Insurance
NETWORKING NEWS

Sign of the Times

With the technology mature, insurers need to work to ensure distribution channel buy-in for e-signatures.

Insurance Networking News, 07/01/2010
By Ed McKinley

Some insurance agents are embracing electronic signatures, while others remain skeptical. The receptive agents praise the efficiency of e-signing and fear a competitive disadvantage for agencies that fail to offer e-signatures to their tech-savvy clientele.

The reluctant agents hesitate to interfere with the traditional, handwritten signing ceremony or feel uneasy about putting a computer between themselves and their customers.

Whatever agents think, analysts agree the future belongs to e-signatures. Within 10 years, nearly every John Hancock on every policy will be scrawled on an electronic pad, signed with a mouse click or verified with a few spoken or text-messaged words, says Steven Leigh, a principal analyst in Insurance Industry Advisory Services at Stamford, Conn.-based Gartner Inc.

Carriers are using e-signatures to cut costs, save time, trim staffs, discourage litigation, move a step closer to straight-through application processing and prevent customers from dropping out due to the tedious, snail-mail signing process, says Mary Ellen Power, VP of marketing at Silanis Technology Inc., a Montreal-based e-signature provider. That leaves carriers with the task of converting reluctant agents to e-signing.

"We're trying to create that desire in them to change and to keep current with the overall marketplace," says Wade Harrison, SVP of life/health operations for Bloomington, Ill.-based COUNTRY Financial. "It's certainly a change-management process that we've taken very, very seriously."

COUNTRY Financial agents, or financial representatives, as the company calls them, submit about 40% of eligible applications electronically with e-signatures, but the carrier hopes to reach nearly 100% early next year, Harrison says.

The carrier is winning over stragglers by sharing agents' upbeat anecdotes. "When they hear that their peers are having success, that makes them feel they can have success as well," he says.

PEER PERSUASION

To tell those e-signature success stories, agents who advocate the process were on duty in the life-and-health exhibit hall booth at COUNTRY's recent annual sales convention, Harrison says. Agents who embrace e-signatures also speak at other company gatherings and relate their tales on the carrier's Intranet site, he says. The company is considering a more formal mentoring effort, too, he adds.

Persuading agents to try the technology can win them over, Harrison says. "It's just a matter of trying to prompt them to do that first one," he says of e-signatures and e-applications. "The reps who are using it really like it."

Coaching and statistical reviews of the advantages of e-signatures are helping to win over hesitant call center representatives for Boston-based Liberty Mutual Group Inc., says Craig Dierkes, the carrier's director of call center operations.

In coaching sessions, Liberty shows each call center representative how much of his or her book of business was closed with e-signatures, and how many customers dropped out of the process, Dierkes says. Generally, agents achieve better retention rates with e-signatures because electronic applications spell out the steps needed to complete the documents, observers say.

"It's not about improving their e-sign results," Dierkes says of the coaching. "You view the benefits of increasing your e-sign percentage in terms of what impact it will have in improving customer satisfaction and improving your retention."

Liberty also tries to understand why some representatives favor paper documents by listening to their phone calls with customers and analyzing other data, Dierkes says. Knowing the representative's reason for choosing paper can help the carrier determine the best ways to coach them to choose electronic documents, he notes.

While carriers labor to bring some agents into the e-signature era, other agents are so eager to offer customers the e-sign option that they express frustration with what they view as the slowness of some carriers to integrate the technology into their IT systems.

"It's in its infancy when you compare it with what the consumer's going to be looking for from us," says Tom Minkler, president of Keene, N.H.-based Clark-

Mortenson Agency Inc., and a member of the executive committee of the Alexandria, Va.-based Independent Insurance Agents and Brokers of America.

"We're going to lose opportunities for new business because a certain segment of consumers out there will get turned off if they don't have the ability to transact business in that type of efficient manner," Minkler says of e-signatures. "We can't just sit back and say this isn't important to us."

Not many of the carriers Minkler represents offer e-signatures, and some of those who do provide them still require agencies to keep customers' handwritten signatures on file. "That defeats the whole purpose, and that's one more layer of burden for us," he says.

CONSUMER DEMAND

Chris Jordan, who operates Atlanta Insurance Live! almost exclusively through e-mail, Google and social networking sites, says the use of e-signatures coincides with consumers becoming increasingly comfortable conducting business online.

"With e-signatures, you're putting both consumers and agents at a great advantage to be able to streamline the workflow and reduce time," Jordan says. Sending documents by e-mail saves time compared with printing and faxing paper documents, and signing electronically eliminates visits to customers' home, which require time spent traveling by car.

Customers tend to procrastinate when they receive a paper application, Jordan notes. "From the client perspective, it's something I don't want to deal with," he says. The public finds it easier to pull up the document in a mobile browser and click the boxes to sign after typing in a password they have received by e-mail from the carrier to authenticate their identity.

Still, Jordan recalls that problems occurred when the carrier where he used to work began offering e-signatures tied to antiquated IT systems. The steps to process e-signatures there proved more burdensome than dealing with handwritten signatures on paper, he says.

Other carriers have met the challenges of e-signature, and the technology appears likely to keep proliferating, says Claudia McClain, president of Everett, Wash.-based McClain Insurance Services and a member of Progressive Insurance Co.'s National Agency Council.

McClain likens the widening acceptance of e-signing to the spread of other technologies, such as electronic funds transfer and online quotes. "At first you get the cutting-edge companies trying it out," she says. From there, each new process progresses from "kind of nice and kind of different," to "that really needs to be the standard," she says.

The technology becomes part of a report card in consumers minds that indicates how effectively the carrier will respond to claims, says McClain. "There have been companies I have not accepted appointments with because their technology wasn't where it needed to be," she says.

STANDARDS

A problem arises, however, if each carrier develops a different proprietary method of handling an emerging technology, and e-signatures may prove no different, McClain says.

"In my dream world, the e-signature system would reside at my agency, and there would be one standardized way of doing it for all of the companies-as opposed to us having to deal with each company's slightly different way of doing it," she says.

So far, no standards for consumer e-signatures are on the horizon for the Association for Cooperative Operations Research and Development (ACORD), the Pearl River, N.Y.-based insurance standards organization, says Lloyd Chumbley, an ACORD VP.

While the requirements for e-signatures, such as authentication of the consumer's identity and assurances that the document has not been altered, have been laid down explicitly, the methods for achieving the guidelines vary widely, Chumbley says.

ACORD is discussing e-signatures to help agents and members understand the technology, Chumbley says. Yet so many ways of handling e-signatures are available that the organization hesitates to set standards because it would be dictating what methods should prevail, he continues. When the options narrow, ACORD could seek standardization of e-signatures on its forms, he says.

While many in the industry agree the e-signature era is just beginning, the technology has a fairly long history just the same. Government, manufacturers and a few financial services institutions began using e-signatures for internal approvals 30 years ago, says Silanis' Power.

Signature pads began coming into use among captive insurance agents in the early '90s, says Gartner's Leigh. "That's really where electronic signatures got a foothold in insurance," he notes. "Click to sign" has emerged in the last 18 to 24 months, and eliminates the need for the signature pad hardware, he says.

In 2000, Congress passed legislation that gave e-signatures equal legal standing with handwritten signatures, thus opening up the possibility of using them in commerce.

Meanwhile, technology matured to enable e-signatures online, thus eliminating the need for companies to have gargantuan computing capacity to employ them.

Over the last six to nine years, vendors have refined their software to handle the complexity of multiple signatures, trailing documents for such cases as student discounts or medical examinations, and differing regulations across all 50 states, says Power. Vendors had to learn to integrate with carriers' custom-built IT systems, she notes.

"Many had to occur between 2005 and 2008," Power continues. For e-signatures to proliferate, the industry needed Web portals, electronic forms, new business applications, and workflow systems to bridge the gap between the policies and administrative systems," she says, adding that "much of that has happened."

Currently, every one of the biggest 15 carriers in property/casualty insurance-who collectively account for more than 60% of premiums-uses e-signatures, Power notes. Progressive began offering e-signatures about six years ago, and GEICO about five years ago, she recalls. "It's a necessity in P&C," Power says, because of the commodity-nature of auto and home insurance.

LEGAL BENEFITS AND HURDLES

E-signature technology captures the length of time consumers spend online while executing and reviewing documents, which can sometimes help prove they had access to the information long enough to prevent them from saying they signed something they did not understand, says Frank Zacherl, a partner at Miami-based Shutts & Bowen LLP, which has represented one of the nation's largest auto insurers on electronic commerce issues.

"The technology has helped us head off literally thousands of potential cases before they ever get to litigation," Zacherl says. Customers might insist, for example, that they did not know they signed a form to reject coverage of uninsured motorists. The technology can demonstrate, however, that the customer spent time on the page and signed the document electronically.

"The ability to retrace a consumer's digital footprint eliminates misunderstandings and helps companies answer consumers' questions about electronic-commerce technology," Zacherl says. "This technology virtually always results in avoiding litigation," he continues. "Despite tens of thousands of online transactions, we have not seen a single electronic commerce case go to trial since this technology was implemented."

The electronic footprint captured in the e-signature technology also indicates when someone calls up a document and makes a change, eliminating the possibility that the customer is signing some sort of "blank check" that a company could rewrite, says Power.

Consumers can sign electronically in minutes, compared with the weeks required to mail paper documents back and forth, observers agree. During the longer time needed for paper forms, some customers change their minds and drop out off the process, according to several industry sources.

With those advantages in place, the e-signature experimentation phase has ended, and the technology represents the last piece in automated straight-through processing for new business, Leigh says. He advises carriers to look for e-signature technology they eventually can deploy enterprisewide, even if they roll it out piecemeal. Costs can range from $50,000 for a point solution to $1.5 million for an enterprise-wide approach, he says.

The ergonomics of e-signatures could raise objections among some agents, says Leigh. For an agent and customer to view the same documents, the agent might have to swivel a computer screen back and forth, inadvertently revealing confidential notes, he says. Some agents address that potential hurdle by setting up two screens in their offices, says COUNTRY's Harrison.

The advantages of automation also bring liabilities, cautions Leigh. Agents sell policies almost anywhere, from the kitchen table to the back porch, where Internet connections may not be available. However, much of the business at many agencies is transacted online or by phone, which lends itself to e-signatures, says McClain.

And Leigh envisions a future of "virtual natives" who will expect seamless interplay between Web content and physical content. Those natives will not decide to go on the Internet because the Internet will already know where they are, he says. Long before that environment evolves, he notes, agents will embrace e-signatures with or without the prodding of carriers. "In that environment, it's hard to imagine insurance would be sold the old-fashioned paper way."

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