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AUTOMATION BEYOND THE WIRE HOUSES

By Jim Ferrell, VP, FireLight Product Management, Insurance Technologies

In life, change is constant; but in business, change is planned, measured and must be perceived to provide real value to be adopted. That does not mean that all changes are successful. Without attempts or failures we would not broaden and deepen our efficiencies or be better prepared for the next successful change endeavor.

There have been monumental changes in the annuity distribution business over the past decade driven by a vision of what was possible. These changes certainly did not originate through a meticulously planned and measured path, but rather a rapid, engaged and unparalleled collaboration with a core group of industry participants that had a vision of what was possible. I'm certain everyone who was involved had decisions and directions they wish they could go back and make again.

A Vision

All change begins with a vision by someone or a group of people who begin to see past what is and what was, and begin to challenge the industry as to what could or should be.

Driven by this vision most annuity insurance carriers have successfully implemented automated electronic straight-through processing of annuity business transmitted through the DTCC in support of the wire house channel.

Having played a small role in this ten-year journey, and now having hindsight and a clear understanding of the scope of the accomplishment, the industry should be extremely proud of the change successfully implemented and the value it provided.

It is now time as an industry to ask ourselves again, where do we go from here? How do we leverage and broaden the success of what has proven to be a faster, cheaper, and more effective means of processing business at the carrier and wire house level to the remaining distribution channels? How do we bring about the next wave of change? And will you be the "someone" or part of the group that sets the vision and drives the change?

Two Perspectives

Let me present the adoption challenge from two different perspectives.

First, from a technical perspective, we have overcome huge barriers to automated processing of the annuity business. We now have an industry well versed in the art of automated business processing which we can learn from and leverage.

Next, from a business and processing perspective, this is where the "rubber meets the road". This is the remaining barrier to delivering automation to the remaining paper-based, check-with-application distribution channels.

You may simply ask, why haven't these remaining distribution channels followed the success of the wire house implementations? The answer to this question is extremely varied and complex for each distribution channel. There isn't one reason, but several unique and valid business reasons for each channel.

Most challenges have to do with a distribution channel's existing business processes. Then there are the issues regarding recruiting and agent retention in an ever challenging environment. The other main hurdle is the issue of opening up and managing an electronic business processing model along with an existing paper-based model, which often times cannot be shut down. This brings more overhead than the automation value to the distribution channel.

All of these challenges, and many others,

Continued on Page 2

IN THIS ISSUE

are all valid business barriers. But we as an industry were facing similar and far more difficult business barriers when we were first looking at the wire house focused solutions. These challenges shouldn't stop us as an industry from attempting to influence and change behaviors.

Added Value

The reality is simply this, as an industry, we must provide enough business value to the end users of the remaining paper-based, check-with-application distribution channels to influence automation adoption and behavioral change. The current value of electronic processing being offered to the wire channels simply isn't enough to drive adoption to these remaining channels. So we as an industry need to identify what additional value is needed to what's already in place today which will achieve the required value that will drive the desire to make the investment and the subsequent change.

What type of value is needed to move the remaining channels toward adoption and toward the realization of real returns on the automation investments?

It's been our experience at Insurance Technologies that if you engage and ask the distribution firms about their business processing goals and end user needs they are more than willing to explore and identify what they require. In working through this process we have identified that mobility support is a tremendous value proposition to the end users that can bring about the desire to change. This is quite possibly a one-time opportunity when the appetite for mobile support can be a driving force in behavior change that leads to automation. The introduction of the iPad and its ease of use has forever changed the end user's expectation of what software should be and how we interact with it.

Another value identified, which is an absolute must to generate adoption, is providing a business process that is familiar and easy to use to the end user. These remaining distribution channels simply don't have the resources nor the desire to take on a large-scale training and support process. Ease of use cannot be overstated here. The process must be intuitive and not cause processing pain for the field user. Dropping an annuity order simply cannot require extensive training.

As software providers, our focus must be on easing the business process of the end user. If we cannot provide an easy-to-use system then how can we possibly expect change in behavior or adoption?

Where Do We Go from Here?

So how far is the industry from providing enough value to the remaining paper-based, check-with-application distribution channels across all lines of business to influence adoption and change behaviors to see ROI on the automation investments in place today?

We should all be inspired by the challenge ahead and believe the opportunities to provide these end user values are not only possible, but are starting to be realized today at the distribution level through recent software implementations.

I welcome your feedback or additional insights you feel I may have missed from your own experiences. Feel free to reach out to me directly at jferrell@insurancetechnologies.com.

JUST IN TIME: ELIMINATING WASTE FROM APPOINTMENT PROCESSING

By Dane David Sprecher, Product Manager, Vertafore

Insurance laws and regulations are constantly changing, making it difficult for insurance carriers to stay on top of best practices for licensing and compliance. For example, the Producer Licensing Model Act (PLMA) paved the way for new regulations and interpretations regarding the producer appointment process. Some carriers have looked at this change in legislation as a way to cut costs and improve their licensing process by adopting Just-In-Time (JIT) appointment processing. This process involves appointing producers only when they submit business to sell. This has the potential to save carriers a great deal of money as appointments are expensive to get and maintain.

How much can that save? This process works to ensure that carriers only pay state appointment fees for producers who are actually selling their line of products. As many as 80 percent of agents never sell for a given carrier. That means carriers who do not use JIT are paying unnecessary fees for 80 percent of their producer population. At an average of $20 per appointment per year, carriers could save hundreds of thousands and even millions of dollars by adopting JIT.

Why JIT is important

Besides the obvious cost savings of JIT, ensuring that producers are authorized to sell is a very complex process. Not only do carriers have to maneuver varying regulations by state, but they also must ensure their processes check for proper licenses, lines of authority and appointments before business is sold.

Carriers report that an added benefit of

Continued on Page 3