

Enhance Agency Loss Control with Technology and Disciplined Workflows


While there is still a lot to do, the industry has made great technological advances in recent years. Agencies that stay current with these new technologies make significant progress in virtually all aspects of their operations. They are also extremely well positioned to manage their errors & omissions exposures.

A Texas agency provides a good example: With six branches and a seventh office for franchise business, this agency eliminated several processor positions by implementing commercial lines download and real-time transactions and going paperless wherever possible. The agency currently downloads 5,500 commercial policies from eight carriers. It also implemented automatic invoicing for direct bill downloaded policies and turned off the agency policy paper for all downloaded policies. By taking these steps, the agency eliminated its processing backlog, meaning all of its information is current. This reduces the need for paper handling in the mailroom, and the agency was able to reduce its processing and accounting staff by seven. Taking the same steps in personal lines, where the agency downloads with 10 carriers, enabled it to go from three personal lines processors to one, and it estimates download accuracy at 98%.

Innovative agencies such as this one are better able to manage their E&O exposures for several reasons. First, these agencies have eliminated backlog—a major cause of E&O losses—and are able to keep their agency management systems up-to-date. Perhaps most important, these innovations have freed up agency staffs so that they do not have to rush through their work just to keep their heads above water. They now have the time to do their work more carefully—without cutting corners. These employees also have the time to do annual policy reviews with their clients and suggest coverage enhancements where the current limits do not meet the agency's recommendations. Not only do these annual policy reviews build client relationships and enhance retention, they catch potential E&O exposures and correct them.

When we drill down deeper, there are additional things going on that help these agencies more effectively manage E&O exposures. They have a technology/process-oriented culture, where they are constantly looking for process improvements to increase their sales power, provide better service and enhance their efficiency. These agencies schedule agenda time at management meetings to discuss how new technologies and workflows can improve the business. These agencies think in advance about the exposures the agency faces, in the same way they perform risk management analyses for their clients. Staff teams evaluate exposures that might arise from an E&O, a breach of security, the theft of their clients' confidential information or a disaster situation. But they do not stop there. These teams then develop written policies and documented workflows to manage the exposures as effectively as possible and take the time to train their employees in the new requirements.

These agencies understand the critical importance of maintaining an accurate database. If a carrier has a good record of sending correct data, then the agency would periodically audit these downloads for accuracy. Where the agency is less comfortable with the accuracy of the data, the agency would check each download. It is also important for agency employees to fully understand any carrier-specific idiosyncrasies in their downloads, and how the agency handles them. The industry is currently working hard to improve the quality of commercial line downloads because of the enormous efficiencies these downloads can bring to agencies.

As an additional E&O loss control tool, agencies can instantly check or supplement specific policy information in their database by using real-time Electronic Policy View through their agency management system to view the actual Declarations Page from the company. 

Jeff Yates (jeff.yates@iiba.net) is executive director of IIBA's Agents Council for Technology. This article reflects the views of the author and should not be construed as an official statement by ACT.

Make the Management System the Hub

Innovative agencies use the agency management system as the primary source for all client and agency information. An employee can go to any work station and work in a consistent manner, with the information organized in the same fashion. All e-mails, telephone calls, voicemails and written materials are documented in the agency management system, which is designed to provide an audit trail for E&O loss control. These agencies work to understand the complete functionality of their agency management systems and then fully implement its features. They attend their user group meetings and network with fellow users to learn about the latest benefits available to them.

In these agencies, all employees are required to follow the agency's policies and workflows, and their performance is regularly audited for compliance. The agency management system's transaction log is a good tool. Agents should also evaluate their system's capabilities to generate other reports that might be helpful in managing exposures. Expiration reports, for example, can monitor renewals. In the industry, ACT is working with the vendors to produce additional capabilities in their systems that automatically identify exceptions which need to be addressed. A great example would be the ability of the agency management system to generate a download reconciliation report which would point out any changes contained in the download sent by a company as compared to the agency's data.

—J.Y.