was seen as a priority over message standardization. Hesseling added that if you standardize the business process, the data will follow.

Ian Meadows of RI3K added that there is a need to standardize the way we interact with the outside world and focus on quality data and governance. This, he said, is an area where IT service providers experience could be leveraged.

Commenting from the London Market perspective, Ian Summers of Aon Benfield said that there is a need to focus on manageable steps and key points when globalizing. He also pointed out that increasing pressure on cost containment and discussions of straight through processing will help, but harmonized processes are the key.

When it came to e-Trading internationally, Hesseling reminded attendees that there is still a cultural difference between North America and Europe and it's not to be underestimated.

Breakout Sessions
The participants then actively discussed the "messages of the morning" in a series of parallel breakout sessions and came to some important conclusions. Each group reported to the main body of attendees.

Standardization of Data and Processes Assist in Tackling the Challenges of the Insurance Industry
The inefficiency of the industry, according to this group, is expressed in today's share prices. There is an overall need to embrace change, which is driven by globalization and cost efficiency. New customer behavior needs to be considered including technological trends like new interfaces and mobile technology. Also, new types of organizations need to be taken into account that have different or complementary value chains. With all of this, information remains a key ingredient for the insurance industry. Finally, the concluded that standards enable a structured, industry-wide approach to business efficiency and support informed decision-making.

The Value of Standards Needs to be Proven to the Business Community
Standards help people understand the role and value of insurance, but are a tough sell to business audiences. Compelling business cases are required that illustrate how standards fit economically into corporate plans, show who benefits and who pays, and provide tangible benefits. In addition, it must be explained how standards can increase service quality and speed, improve data quality, lower costs through higher internal efficiency, and improve ease of doing business with others. Standards can also support transformation driven by regulatory changes such as Solvency II and help companies adapt to the new economy. These messages need to be communicated in business language. Also, regulation could be a positive driver for further standardization in the industry and standards could drive regulation.

IT Service Providers Play a Vital Role in Standardization
IT service providers are drivers of industrialization and standardization as they focus on scale and reusability of products. As long as they are customer-driven, they could help to overcome in-house legacy issues, offer open market utilities, and offer advice on standards.

The Visibility and Effectiveness of the Standards Community Need to Improve: The Industry is Ready for a European Approach
A starting point for increased cooperation is regional interests complemented by international and global interests. It is best to agree on non-competitive areas and interoperability that include industry data models and components, process architectures, architectural frameworks like the ACORD Framework, and the mapping standards, which are beneficial from business perspective

Closing Remarks
It was clear to the participants that changes such as industrialization and increased standardization need strategic thinking, the development of a common vision, and a change in overall thought processes along with thorough planning and execution. The strategy proposed was to:

- Start small
- Define the core requirements
- Identify touch points
- Look for easy wins with economic benefits

While the base for standardization and improved data communication exists, ACORD believes there may be a need for further European events throughout 2011 to position standards as enabler of efficiency, data quality and industry transformation.