

BEST'S REVIEW

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The Paper Chase

Insurance brokers can do more business and serve clients better when they use technology to reduce paperwork.

by Joe Markland

In the insurance industry—especially the group insurance business—paper is viewed as public enemy No. 1. That's because it is estimated that \$54 billion is spent annually on duplicative paper processes in the sales and administration of group insurance products, according to BancAmerica Robertson Stephens.

Paper is everywhere, and it seems like every insurer has its own version of the same form. Brokers have their unique proposal requests. Insurance companies and health maintenance organizations have their own enrollment booklets, bills, renewals, commission statements, explanations of benefits and so on. Even though a universal claim form is in use, more than 2 billion paper claims are still submitted every year.

This excess of paper is more than a passing concern to brokers. One of the first lessons brokers learn is that they must meet prospects on the prospect's turf and on the prospect's terms. Brokers bound to their desks by paperwork obligations are rarely making the best use of their time.

Most of the paper in the insurance process is used to transfer information from one party to another. Many industries have adopted the Internet as the new medium to transfer information. So why hasn't the insurance industry followed?

One reason is that insurance distribution is independent in nature. Technology is hardest to adopt in an environment where the retailers (brokers) and wholesalers (insurers) have no contractual relationship and, therefore, find it difficult to impose their own technology solutions upon the other.

Second, the insurance process—especially the group insurance process—is complex. There's a big difference between individuals buying a commodity, such as stock, for themselves with their own money, and an employer buying life, medical, dental and disability insurance for 50 employees with the employee sharing the cost.

Finally, many state governments require the filing and approval of all forms along with the plan documents, not to mention the requirement of an original signature on an enrollment form. This adds additional complexities to the insurance processes—and more paper for the carriers and brokers.

As daunting as those institutional barriers are, brokers can navigate the paper maze with technology. Here are a few suggestions on how to get started:

- **Delegate.** All of a broker's nonessential tasks should be delegated—internally to support staff and externally by outsourcing as many functions as feasible. Minor investments in technology and training can empower office staff to handle routine correspondence, proposal processing and other day-to-day interactions that occur among brokers, clients, insurance carriers and vendors. If brokers lack the resources to outsource, they should seek ways to transfer as many tasks to their computer desktop as possible. There are many opportunities for brokers to get outside help with process-driven activities. There are vendors who can deliver commission statements and renewals and retrieve information from an insurer's database and bring it to their brokers and customers.

- **Automate.** Dozens of technology vendors can eliminate every single piece of paper in the group insurance business. This is a technology solution to a distribution and implementation problem. Many brokers fear technology without realizing that it is more important to

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understand the business process that technology can solve than to understand the technology itself.

- **Avoid technology traps.** Numerous studies show that technology has reduced paper on a percentage basis. But in real quantities, technology has been a part of the paper problem as often as it has been part of the solution. Xplor International, a trade association for electronic document-management professionals, reports that 90% of computer files were printed in 1995, compared with a projected 30% for 2005. That sounds like progress, but it really isn't. That's because over the same time period, the number of documents stored on disk will rise from 1 trillion to 6.5 trillion. That works out to a doubling of paper documents printed from 1995 to 2005, according to Xplor. It is vital that brokers examine whether technology is making their lives easier or harder. Consider how e-mail has affected work routines. Studies have shown that when e-mail is introduced into an office, the percentage of printed documents jumps by 40%. To avoid this trap, try to apply the "touch it once" approach to e-mails: Read them, but don't print them.

- **Streamline "request for proposal" (RFP) and enrollment processes.** In today's technology environment, brokers should not have to create and send separate RFPs to multiple carriers each time they want a quote. There

are numerous ways that technology can eliminate paper in the quote process. Some brokers think that sending an e-mail quote request is a technology solution. Unfortunately, each broker has a different format, and the insurers must print the quote request on the receiving end. Though this makes the broker more efficient, it doesn't do the same for the insurers. A number of vendors provide real-time Internet rating. More than 25 vendors provide some form of electronic enrollment or eligibility, enabling employees to enroll electronically and then send the data to all their insurers, ready to be imported into their eligibility systems. All can eliminate substantial amounts of paper in the administration of group benefits while providing better service and more information.

A broker can bring value to clients and insurers by becoming a trusted adviser who helps implement a paperless employee-benefits system. With a minimal investment of time and money, brokers can use technology to become a more efficient distribution channel for insurers and stem the tide of falling commissions.

There is no single solution that will work for every group, but brokers who can leverage technology to learn as much as possible about these varied solutions will have a competitive advantage.



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