

Electronic Policy Delivery -- A Game Changer

by Susan LaBarre, CPCU, AU, AIM, PMP

About this article: This article discusses how electronic policy delivery from carrier to agent, as well as from carrier or agent to insured, can heighten efficiency for both agents and carriers and create improved agency and customer experiences. The article summarizes the recommendations of ACT's Policy Delivery Work Group and provides helpful guidance to both agencies and carriers as they make the transition to electronic policy delivery. Following ACT's recommendations will promote more consistency in how carriers deliver policies to their agencies electronically, and what is included in those policies.

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The insurance industry is a paper hog. I dare say that insurance carriers probably generate and distribute more paper than any other industry, second only to publishers of books, magazines and newspapers. But even publishers are migrating more and more towards electronic platforms, and carriers are adapting, too.

When you compare our own industry's dependence on paper documents five years ago to today, you generally see that most organizations have reduced their reliance on paper. With the introduction of dual monitors, smartphones and tablets, slowly we are adapting and realizing that we *can* effectively function without hitting "print" as often as we used to. It simply requires changing our mindsets and getting creative about how we exchange the information, while still remaining our client's "trusted advisors." If technology continues to advance as it has in the last five years, think about how delivery will likely change in the *next* five years.

Benefits of Electronic Policy Delivery

Moving to electronic delivery is good for our planet. The average tree makes 16.67 reams of copy paper or 8,333.3 sheets, according to Conservatree.com. Increasingly, society is recognizing the need to reduce its carbon footprint, from individual consumers on up to corporations. The insurance industry generates billions of pages of paper documents annually at a significant cost. Reducing expenses by delivering policies electronically will enable us to reduce the cost of our policies, as well as preserve vital natural resources.

But it's *not* all about carriers just wanting to save money. Dozens of agents tell me that when they "do the math," reducing dependence on paper saves *them* time and money. These agencies want to receive their policies electronically, so they can easily enter them into their agency management system and deliver them electronically to those clients who have agreed to receive them this way.

Electronic Policy Delivery – a Game Changer for Agencies

Many agencies have turned electronic delivery into a "game changer" for their firms. How do they do this? Methods vary; however, typical agency workflows include:

- (1) Adopting ACORD® Activity Notes to receive policy copies electronically from their carriers directly into their agency management systems
- (2) Implementing a new process to obtain and retain the approval of clients to accept electronic versions of their policies and other insurance documents
- (3) Employing secure and registered email or an e-Signature tool to send these electronic documents to their clients securely, or providing access to these documents through a secure, password-protected portal that the agency has set up for the client.

Combined, these solutions enable the typical agency to:

- Eliminate scanning and indexing paper copies of many documents
- Significantly reduce printing and mailing costs
- Reduce the "cycle time" to deliver a policy from weeks down to days or even minutes
- Increase renewal retention
- Be alerted to transactions before clients are (for example, non-payment of premium or claim settlements)
- Free-up staff to acquire new business, cross-sell, and service existing accounts
- Compete more effectively with direct carriers.

Increasingly, consumers are demanding online access to their insurance information including auto ID cards, certificates of insurance, and copies of their insurance policies. This concerns some agents as they feel it will encourage consumers to "shop" for a better deal at renewal. However, many agents indicate that offering documents electronically has actually *increased* renewal retention and customer satisfaction.

Some agents also fear that many consumers are not ready to accept electronic delivery. But in reality, when agents proactively offer policyholders the choice, many agents indicate that seven out of ten actually prefer electronic documents.

Stepping Up to the Challenge

Times are changing and our industry needs to step up to this challenge by setting a positive example while at the same time positioning ourselves to compete with direct carriers. Independent agents, brokers, carriers and vendors all need to work together in order to offer our customers an electronic experience that is better than paper, if we are going to continue to thrive as an independent, value-added distribution channel.

Just think about it: we have the opportunity to offer a first-class interactive online experience to our clients, while at the same time setting an example as good "corporate citizens" by preserving our planet's resources for future generations.

ACT's Electronic Policy Delivery Work Group

ACT is working to bring all stakeholders together to provide recommendations and guidance on how our distribution system can transition from paper to delivering documents electronically. ACT formed a work group in early 2013 to focus on issues associated with electronic document delivery, both from the carrier to the agent, as well as from the carrier or agent to the insured. Agents, brokers, carriers and vendors all participated in the work group and spent the better part of a year considering the issues before publishing its report, "*Best Practices*" Recommendations for Delivery of Insurance Policies to Agents & Insureds.

Highlights of ACT's Report

The work group hopes that the recommendations in its report will provide useful guidance to both carriers and agencies, and drive more consistency with respect to *how* carriers deliver electronic policies to their agents and *what* content and navigation capabilities they include in these policies.

The highlights of the ACT report include:

- **Full copy of insured's policy at new business and renewal**

Historically, carriers have only sent complete policies at new business issuance to reduce the cost of printing and mailing. However, with electronic delivery, this restriction is no longer necessary. Agents want to receive a complete copy of the insured's policy at both new business issuance and at each subsequent renewal. In addition, the insured should be sent the entire policy whether it is new business or a renewal.

- **"Agent" copies are no longer required with electronic delivery**

Agents should be provided, however, a full copy of what the insured receives, along with any "agent only" documents like information on commission or premium worksheets.

- **Print and delivery preferences for personal and small commercial policies differ from mid to large commercial**

This is probably the most controversial part of the ACT recommendations because agents currently differ on whether small commercial policies will go the way of personal policies and be delivered directly to the policyholder through the carrier. This means the carrier would also be responsible for keeping track of which small commercial clients have elected to receive their policies electronically. Of course, even if the carrier takes over responsibility for delivering small commercial policies to an agency's insureds, the agent can still personally deliver a copy of the policy to those clients when it is important to the relationship.

The agents participating in the work group agreed with the consensus that the carriers be responsible for the electronic delivery for both personal lines and small commercial policies, as well as the tracking of policyholders' preferences.

The work group also agreed that the responsibility to deliver mid to large commercial policies to clients should remain the responsibility of agents and brokers. They would also be responsible for keeping track of those clients who have elected to receive their policies electronically. This enables the agent to check these policies for accuracy and to meet with clients to review and explain coverage.

Carrier delivery of small commercial policies directly to insureds may not happen overnight since many agents disagree on this point. *The important take-away here is that carriers offer their agents flexible delivery options and that we all work towards migrating to electronic delivery by proactively offering this as an option to our policyholders.*

- **Document delivery to policyholders needs to be done securely and in compliance with ESIGN & UETA laws**

These methods include using secure registered email, E-Signature tools that include the document as a secure attachment, a password protected client portal or storing the document on a portable form of electronic media (CD, flash drive), which is hand delivered to the client.

The agent or carrier should also:

- obtain the policyholder's written consent to receive the policy electronically and confirm that he or she is able to access the electronic documents in the file format that is being used
- advise the insured that he or she can change this election at any time or request a paper copy at no cost
- deliver the document securely and
- receive acknowledgement of receipt that the policyholder has received the electronic policy.

- **Electronic delivery options need to be easy to use and navigate, as well as be mobile compatible**

We have the opportunity using the technology that exists today to build an electronic "document" that offers our clients real value, peace of mind, and financial security. At a minimum these electronic policies should have a hyperlinked Table of Contents and be searchable, so that they are easy for agents and insureds to navigate. In this way, the electronic version starts to add more value than the paper copy. Of course, electronic policies should be sent in a form that permits saving and forwarding to another party.

But let's think about creating a whole new customer experience that helps consumers understand their policies better than ever before and gives them the capability to access this insurance content through their mobile devices in innovative ways. Think of the electronic "document" with built-in "widgets" that can be used to explain coverage, limits, deductibles, exclusions and special conditions, including audio and video options. The possibilities are endless.

The migration from paper to electronic documents is an "evolution" not a "revolution." By working together, we can do this right and create "win-wins" for carriers, agents, vendors and create a value-added experience for our clients. This will take some time for all to agree and to modify systems and workflows to fully support electronic delivery. Some consumers may never fully embrace electronic documents, but the overwhelming majority *will*, and they will receive their documents faster and at much lower cost. So, let's treat the exceptions as just that – exceptions.

The time is now to prepare for this inevitable direction and turn it into a *competitive differentiator*. It will be important for agents, brokers and carriers to work together and be proactive in encouraging their policyholders to move to electronic document delivery.

Editor's Note: [Please click here](#) to access ACT's full report, "*Best Practices*" *Recommendations for Electronic Delivery of Insurance Policies to Agents & Insureds*, along with the work group's recorded webinar reviewing its recommendations.

For more information on the ESIGN & UETA laws, please see ACORD's [Guidelines for e-Signature and e-Delivery in the Insurance Business](#), written by the law firm Locke Lord.

Susan LaBarre, CPCU, AU, AIM, PMP is Director Agency Automation & Quoting, Customer Experience, at Liberty Mutual, Commercial Insurance. She also is Chair of ACT's Policy Delivery Work Group. Susan wrote this article for ACT and can be reached at Susan.LaBarre@LibertyMutual.com. This article reflects the views of the author and should not be construed as an official statement by ACT.

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