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Playing Post Office

For the insurance industry, new approaches to presenting information through e-delivery could prove revolutionary. However, the challenge for brokers is to determine how best to ensure consumers remain protected while cost control measures unfold.

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Canada Post has done a big favour for property and casualty insurance. The recent steep increase in ground postage rates has demanded the attention of all industry stakeholders. There is nothing like a direct hit to the expense line to motivate searches for other, less expensive and perhaps more effective means of sending messages, documents and information.

But the challenge - and most critical requirement for any alternative delivery service - is ensuring that consumers are not disadvantaged as the industry scrambles to control costs.

Increasingly, both businesses and individuals receive electronic communications that previously used to arrive on paper. Various new delivery mechanisms exist, with differing security levels. The methods range in sophistication from simple e-mail or even texts, to elaborate sequences of encrypted messages barricaded within repositories accessible only to specific individuals during finite timeframes.

While there are, of course, costs associated with designing and implementing such processes, the social benefits of reduced paper consumption are clear and immediate.

Further advantages can be literally embedded in electronic communications. A printed page imposes its own limitations, its content bound by the physical dimensions, in the fixed format and order that text and images are presented to the reader. Electronically, however, there is a selection of possible formats, which are not restricted to particular dimensions or linear structure.

Even more intriguing is the potential in "smart documents" with enriched content, which can link or expand at the viewer's option into layers of information.

For the insurance industry, always challenged to communicate effectively about a complex and sometimes uninviting subject, new approaches to presenting information could prove revolutionary. Imagine an electronic "cover letter" that displays on a customer's mobile device of choice, with embedded hyper links to policy documents or wordings, to drill-down definitions, or to additional elements, such as an endorsement to be signed, information on alternate proposals or additional details about the contract the client might want to access later - all contained within one message package.

In the Canadian insurance world, the success of eDocs for personal lines has many looking for further successes. Broker copies of documents now move directly from insurers into broker systems electronically, with minimal human intervention.

In addition to the obvious expense reductions and environmental benefits from the elimination of printing and transporting millions of pages each year, insurers and brokers alike also gain significantly through the time saved in not handling, sorting and searching for that paper.

Many insurers are now also beginning to roll out eDocs for commercial lines, in at least a portion of their commercial operations

For its communications with consumers, however, the insurance industry still relies heavily on paper, leaving great potential for realizing similar efficiencies. Brokers distribute the lion's share of the mail, though insurers also may send paperwork directly to clients in direct-bill situations.

A typical renewal package sent to a client could contain such diverse elements as the following:

- policy documents, with or without wordings included;•a corresponding invoice or billing statement;

- a cover letter, discussing the client's particular needs and circumstances, and perhaps referencing previous exchanges, or explanations of coverage changes from previous terms;

- premium finance contract or payment plan forms;

- an outline of recommendations, additional options with the incumbent insurer or suggestions for alternative protection with other carriers;
- summarized results of a market survey conducted for the client;
- outlines of coverage limitations or exclusions, and reminders of key coverage points;
- additional documents such as endorsements requiring the insured's signature; and
- additional marketing, general interest or risk management materials.**THE BEST DECISIONS**

Any equivalent electronic package directed to a consumer might need to incorporate any or all of these components; none can be sacrificed if the client is to remain well-informed and equipped to make his or her own best decisions.

As a result, the requirements for any system to deliver insurance information electronically are complex, although brokerages' internal broker management systems (BMSs) do already capture all the required elements.

For distribution to clients, many service vendors, such as Canada Post's EPost(tm), have initially geared efforts towards organizations that send large mass mailings with limited individualization. Adaptations to suit the needs of the thousands of smaller Canadian businesses are the next stage.

Another question to be resolved is how access to sensitive, private information for individuals, families and businesses or organizations will be managed. Security is essential, and must be balanced with convenience.

A key concern for Canadians is that data centres and their back-up facilities should be in Canada to avoid possible conflicts with legislation in other host countries. Some e-delivery mechanisms may also offer ongoing storage of messages, which, in turn, triggers consideration of what safeguards and retention policies will apply to those records.

Also outstanding is the issue of auto identification cards, the "pink slips" commonly stashed in vehicle glove compartments. While the courts now generally recognize electronic documents, with a few exceptions, there is still a significant variation and uncertainty among jurisdictions across Canada regarding the acceptance of electronic proof of insurance for automobile liability. Consensus among regulators and law enforcement bodies is needed before consumers can confidently accept an electronic version that they print themselves or download to their mobile devices or smartphones.

TAILORED TO SUIT NEEDS

Whatever e-delivery solution is ultimately adopted by the property and casualty insurance industry, the mechanism must allow for the message package to be tailored to the individual customer's situation, and be able to address his or her needs for objective advice and unfettered choice.

The element of the broker's input to client communications is critical. The broker is the client's advisor, but that role is diluted if the information clients receive about their policies emanates from the insurer who is a party to the insurance contract. There is a risk that the customer's own interests may not be the primary objective of the messaging, and certainly the client's potential full options, including those offered by other insurers, are unlikely to be explored.

Going forward, as for almost all business sectors, it is customers who will determine how they wish to send and receive information. No client who still prefers to receive hard copies will accept an imposed alternative. In their interests, brokers must maintain the capacity to offer all the delivery options.

Further, consumers today have a shrinking tolerance for complicated or time-consuming processes and, no doubt, will expect a single means of retrieving their insurance material. Not every client communication contains documents from the insurer; there must be a means of delivering both communications that include only information from the client's broker representative, as well as those that incorporate policy documents.

The Insurance Brokers Association of Canada (IBAC), representing more than 35,000 brokers across Canada through 11 provincial and regional associations, recently published the following principles as fundamental requirements for any consumer e-delivery process:

Consumers must have choice regarding how they receive communications and documents from their selected professional advisor.

Regardless of the avenue(s) of communication they choose, consumers must be assured of the on-going privacy and security of their personal information.

Consumers must not be burdened by additional costs nor onerous, unique, or proprietary processes in order to receive communications. Documents must be provided in standard, commonly-used formats to ensure long-term accessibility.

Brokers, as consumers' representatives, must have authority over the content and mode of transactions and communication with customers.

Insurers must respect broker-consumer relationships and, other than in claims situations, communicate directly with a consumer only when specific consent has been provided by that consumer's broker.

CONSUMER PROTECTION ESSENTIAL

These principles are intended to protect consumers, even as the industry streamlines processes and expense, ensuring that their best interests are protected and the greatest access to all available choice, both of coverage and of communications methods, is maintained.

With the use of eDocs well-established, the technological backbone needed to also deliver electronic customer copies to brokers already exists. BMSs are building the functionality needed to package policy documents and broker communications together and export them in the formats required by electronic delivery systems.

The components are in place, and great efficiencies could be gained by the industry by seizing the opportunities encompassed in e-delivery.

Still undecided is the service's design and whom it will benefit most. The big question is: Will insurance stakeholders execute e-delivery to best serve clients and allow their right to choice to remain paramount?