



Seven of the top 12 insurance carriers in the US now offer the convenience of electronic signatures.

SPECIAL REPORT

Why personal lines carriers need to implement e-signatures now

In recent months, the personal lines insurance market has seen more electronic signature implementations than any other industry segment. It's easy to see why. This special report, developed by Silanis Technology, outlines what to consider from a business, legal, IT and customer perspective, when beginning to plan for an electronic signature implementation.

With little product variety, companies in this extremely competitive industry struggle to differentiate themselves and, short of dropping prices to undercut competitors, have little choice but to offer superior customer service, or develop more effective retention strategies.

As several top personal lines insurers in the US have discovered in the last year, electronic signatures address both requirements.

Not only do e-signatures cut in half the time needed to process insurance applications¹ (by allowing customers to view and sign paperwork electronically over the Web, or at the point of sale); they reduce the risk that online applicants will abandon the process altogether during the time they normally would have to wait for paper documents to be mailed to their homes for review and signing.

Even in those processes where immediate policy binding is possible, electronic signatures can lessen the dependence on trailing documents. Failure to return (or delays in returning) state

regulated forms leads to loss of agent productivity and customer frustration when premiums are raised or policies cancelled. Completing this process immediately online can eliminate this problem.

Significant improvements in customer satisfaction, coupled with faster return on marketing investments and transaction cost reductions of 75 percent², have driven the leading personal lines insurers to adopt electronic signatures, and are forcing the rest of this historically conservative market to catch up.

A December 2006 Robert E. Nolan survey of top insurers showed that e-signatures were the top technology priority for 95 percent of respondents.³ Since then, a Celent survey has found 76 percent of carriers believe e-signatures are, or soon will be, "essential to remaining competitive."⁴ Finally, based on over 100 responses from international insurance carriers, TowerGroup determined that electronic signatures were one of the top 10 IT initiatives for insurance in 2008.⁵

"In addition to the speed at which a transaction can be concluded via electronic signature functionality, carriers bring value to themselves, their agents and brokers, and consumers when they make contracts available in electronic form."

- TowerGroup



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Moreover, with steep advertising, commission, underwriting, IT and other infrastructure costs, it now takes insurers three to five years to break even with each new customer they sign on. Retaining customers for that period and longer is critical for survival and profitability -- and depends on making insurance products available to a whole new generation of consumers at the speed and convenience of the Web.

Carriers are recognizing that Generations X and Y will replace Baby Boomers as their primary target market within the next 10 years. The experiences of this demographic, whether buying electronics on eBay or banking online, are shaping their expectations for interactions with carriers, agents and brokers, explains TowerGroup in a recent report.⁶ This younger population has a far greater expectation of convenience and service, and insurers have been responding by developing new business models based on straight-through processing technology such as electronic signatures. Consumers have greeted these efforts with open arms, more than tripling the number of online auto insurance applications between 2002 and 2007.

This trend towards straight-through processing is not limited to Web and call center channels. Electronic signatures provide equal value to agents by eliminating delays when errors identified on applications need to be corrected, and forms re-signed. E-signatures are a complement to all sales channels, enabling the carrier and its intermediaries to spend more time with customers and less time on paperwork.

But while the benefits of electronic signatures in insurance are clear, how to best integrate them into a carrier's Web and traditional channels without introducing new risks is not so obvious.

With three of the top 10 Property & Casualty (P&C) insurers among its clients, in addition to several other market leaders in both P&C and life insurance, Silanis has developed extensive expertise in supporting the needs of the insurance market. Its solutions are in use in point-of-sale, call center and Web channels.

Signed insurance contracts and documents are critical to insurance carriers. They provide a lasting record of customer agreements and internal business decisions. At the same time, they demonstrate a carrier's compliance with various laws and regulations.

Similar to a wet ink signature, an electronic signature is primarily a legal concept, not simply a technology. When moving the contract review and signing process to the Web, it is imperative that the resulting electronic record provide the same, if not greater, compliance and auditability as that of a hand-signed contract. Equally important, the process required to capture a person's signature must be as easy and intuitive to use as pen and paper.

The type of e-signature solution you choose will have a direct impact on exposure to risk, on which sales channels can take advantage of straight-through electronic processing, on whether the solution has the ability to scale across the carrier's



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different insurance products, and on whether consumers will adopt the electronic process or not.

The following provides an overview of what to look for in an electronic signature solution to ensure a successful implementation.

COMPREHENSIVE ELECTRONIC EVIDENCE

The reliability, strength and persuasiveness of electronic records and signatures can determine their admissibility as evidence into court, help produce a favorable judgment or, ideally, avoid costly litigation in the first place. As several cases have proven, evidence of the process used to obtain an electronic signature is as important as proof of the signature itself.

For instance, in the 2007 dispute between Markel American Insurance Co. and a policyholder¹ over contract interpretation, Chief United States Magistrate Judge Paul W. Grimm would not admit electronic records into evidence because neither party could demonstrate the records were reliable.

As well noted by law firm Lord, Bissell & Brook in its analysis of the case:

Creating and securely archiving and retrieving an audit trail of the entire (electronic) management process, from the steps to verify the identity of the persons signing the record all the way through to sealing electronically the document and then securely archiving and retrieving the

e-contract are examples of essential elements of an effective e-contracting process.⁷

COMPLIANCE

In order to comply with applicable laws, regulations and policies, an insurer’s online signing ceremony must accurately present regulated documents to prospects within a Web browser, without any difference between the appearance or design of the online version and the paper original. This can be particularly challenging on the Web, where the carrier does not have control over end-user system requirements, and where browser versions can affect the display of information.

The Web process must also follow the same steps as in a traditional, customer-facing environment, in the same order. For example, before permitting users to review and sign documents, customers must first consent to transacting electronically, as stipulated by the US Electronic Signatures in Global and National Commerce (ESIGN) Act, and view all disclosures required by law.

ENTERPRISE CONSIDERATIONS

Another consideration for insurers is the eventual need for cross-channel integration: an e-signature ‘platform’ solution that encompasses online, agent and call center-based applications. Each transaction type has unique requirements, and a solution must be flexible enough to manage those differing requirements, while scaling across multiple lines of business and enterprise applications.

COMMON CAUSES FOR DISPUTE:

- ▶ Denying a document was signed
- ▶ Claiming the content changed after document was signed
- ▶ Disagreeing on the timeframe during which a claim was submitted

E-signatures help defend against such claims.

¹ Lorraine v. Markel American Insurance Company, 2007 WL 1300739 (DMd May 4, 2007)



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Equally important is support for transaction exceptions, such as the ability to update documents, suspend transactions and notify users of updates, as well as provide users with the ability to save and exit their online session, and print documents during a transaction. These capabilities are vital to customer satisfaction, and may even affect compliance.

The benefits of electronic signing are myriad and wide-ranging, and the probability of future implementations in other applications should be a consideration when selecting a vendor. As Karen Pauli writes, “adoption of e-signatures at the enterprise level is important to decrease total cost of ownership as well as to ensure adoption in all business units.”⁸ Claims’ handling, for example, is another area that is being automated through e-signatures, as is agent administration.

STRONG CONSUMER ADOPTION

In order to fully realize the benefits of e-signatures, organizations must promote strong user adoption by ensuring the solution is easy to use. An end user directed to a third-party site or forced to wait five minutes to download plug-ins is very likely to abandon the process and comparison-shop, reintroducing the drop-off problem e-signatures were designed to solve.

As long as the solution is easy to use, adoption should not be a concern. One need only examine recent, dramatic increases in auto insurance purchased online to infer market readiness for this capability.

INTEGRATION WITH EXISTING SYSTEMS

Unfortunately, the insurance industry must contend with a heavy heritage of legacy-based, “siloed”² systems that often require customization in order to integrate new technologies. Considering the major IT/IS infrastructure investments typically required for a carrier to deploy e-commerce and agent-automation capabilities, it is critical for an e-signature solution to seamlessly integrate with, and leverage, existing technology.

A standards-based electronic signature solution will minimize the effort required to integrate with existing storage, workflow and document preparation systems and make it easier to accommodate evolving IT infrastructure.

With such an extensive and complex list of requirements, finding the right solution may seem daunting. Fortunately, the market has matured. According to Gartner, “Vendors are responding with complete or near-complete products to meet market demand for e-signature software suites and hosted services that provide end-to-end support for e-signature processes.”⁹

THE SILANIS SOLUTION

Since the passage of E-SIGN, Silanis has taken the lead in providing electronic signature solutions for “brick, click and call center” applications. The Approvel[®] platform represents its cumulative experience in addressing customer and market requirements, and conforming to

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² Not interconnected.



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the laws, regulations and standards that govern their use.

With three of the top 10 Property & Casualty (P&C) insurers, and several other carriers, among its clients, Silanis has developed extensive expertise in supporting the needs of the insurance market. Its solutions are in use in across all carrier channels, to accelerate the signing of policies and reduce data errors and paper-related costs. Silanis is also IBM's chosen electronic signature provider for its insurance solutions.

The flexibility of Silanis' Approvelt platform makes it possible to encompass multiple channels and lines of business, by offering a solution that addresses a variety of requirements.

Approvelt® Web Server is a server-based solution that enables consumer transactions to be executed electronically using only a Web browser. It is ideal for capturing signatures on policy applications and claims, and for any customer service process.

The Approvelt platform of electronic signature solutions is ideal for the highly regulated personal lines industry, for the following reasons:

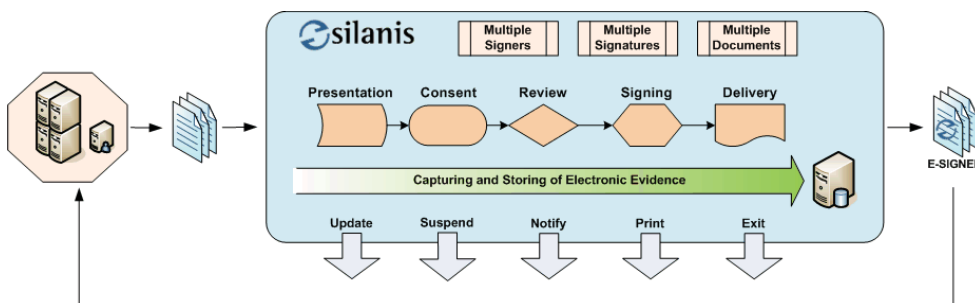
PROVIDES THE BEST POSSIBLE LEGAL EVIDENCE

As several court cases have indicated, the ability to defend a disputed transaction will depend upon whether the carrier can demonstrate both the validity of the e-signature *and* the integrity of the e-signing process. Risk-averse organizations should therefore seek to create the most reliable and comprehensive evidence possible.

Approvelt Web Server captures and stores all transactional information in the final electronic record's audit trail, which is embedded in, and travels with, the document at all times. This "document-centric" approach allows the document to be printed, e-mailed or brought into any content management, storage system or enterprise system without jeopardizing the electronic evidence it contains. Moreover, digital signature encryption technology makes any tampering immediately obvious by invalidating the signature.

SILANIS SOLUTIONS:

- ▶ Extensive Legal Evidence
- ▶ Compliant
- ▶ Scalable
- ▶ Enterprise-Class
- ▶ Easy to use





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It is also important to consider how to provide proof of the signing process when it takes place online, without witnesses. Silanis' proprietary Process Signature® answers this need by capturing the actions of a user in an online session, and securely embedding that logged process as part of the document's electronic record. At any point in the future, the Process Replayer™ can enable insurers to view all the steps taken by the online signer during the 'signing ceremony,' and easily present that repudiation-safe record to a judge.

Process evidence includes login, credential and/or authentication data; access records; records of viewed Web pages and actions by the signer; a history of electronic deliveries, distributions and downloads; and confirmation of data and record security.

Finally, as required by law, Approvelt provides all parties with a paper or electronic copy of all electronically signed documents, for their own personal records.

FULLY COMPLIANT

As required by federal and state legislation, Approvelt Web Server presents the prospective insured with renderings of all regulated documents making up the policy application "package" within a Web browser, without any difference between their appearance, design or content and that of the paper originals.

Approvelt Web Server guides users through the review and signing process by presenting documents in the required order, and displaying

users' progress at all times. Users must fill in all required information, and 'sign' in all appropriate places, before being able to submit the final documents. This guided workflow ensures compliance is met, captures proof of the user's intent to sign, and eliminates the possibility of incomplete applications.

SCALABLE AND ENTERPRISE-CLASS

A true enterprise solution, the Approvelt platform works with the insurer's existing Website, document preparation, document archiving and other back-end systems, to manage the presentation, consent, review, signing and delivery of regulated documents and disclosures over the Web. Even when faced with legacy systems, the signing ceremony remains intact and the solution itself highly customizable.

Approvelt also makes cross-channel integration straightforward. In addition to its online, zero-download capability, the solution can enable point-of-sale consumer Web transactions: an agent authenticates a customer in person, and has the customer use a signature tablet to complete the process.

Even offline environments can support the same process: the insurance agent has a client e-sign, and then returns to the office to upload the new insured's information and signed documents into the system. And because the Approvelt platform is modular, carriers can begin by automating one channel or process with the confidence that the solution will scale to meet their requirements over time.



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FEATURE	HOW IT WORKS	WHY IT MATTERS
Document-centric technology	Signature and audit trail are encrypted and permanently embedded within the signed document.	Eliminates the need to manage document and signature data separately. Increases ease of use and leverages existing systems.
Scalable platform	Interoperable, modular platform supports Web, PoS and offline e-signing.	Organizations can introduce e-signatures gradually, based on resources and priority, using the same enterprise platform for all channels.
What You See is What You Sign (WYSIWYS)	Documents displayed accurately online, regardless of end user system configurations.	Carriers can prove documents and disclosures were displayed and delivered in compliance with regulations.
Guided workflow	System enforces sequence of events and automates quality control.	Helps demonstrate compliance and reduces errors caused by missing signatures, etc.
Zero-download	Customers “click to sign” online using only a Web browser.	Intuitive & easy-to-use.
Offline e-signing	Customers e-sign on agent laptops in an offline environment. Electronic applications are processed immediately upon next synchronization.	Allows agent channel’s processes to remain electronic, maintaining straight-through processing.
PoS e-signing	Customers review documents and e-sign on signature tablets.	Intuitive & easy to use. Tablet interface avoids sharing office computer or customer kiosk.
Standards-based technology	ApproveIt Web Server is a J2EE-compliant solution and uses XML to interface with other enterprise systems.	Enables faster and easier integration with legacy systems and enterprise infrastructure.
Process Signature	System securely captures & stores all actions that occur during the online e-signing process.	Carriers can prove the integrity of the process used to capture the signature(s) and produce the final electronic record.
Process Replayer	Plays back the actions that occurred as part of the e-signing process.	Convincing evidence can easily be presented to opposing counsel, or brought into court.
Audit trail	Secured with a digital certificate, it contains signature details including date, time and number of signatures.	Provides easy-to-access proof of signature and document security. Audit trail details can be exported for integration with enterprise systems for process analysis and fraud detection.
Secure delivery	All parties to a transaction can download, save or print the final, verifiable electronic documents.	Carriers are required by law to make a reliable copy of a signed record available to applicants.
Secure output to paper	A verified document can be securely printed to maintain a paper audit of the event.	Ensures business processes that begin electronic can continue on paper if a third party is unable to support electronic records.
Customizable process	Solution supports multiple signers, signatures, documents and disclosures.	Flexibility facilitates support of processes as requirements change.
Customizable interface	System seamlessly integrates with existing portal.	Consistent look and feel reinforce brand and eliminate any customer disconnect.



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In line with its enterprise capability, the Approvelt suite allows insurers to manage exceptions and transaction variables such as multiple signers and signatures; multiple documents and formats; multiple user authentication methods (out-of-wallet credentials, transaction IDs, username/password, etc.); and multiple signing methods (click-to-sign, live signature capture).

EASY TO USE

Approvelt was designed to allow consumers to complete an online policy transaction through an easy and culturally familiar acceptance process, thus promoting a very high level of user adoption. Because it is a zero-download solution, its typical user needs no additional software or hardware to utilize it. He/she simply "clicks to sign" within his/her Web browser to electronically review and sign documents, while the solution works behind the scenes to create compliant and auditable electronic records.

SUPPORTED BY A TRUSTED PARTNER AND ADVISOR

Silanis takes full responsibility for meeting its customers' requirements and ensuring the success of each project. This includes going live on time and within budget. Silanis' commitment earned the company a GEICO Partnership Excellence Award for "dedication, customer focus and fanatical service."

RESULTS

The experience of Silanis' personal insurance customers consistently proves TowerGroup's finding that "carriers bring value to themselves,

their agents and brokers, and consumers when they make contracts available in an electronic form."¹⁰

The straight-through processing of insurance applications yields dramatic and unquestionable benefits, as customers receive a quote, application, policy and coverage in quick succession, activating back-end systems automatically. Reams of paper documentation travelling between customer, agent, underwriter, policy issuer, regulating body, and back again, appear archaic and time-consuming by comparison.

Any concerns about user adoption, or customer satisfaction, quickly dissipated for Silanis clients with volumes of nearly 3,000 electronic transactions daily in 2007.

Offering customers the opportunity to conclude agreements online has eliminated the need to mail out packages and reminder letters, leading to savings on paper, printing, postage and courier costs. One household name in insurance now attributes up to \$1 million in hard cost savings annually to having implemented Silanis electronic signatures as part of its online application process. TowerGroup also cites carriers' reports of up to 75 percent reductions in cost per transaction.¹¹

E-signatures also allow insurers to eliminate the extensive follow-up process. There is no longer any need for agents to prepare and send out numerous packages, or follow up on them by phone and by mail. Without this time-consuming

BENEFITS OF E-SIGNATURES

- ▶ 75% reduction in transaction cost
- ▶ Eliminate document shipping cost
- ▶ Streamline processing time by 50%
- ▶ Increase agent productivity
- ▶ Improve customer satisfaction
- ▶ Reduce drop-off rate
- ▶ Increase quality
- ▶ Improve transaction evidence



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obligation, some carriers have seen processing times reduced by up to 50 percent.¹²

CONCLUSION

E-signatures allow insurance agents to spend more time building relationships with customers, and responding quickly to those who require assistance, rather than chasing down paperwork. Instead of alienating customers requiring personalized assistance, as initially feared, online insurance applications have offered customers a greater range of options, and better service overall.

Personal insurers have been using Approvelt for years, with exceptional return on investment. As the leader in personal lines, Silanis can offer customized advice and education. Its best-of-breed solution creates the strongest possible transactional evidence, while facilitating cross-channel integration. In a market where e-signatures are “no longer a question of if, but when,” the safest bet is Silanis. ↻

ENDNOTES

- 1 TowerGroup. *Electronic Signature and Secure Forms in the Industry: Taking the P&C Pen to the Web*. Karen Pauli: October 2007.
- 2 TowerGroup. *Electronic Signature and Secure Forms in the Industry: Taking the P&C Pen to the Web*. Karen Pauli: October 2007.
- 3 Robert E. Nolan Consultants. *Strategies for a Changing Industry: Robert E. Nolan Life & Annuity Survey Findings*. December 2006.
- 4 Celent. *Survey of Insurance Carriers on E-Signatures*. May 2007.
- 5 TowerGroup. *2008 Top 10 Business Drivers, Strategic Responses, and IT Initiatives in Insurance*. Rachel Alt-Simmons, Matthew Macauley, Karen Pauli, David West. December 2007.
- 6 TowerGroup. *Electronic Signature and Secure Forms in the Industry: Taking the P&C Pen to the Web*. Karen Pauli: October 2007.
- 7 Lord, Bissell & Brook LLP. *From E-Discovery To E-Admissibility? Lorraine v. Markel And What May Follow*. Patrick J. Hatfield, John A. Neiditz, Jay G. Safer. June 2007.
- 8 TowerGroup. *Electronic Signature and Secure Forms in the Industry: Taking the P&C Pen to the Web*. Karen Pauli: October 2007.
- 9 Gartner, Inc. *Electronic Signature Suites and Services Mature*. Gregg Kreizman, Kristen Noakes-Fry. February 6, 2008.
- 10 TowerGroup. *Electronic Signature and Secure Forms in the Industry: Taking the P&C Pen to the Web*. Karen Pauli: October 2007.
- 11 TowerGroup. *Electronic Signature and Secure Forms in the Industry: Taking the P&C Pen to the Web*. Karen Pauli: October 2007.
- 12 TowerGroup. *Electronic Signature and Secure Forms in the Industry: Taking the P&C Pen to the Web*. Karen Pauli: October 2007.

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