

## Rethinking Agency Loss Control in an Electronic World

The most efficiency-enhancing trend in independent agencies today is shedding paper wherever possible and replacing it with electronic information. Agencies are interacting electronically with carriers and clients and are implementing download. Carriers, in turn, are "turning off the paper" to their agents and replacing it with electronically accessible information. Agencies must manage the errors & omissions risks these new electronic workflows present.

Agencies need an integrated approach to handle e-mails, phone conversations, voicemails, faxes, scanned documents and paper. Employees should store all communications related to a particular client in the agency management system. Many agencies will attach these documents directly to client files within their agency management systems. Other agencies, writing more complex risks, may store these communications in a separate document management system, which should integrate with the agency management system. The objective is to preserve all of these documents in unalterable form, taking advantage of the audit trail the agency management system's activity log provides.

Ask all employees to agree to a written e-mail policy that outlines permissible e-mail uses and subject matter and requires employees to attach client e-mails to the agency management system by the end of each day. Similarly, agencies' procedures should require employees to document telephone conversations and voicemails on the agency management system activity log. Employees should confirm voicemail content with the client in writing. Have a process in place to check out-of-office employees' e-mails and voicemails.

E-mails sent over the Internet are open communications—like a postcard—and should not be used to send confidential client information. Err on the side of caution with this type of information and use other communications methods.

If your agency's Web site allows clients to make requests and conduct transactions, it needs to have the backroom operation to handle requests in an expeditious manner. Web sites should make clear to clients which actions require an agency confirmation before a request or transaction goes into effect.

Check agency agreements to confirm that carriers permit you to retain required client documents in electronic format, along with the conditions they impose for retention. It is critical that agencies regularly test their electronic information backups and they keep them in a remote location.

When carriers turn off paper, agencies need to decide how they will gain access to necessary information. In this paperless world, agencies need good database integrity and an effective download process in place with the carrier they audit regularly for accuracy. The agency should have real-time electronic access to the carrier's affected policy information for the statutory period the agency is required to retain it. Press carriers to revise their agency agreements to provide continuing access to electronic client information following agency termination so that agents feel comfortable relying on this new process.

Lax management of agency employee passwords creates significant E&O exposure. In technology agreements, carriers place liability for unauthorized access to their Web sites squarely on agencies. Require employees to commit in writing that they will keep their passwords private. If employees are terminated, immediately cut off their access to agency and carriers' systems. The agency also should restrict employees' systems access to only the confidential client information they need to perform their roles.

By operating online, agencies risk outside parties gaining unauthorized access to their customer base. Not only could confidential client information be compromised, agency expiration information could be stolen. Agencies need to think through their security exposures, develop procedures that respond to these risks and install the appropriate firewalls and virus software. ☐

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

## ACT Tools Help Agents with Loss Control

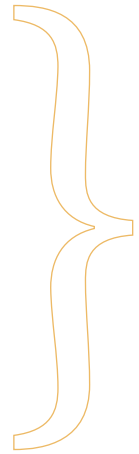
Visit ACT's Web site at [www.independentagent.com/act](http://www.independentagent.com/act) for several tools to help manage your agency's E&O exposures. Under "Agency Improvement Tools," you will find "The Best Practices Guide to Agency Business Processes & Workflows." This guide contains complete documented insurance workflows for property-casualty and benefits transactions integrated with technology applications. It provides detailed guidance and forms to help agencies appoint staff teams to develop customized workflows. This section also contains "The Best Practices Guide to Agency Electronic Information Management," which details the steps necessary to go paperless effectively.

Review "The Independent Agent's Guide to Systems Security" for guidance on implementing an effective security policy. This report includes a detailed prototype agency security policy. You will also find ACT's report on protecting client privacy, "Safeguarding Non-Public Personal Information."

In the "Technology Reports" section, take a look at "Turning Off the Paper to Agents, Phase Two Report" for workflow recommendations in situations where the carrier turns off the policy paper to the agent.

—J.Y.

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