# ACORD

# THE VALUE OF STANDARDS

October 2018

## ABOUT ACORD

Founded in 1970, ACORD is a non-profit organization that provides the global insurance industry with data standards which promote accurate, effective, and efficient exchange and use of information. Since its inception, when it first began standardizing P&C forms, ACORD has been an industry leader in identifying ways to help its members make improvements across the insurance value chain.

Currently, ACORD engages more than 4,000 participating organizations, spanning 20 countries. With the tools and resources provided by ACORD, these participants are equipped to deal with the current business environment while influencing and shaping the future of the industry. Learn more at www.acord.org.

**Insurance is a unique industry that centers around a promise – specifically a promise that the consumer's risk will be understood, insured, and in the event of a claim, paid. This promise is grounded in data, the lifeblood of insurance, which flows from the very first interaction to the final transaction and beyond.**

**For more than 45 years, ACORD has played an integral role in the global insurance industry, adding value for stakeholders across every aspect of the value chain. Using ACORD data standards, insurance stakeholders are able to improve their process, organization, and technology capabilities, making the flow of insurance data seamless.**

## AN INTRODUCTION TO ACORD DATA STANDARDS

ACORD's objective is to enable efficient and effective flow of insurance data. All insurance transactions rely upon timely and accurate exchange of data across stakeholders. With ACORD's data standards and solutions, these exchanges of information are possible, and the insurance industry is able to operate optimally and provide the best experience for its consumers.

At first glance, data standards may seem abstract. However, they serve the same overarching purpose as all standards, including those created for everyday household objects, such as appliances. For example, electrical standards and certification allow an appliance power cord, regardless of who manufactured it, to be plugged into a compatible outlet. In a similar manner, ACORD data standards establish rules for data elements, definitions, formatting, and information descriptions. These rules allow industry stakeholders to exchange and use data for their own needs regardless of how it was created or collected.
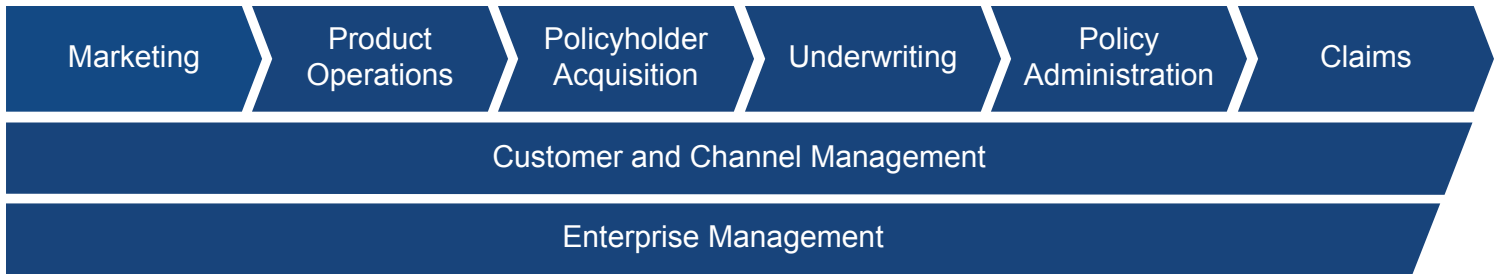
*Figure 1 – Stakeholder Web*



Data standards are particularly critical for the insurance industry because of three major factors that have complicated the business environment.

- Insurance stakeholders have varying business and technical needs, all intended to serve the customer and add value throughout the process. However, these varying, and sometimes competing, needs add complexity to the insurance business model.

- The exponential growth of data across the industry also adds another layer of complication. Organizations have the opportunity and obligation to consume ever-increasing volumes of data which can help improve business operations but also can make data management more difficult.

- Changing regulations can create issues for organizations across the industry, costing time and money trying to navigate the evolving regulatory landscape.

Data is used during each step of the insurance value chain, and standards enable each of these stakeholders to share and consume data easily. Through the development and deployment of data standards, standardized messages and transactions are created, facilitating communication and integration among stakeholders across the entire insurance value chain.

*Figure 2 – Insurance Value Chain*

| Marketing | Product Operations | Policyholder Acquisition | Underwriting | Policy Administration | Claims |

Customer and Channel Management

Enterprise Management

## BENEFITS OF INSURANCE DATA STANDARDS

Organizations are working to simultaneously address historical and emerging challenges, and at the heart of those efforts is data. These forces drive organizations to embrace standardization in order to mitigate risks. ACORD views the value of standards through three lenses – efficiency, effectiveness, and flexibility. Once organizations adopt and implement data standards to address the challenges they are facing, they realize capability improvements across process, organization, and technology dimensions.

*Figure 3 – Business environment challenges/forces*

Consumerization

Ecosystem Integration

Data & Analytics

Digitization
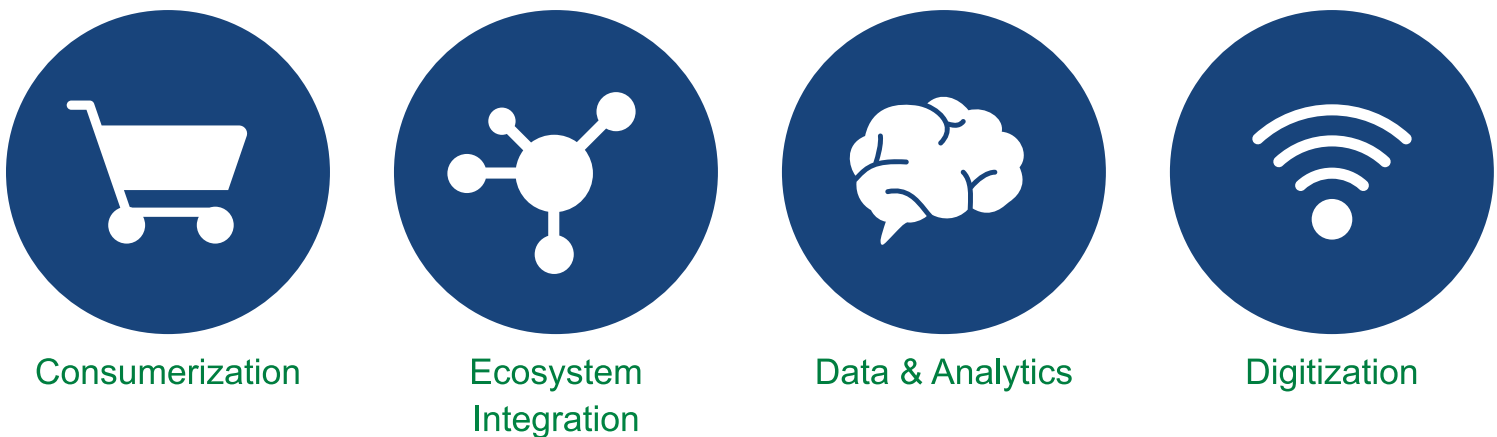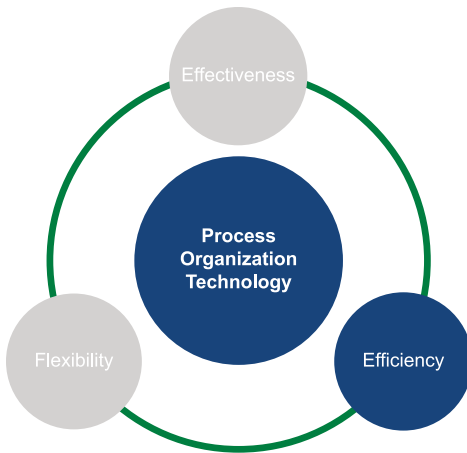
**Efficiency**

Most insurance stakeholders are being asked to do more with less. Below are examples of how standards help organizations increase efficiency in their processes, organization, and technology.

- Process: Data standards streamline operations, help reduce the amount of capacity needed for transactions, and better equip organizations to achieve straight-through processing (STP). They provide a common understanding of data, allowing the organization to collect data once and reuse it in different business areas across the enterprise. The organization can then work towards a fully-automated system where information from the first interaction can be transferred and shared through the end of the transaction without manual input or intervention.

- Organization: If adopted enterprise-wide, data standards can give an organization a standard way to operate, allowing teams to work and collaborate more efficiently. Through standardization, teams will spend less time on the foundational aspects of data collection and increase their capacity to absorb demand. This creates a more productive work environment and allows employees to see their direct impact on the organization instead of being bogged down in their own day-to-day tasks, increasing talent retention and satisfaction.

- Technology: Data standards give organizations the benefit of faster implementation and less costly integration. By adopting standards, organizations are able to leverage off-the-shelf third party solutions to meet their business needs. They avoid creating internal proprietary solutions, which cost more to maintain. As data standards become more pervasive in the industry, vendors will be incentivized to build to those standards. These vendors will be encouraged to compete on delivering value and improving features.
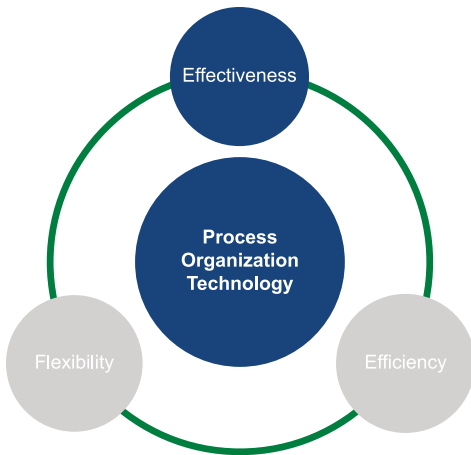
## Effectiveness

Effectiveness can only occur if an organization is meeting its objectives. Not only are standards useful in helping organizations reach their existing goals, but they can take the organization to the next level – increasing their effectiveness.

- Process: Data standards give organizations the tools to improve data accuracy and consistency, enabling the use of advanced analytics to create more effective processes. Standards allow the organization to efficiently scale data gathering while also providing them with the option of tailoring processes to fit specific needs. Ultimately, it allows the organization to account for what it can control, address the unexpected effectively, and focus on achieving results in a timely manner.

- Organization: Adopting data standards gives organizations the capacity to put their best people on the biggest opportunities and not the biggest problems. Organizations are more effective when their people are focusing on tasks of higher value such as customer acquisition, retention, and management rather than data entry. Using standards to help alleviate problems gives organizations the freedom to shift their focus to more strategic initiatives.

- Technology: Data standards allow organizations to increase adoption and deployment of new solutions. With constant advances in technology, insurance organizations need to keep pace. Standards give organizations the tools to quickly implement these new technologies into their respective networks and business operations.
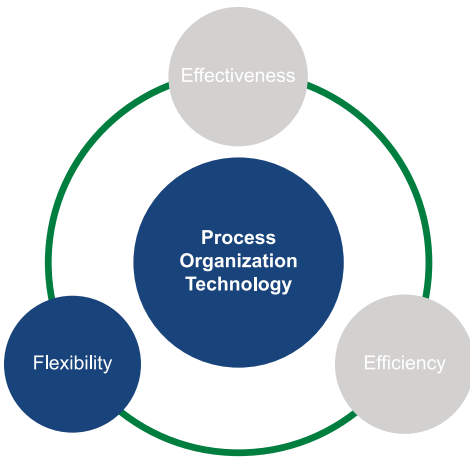
## Flexibility

The current global business environment is full of uncertainty. The ability for organizations to plan ahead in order to react when the unexpected happens is a crucial survival skill. Standards give organizations the foundation to successfully adapt to an ever-changing business landscape.

- Process: Data standards shorten the time between diagnosing changes in the environment to adapting new processes. Additionally, when organizations adopt data standards, they can compare themselves to other organizations, allowing them to find and implement best-in-class practices. Standards allow the organization to build upon that foundation and focus on tailoring their processes to fit their specific needs to create a competitive advantage.

- Organization: Data standards create a common language for organizations to communicate with partners. It allows each party to understand exactly what that data means and create seamless integration. When there is a common understanding, organizations can share new information and access new data sources, increasing flexibility and better positioning the organization to thrive in the evolving business landscape.

- Technology: Standards help organizations avoid getting held up in agreements with partners that may be charging too much or not meeting business needs. When an organization creates custom or proprietary solutions, there is a chance the organization could be forced into continuing to use it because there is no cost effective way to extract their data. However, with standards, an organization can migrate their data to new solutions and change partners as their business needs and objectives evolve.

# CONCLUSION

Organizations can improve the efficiency, effectiveness, and flexibility of their processes, organization, and technology through the implementation of data standards. From insurance industry leaders to technologists and researchers, the consensus is that standards are essential to improving communication and data sharing among systems and between organizations. As the need for data increases exponentially, the benefits of data standards will become even more apparent. In order to succeed in an ever-changing business environment, members of the insurance industry must be able to gather, process, and share information quickly and accurately. The adoption and implementation of ACORD data standards make that possible.

# ACORD CASE STUDY

A top 10 multi-line carrier was able to benefit from ACORD standards and internal integration.

**Problem:** Carrier had multiple legacy systems creating significant costs in:

- maintenance and upgrade of multiple client- or browser-based interfaces
- integration with third-party technology providers
- integration with acquired company systems
- training users on multiple interfaces

**Solution:** Using ACORD data standards, the carrier was able to:

- identify common functions repeated across its multiple systems
- create a framework for a Web service for each system that would provide a standard format for requests across the enterprise

www.acord.org

memberservices@acord.org

(845) 620-1700

1 Blue Hill Plaza, 15th Floor, Pearl River, NY 10965