

## Automated solutions paying dividends on compliance management

By Bruce Shutan  
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There are tangible and intangible benefits to insurance carriers having a smoothly functioning regulatory compliance program. To wit: an avoidance of fines or regulatory action, as well as reduced expenses associated with labor-intensive paper processes.

Others include improving a producer's experience with carriers by eliminating bureaucratic hurdles and speeding their ability to generate revenue, which will enable them to focus on selling policies.

Although the financial-services industry historically has received the lion's share of regulatory scrutiny, oversight is spilling into the insurance side where carriers face a daunting patchwork of state regulation. To complicate matters, there's congressional debate about whether to broaden the optional federal charter for monitoring insurer compliance, which obviously would add even more complexity to the regulatory climate.

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### Eyeing the Big Apple

Moreover, a recent proposal in New York to increase 30 fines for insurance violations has carriers in the Empire State on their guard, but the aggressive crackdown also suggests a need for stronger compliance across the nation.

"I think it's a good indicator of the times and a warning to insurers that they need to be proactive about instituting compliance programs," observes Zach McCoy, vice president of compliance for Kaplan Financial Compliance, whose parent division provides a single source for compliance solutions in partnership with its education offerings.

Another issue to consider is if violations of rules or regulations turn up in any given state audit, they could lead to a parade of state auditors reviewing the insurer's activities and trigger a snowball effect of additional scrutiny.

That's why more carriers have chosen to invest in an automated solution to eliminate cumbersome manual procedures, which has the potential to dramatically improve operational efficiency and return on investment (ROI). The starting point is conducting a process analysis to determine the number of workflow steps taken along both the sales and distribution chain, including how many people are involved in each transaction and whether they've needed to weigh in multiple times on various matters.

“What automated solutions will do is help our customers manage expectations,” McCoy says. “So if everything is in order – the producer background check comes through clean, the license is already on file with the producer database and is active and effective – you don’t necessarily have to touch that transaction.”

Automation also can help free up key personnel to make a more strategic contribution to their organization. For example, the licensing and compliance staff can focus on a proactive call campaign to generate revenue rather than quoting policies and getting applications to the home office.

### Benefitting from expertise

Nearly every insurer could benefit from leveraging expert advice on workflow analysis and best practices, as well as using the full suite of technology that’s available in today’s market. Kaplan is certainly poised to provide such expertise. In addition to its software customers, the company’s outsourcing group is the nation’s largest licensing entity in terms of transactions processed (more than 400,000) and producers served (more than 100,000 as part of a national network).

“That provides us the opportunity, knowledge and experience to go into an insurer and put together a best practices recommendation document,” explains McCoy, noting that ROI across Kaplan’s book of business has averaged 20% to 30%.

As many as 62% of insurers surveyed by LIMRA International, Inc. expected to make several kinds of changes to their compliance programs last year with regard to monitoring and surveillance, enhancing training and communication programs and other areas. Not surprisingly, insurers were most concerned about the complexity of regulatory activity, according to LIMRA, which also cited suitability, replacement, compensation disclosure, monitoring technologies and scarce resources as other key issues.

The implication of these finding is that “insurers realize they’re going to see a lot more scrutiny on compliance and monitoring from state insurance departments,” McCoy says. The problem is that far too many insurance carriers are still relying on legacy systems that require manual data entry into multiple systems and do little about redundancy. “Many of our customers don’t even have basic metrics available to them for monitoring compliance activity when we come on board,” he adds.

But times are changing and a growing number of carriers are trying to incorporate compliance efforts into their corporate culture by focusing on training all the way out to the producer level. Rather than view compliance as a necessary evil to avoid trouble, forward-thinking organizations have no quibble with compliance programs being in place to protect customers, producers and their own companies.

“What I’ve seen with companies that have achieved this is they know the positive effects of compliance from the top down in their organization and invest a lot of time, resources and money in training out into the field,” McCoy says.

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### About the Author

*Shutan is an L.A.-based freelance writer who has been covering the group insurance market since 1988.*

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