

THE CHALLENGE OF STANDARDIZATION IN SURETY AND TRADE CREDIT INSURANCE

INDUSTRY VIEW

When it comes to the topic of data standards, organizations in the trade credit insurance and surety bonding industry are in agreement – standards are important, and their value cannot be underestimated. So why is it that they are woefully and widely ignored?

Weak adoption of standards so far

Organizations undoubtedly realize improved efficiencies with the adoption of a set of protocols based on electronic reporting enhanced by a targeted, strategic data exchange capability. Many believe the aforementioned combination provides for a potentially powerful competitive edge. The problem is that insurer systems and the standards they are applying are typically not compatible with other important entities within the surety ecosystem. One result is that surety agents are put in a position to learn and manage multiple systems. Ultimately, this is a time-consuming process with compromised benefits for all concerned.

We seem to be in a conundrum. On the one hand, we want to redefine the surety bonding and trade credit insurance business process, establish standards and promote collaboration between all the partners involved in transactions. On the other hand, organizations are concerned that adhering to industry standards will compromise their unique competitive positions in the marketplace.

To address this concern, we need to take a hard look at the potential benefits and 'future-forward' importance of best practices. Strategic collaboration should lay the groundwork for healthy competition

and mutually successful partnerships that provide meaningful choices for stakeholders within the surety ecosystem. By adopting and adhering to standards we can bring this about, but it does require the commitment of all parties to make it work.

The Promising Success of ACORD Standards

An example of success and adaptability to market reality can be seen in the experience of the 'Association for Cooperative Operations Research and Development', aka. 'ACORD'. Realizing that 'e-standards' were not gaining traction within the Surety marketplace, ACORD established a committee dedicated to successfully defining e-messaging standards. The working group was comprised of a cross section of industry experts that included surety agents, company representatives and software vendors. Following months of dedicated effort, a set of standards were published that promised significant benefits for a relatively low-cost implementation. A significant achievement indeed.

Nicole DeChiaro, Head of Surety Operations at Procore Risks Advisors, former Chair of SFAA eBusiness Advisory Committee, stated that "the standards

proposed have already been proven to reduce data processing time. Not only is manual data entry eliminated, but processing time for a single report was reduced from 30-60 minutes to about three seconds. The entire surety industry can recognize these same gains."

It should be noted that the above stated benefits have been verified by several vendors such as Tinubu.



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Nicole DeChiaro

*Head of Surety Operations,
Procore Risks Advisors*

Success depending on efficient cooperation with all Surety stakeholders

Personally, I have been impressed by the work of the 'Automation Committee' and the leaders therein such as Greg Davenport, Senior VP, Surety Global Risks at Liberty Mutual and Nicole DeChiaro, AVP Business Development at Crum & Forster. As such, I strongly endorse the innovative work of the ACORD organization and the underlying work being done to enable and expedite, change management in such areas as evolving regulation, document exchange format standards, etc. Such capabilities are supported by the new technologies now being introduced and are a prerequisite for success in today's dynamic market.

The advent of newly developing ecosystems and of technologies such as smart APIs and blockchain should drive the acceptance of new standards and foster the development of interoperability while supporting significant industry initiatives.

As an example, in a construction contract where the ecosystem includes, contractors, public buyers, insurers, re-insurers and banks, several existing standards could apply including FIDIC, BIM, Swift and ACORD. Without a joint approach, the end-to-end process is likely to be far from smooth and the value of standards might be questioned when really they should be embraced to enable improved processes.

Most importantly, the above subject matter needs to be aired broadly, so all stakeholders can realize the opportunities for growth and prosperity. ■



*My hope is that we
as an industry,
can build more adoption
and implementation for
other standards.*

Greg Davenport

*Senior VP - Surety Global Risks
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About Tinubu

Tinubu is the business facilitator and exchange enabler that delivers fluidity and simplicity to the insurance industry by using the strength of collective performance.

Our company is an alliance of technology software and insurance expertise offering the best combination to its clients. It covers the entire value chain of credit insurance & surety with one end-to-end platform, connecting every part of your business with one digital highway.

Established in 2000 and headquartered in Paris, France, Tinubu is an independent software provider and employs 170 people, located in Paris, London, New York, Orlando, Singapore, and Montreal. Its clients represent 30 of the top 60 Credit & Surety underwriters worldwide.

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