



casco

An opportunity for collaboration

Standards, conformity assessment,
accreditation and insurance





1. Introduction

The insurance sector strives to improve its management of risk; the conformity assessment industry (standards, certification, testing and accreditation) works tirelessly at providing tools to manage risk.

1.1 What are standards?

Standards define how products, processes and people interact with each other and their environments. They provide requirements, specifications, guidelines or characteristics that can be used consistently to ensure that materials, products, processes and services are fit for their purpose.

While the term “standard” can mean different things to different people, dependent on geography, age and industry, a standard is in essence an agreed way of doing something. Whether that “something” is producing an item, delivering a service or managing a process, standards provide a reliable basis for creating shared expectations. Standards developed by the International Organization for Standardization (ISO) undergo rigorous consensus gathering from across the world involving experts from business, regulators and policy makers, consumers and other relevant stakeholders.

Consequently, standards form the cornerstone of economies worldwide, simultaneously reducing risk while increasing consumer protection. It follows that, as industries adopt a more global outlook, the need for standards that are compatible between international economies becomes ever more crucial. Yet in order for a standard to be deemed effective, it must be easy to recognize whether a product, service or process conforms to that standard.



1.2 Demonstrating competence of conformity assessment bodies

The process of conformity assessment demonstrates whether a product/service/system meets the relevant requirements. Conformity assessment bodies (CABs) cover all industry sectors and activities, from calibration, medical and testing laboratories, to inspection bodies (the examination of a design, product, service, process or installation to ensure operational safety), to bodies that certify management systems, products and persons.

Virtually every sector relies on certification, inspection, testing or measurement services to promote its proficiency on a wide range of issues such as quality or health and safety. Confidence in the competence of CABs is therefore paramount if the results of their assessments are to be used by regulators, manufacturers and end-users. Most organizations do not have the internal resources or expertise to effectively evaluate the competence of CABs, so they look to accreditation processes to provide the necessary assurance.

Accreditation is internationally recognized as a robust, independent declaration of an organization's competence, the validity and suitability of its methods, the appropriateness of its equipment and facilities, and ongoing assurance through its internal quality control. The role of an accreditation body (AB) is to ensure that CABs are competent.



Put simply, if CABs are the checkers, then ABs check the checkers.

One of the key strengths of a quality infrastructure is that it can be applied to almost any industry sector and business situation, from food safety and product testing to environmental impact and construction. There are currently thousands of different standards and specific tests that are accredited.

In some industries, accreditation is a legal requirement and, for the most part, the use of “voluntary standards” is becoming the expected norm. Voluntary standards are typically developed on the basis of consensus among all interested parties; they are subject to unrestricted open consultation and undergo systematic review to ensure their continued validity.

2. Standards and insurance

The insurance sector is a relatively moderate user of voluntary standards compared with other commercial sectors such as shipping, energy or food processing. Insurance services are heavily regulated, involving different industry actors at local, national, regional and international levels.

By mitigating the effects of 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. Voluntary standards could play a much greater role in supporting the management of these risks, increasing transparency and improving industry practices.





2.1 Using existing standards and conformity assessment to manage risk

Insurance companies pool different types of risk and use statistical analysis to project losses within a given class. Accredited certification, inspection, testing or measurement services based on standards, which give consumers the assurance that the product or service delivered meets a certain level of quality and satisfies the legal requirement, can support brokers and underwriters in their management of risk.

Technical standards are already widely used to manage risk, for example in the areas of electrical safety, fire safety and storm water management. However, a significant

number of existing voluntary standards, such as management systems, product certification, testing and inspection standards, supported by third-party independent verification and certification, can provide insurers with reliable evidence that standards (statutory, regulatory or voluntary) have been met as set. A full list of conformity assessment standards can be found on the ISO Website at www.iso.org/sites/cascoregulators/02_casco_toolbox.html. In some countries, insurance companies are already recognizing the value of accredited standards to support the management of risk.

- ▶ In Italy, the Italian Workers' Compensation Authority (INAIL) reported how the roll-out of occupational health and safety standard OHSAS 18001 had reduced the severity and frequency of accidents by as much as 40 % in some sectors amongst organizations certified to the standard. This, in turn, led to lower insurance costs among participating companies.
www.inail.it/cs/internet/attivita/prevenzione-e-sicurezza/promozione-e-cultura-della-prevenzione/sgsi.html

- ▶ In the UK, Howden, an independent Lloyd's broker, created a professional indemnity scheme¹⁾ for clients operating under accreditation, which helped it gain a full understanding of the client's risk profile and thereby obtain a more accurate pricing for the cover required. Developing this scheme provides insurers with access to new, potentially profitable, lines of revenue. Those with less long-tail exposure tend to be more willing to look at the riskier lines of business, but they are unlikely to proceed unless there is some tangible evidence that the sector under consideration has recognized quality standards. Accreditation provides this evidence.

1) www.howdengroup.co.uk/pi

- ▶ In Japan, the Development Bank of Japan (DBJ) provided more attractive loan rates and discounted insurance premiums to commercial businesses that have accredited certification of their business continuity management system to ISO 22301 and ISO 22313. This helped the bank to manage its risk exposure as it encouraged firms to build resilience and be more in control of their risks.

- ▶ Developed with input from the motor insurance and vehicle repair industries, UK standard BS 10125, *Automotive services – Specification for vehicle damage repair processes*, helps companies in the automotive sector demonstrate that the vehicle repairs they are responsible for meet industry-respected practices and high safety standards, to ensure customer satisfaction is delivered with every repair. Body shops that are compliant with motor insurance industry standard BS 10125 demonstrate that they are competent, 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 BS 10125-compliant body shop outfits as being "approved".

While there are some examples of partnerships and mutual benefit, there is significantly more potential for collaboration between the conformity assessment community and the insurance sector to ensure that these benefits have a wider reach, and to ensure that the standards development process can better support how insurers manage risk.



2.2 Opportunities for standards development in insurance and reinsurance

Research²⁾ has also shown that voluntary standards markets can play a greater role in developing a safer and more trusted financial services sector. Opportunities were identified for standards development in the insurance industry, with a focus on wholesale insurance, although opportunities relevant to retail insurance were also considered. Voluntary standards could help to improve insurance industry practices – where benefits outweigh the costs – without reducing competition where it is needed.

The study confirmed the insurance industry's support for standards development in the insurance industry and showed the voluntary standards market approach to be suitable around product development, product information and processes in insurance.

2) *Opportunities for Standards in Insurance. A joint study from BSI and Long Finance – 2014*



- **Product development standards –**
Voluntary standards could help optimize product development for emerging risks, such as cyber risk or natural disaster risk and new technologies being developed and implemented (e.g. genomics or nanotechnology).
- **Product information standards –**
Voluntary standards in the area of product information could assist in improving customer satisfaction and understanding. As such, there is a need for standards to enhance transparency, information quality and access in order to increase customer satisfaction and product comparability in insurance. These could take the form of a “Fair Insurance” product information standard (similar to the Fairbanking³⁾ scheme but for insurance). A standard’s policy wording may also be a way of adding transparency. 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.

3) www.ukas.com/news/first-ukas-accreditation-for-retail-financial-products/





- **Process standards –**

Process standardization represents an area where voluntary standards could have a significant impact in terms of opportunities for streamlining, efficiency gains and harmonizing procedures within and across companies, with the ultimate goal of achieving operational cost effectiveness. Standards and certification could also play a supporting role in claims operations (i.e. handling, processing, accounting and settlement), a critical area of the insurance business in terms of expenditure and customer satisfaction. Lastly, risk modelling and scenario development are other areas in which standards could help to standardize data interfaces, support data management and storage, and enable sound methodology development guidelines for scenario development.

3. Further information

- *Opportunities for Standards in Insurance. A joint study from BSI and Long Finance – 2014*, prepared by Z/Yen Group for BSI.
- *Backing Market Forces: How To Make Voluntary Standards Markets Work For Financial Services Regulation* (2013), a joint paper from BSI, the Chartered Institute for Securities & Investment and Long Finance.
- ISO/CASCO event “Supporting the reduction of insurance losses. The role of standards.” (2016)
www.cvent.com/events/supporting-the-reduction-of-insurance-losses-the-role-of-standards/event-summary-0cb357382c2f42fc95db8241dead9157.aspx
- *Economic benefits of standards. International case studies* www.iso.org/iso/home/standards/benefitsofstandards/benefits_repository.htm?type=EBS-MS



About ISO

ISO (International Organization for Standardization) is an independent, non-governmental international organization with a membership of 162* national standards bodies. Through its members, it brings together experts to share knowledge and develop voluntary, consensus-based, market-relevant International Standards that support innovation and provide solutions to global challenges.

ISO has published more than 21 500* International Standards and related documents covering almost every industry, from technology to food safety, to agriculture and healthcare.

For more information, please visit www.iso.org.

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