Straight-through processing

Can this mantra make magic in producer lifecycle management?

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Limitations remain. But it looks like producer lifecycle management is still going to change the rules of the game.

Producer lifecycle management
current state

As financial industries look to increase their 'producer' workforce several fold in the next few years, they face the challenge of crunching their recruiting and on-boarding time for new staff. The current process involves manual steps at almost every stage in the producer lifecycle. The current producer on-boarding process in many companies falls well short of best practices. Only automation can help ensure more efficient recruitment and on-boarding.

Producer lifecycle management (PLM) in insurance lacks standardization at almost every step in the entire lifecycle. The application process varies with each company, as does every subsequent step in the producer lifecycle. At the moment, there are few vendors in the market who provide an end-to-end PLM solution. There is also a shortage of vendors who specialize in just one stage, such as producer on-boarding.

We propose the adoption of a more seamless process that involves increased automation and standardization of the entire PLM process. In the future, processes will be defined by an automated workflow, electronic signature, electronic content management, as well as integration with a system of business rule management. Insurers can consider working with the Association for Cooperative Operations Research and Development (ACORD), which develops standards for insurance industries and helps define a standard set of application questions that cover aspects such as contracting and registration.

Producer lifecycle management (PLM) in insurance lacks standardization at almost every step in the entire lifecycle

The entire lifecycle of a producer, starting from recruitment through to termination is called producer lifecycle management. Although the PLM lifecycle might differ from company to company, some of the core building blocks remain unchanged across organizations. The following is a high-level representation of the core building blocks that comprise a typical PLM system.

Figure 1: A high-level representation of the core building blocks that comprise a typical PLM system

PLM begins with sourcing candidates for producer and sales openings during the recruitment stage. After the recruitment process, candidates complete applications wherein they provide personal details, such as social security numbers, or details of cases against them that are either pending or have been closed. Candidates are then subjected to a rigorous underwriting process, in which insurance companies perform background checks using vendors, such as the Business Information Group (BIG) and the Financial Industry Regulatory Authority (FINRA) in the US. Agents must obtain licenses from the respective states before they can sell their products. At the end of this process, the candidates receive an employment contract that associates them with the financial firm.

In order to do business in the securities industry, an aspirant is required to clear certain qualifying examinations. For the candidate to be considered eligible to take the exam, the financial firm must submit Uniform Registration (U4) applications to FINRA, a process called 'registration'. The entire cycle of contracting, licensing, and registering a new agent is called 'producer on-boarding'.

Compensation is the next stage in PLM. Agents are primarily compensated by way of commissions, based on the magnitude of their product sales, in addition to other modes of compensation like salary, for instance. Like every other industry, producer compensation differs from insurer to insurer.

If they are to be considered eligible to continue doing business, producers must retain their licenses by regularly completing the required courses in education and take the requisite examinations.

The other aspects of PLM include a need to alter the nature of these contracts or producer transfers between offices. The PLM process ends with producer retirement or termination.

PLM implementation – So what's the problem?

In a world that is getting digitized by the hour, paper-intensive manual processes continue to define the current state of PLM practices. Lack of automation in almost every step of the process has limited the firm's ability in many cases to recruit at the rate they would have preferred. No single PLM solution or product can come to terms with the complexity of the issue. Also, there is no standard application form in life insurance for on-boarding producers. A paper world brings in its trail, serious concerns around storage and retrieval; manual processes mean additional staffing, resulting in increased spend.

Following are some of the key solutions that can help overcome the current challenges in PLM:

Unified application form

There is no single application form that can be used across companies and it is difficult to develop a standard solution for PLM. The solution lies in standardizing the initial application process. The ACORD form that is used as a standard by various insurance segments can be used to standardize the application form for producers in the life insurance industry.

Straight-through processing

Companies are looking at a range of options that can help them cut cost, reduce manual effort, and increase efficiency. One of the answers is straight-through processing (STP). STP includes automating the handoff between systems with minimal or no manual intervention. It involves building a work flow with a pre-defined number of steps, with the system automatically progressing through each of these steps. The recruiting solution will automatically move candidates into the contracting process, which automatically generates a standardized application that the candidate must complete. Once the candidate completes and submits the application, the process automatically integrates with external service providers to perform the candidate's background check, fingerprint verification, licenses, and so on. At the end of the process, an STP-enabled PLM system would generate the contract and submit it for a candidate's e-signature. In STP, the workflow comes to a halt only if there is an error or issue with the application. This ensures that manual intervention is minimal and provided only where absolutely required. The graphic on the right is a high-level overview of STP as applied to PLM.

There are vendors in individual spaces such as recruitment, licensing, background checks, and compensation, but there are few single vendors who can offer a solution that can impact the entire process end-to-end or even impact the on-boarding process in its entirety. The vendors in these individual spaces
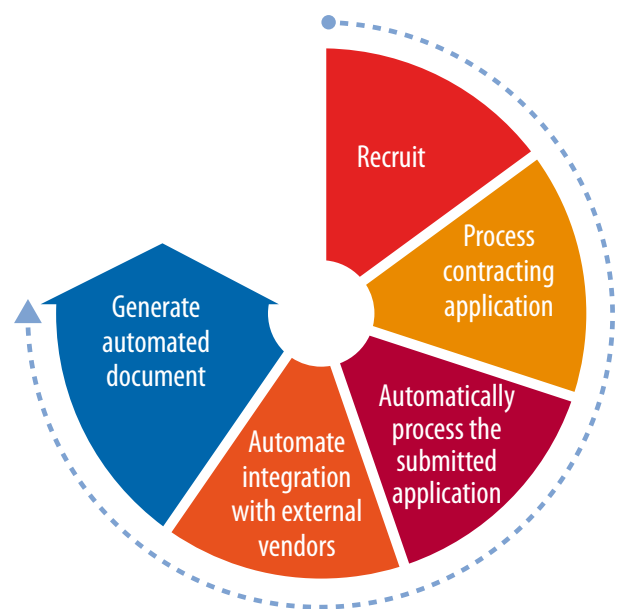

Figure 2: A high-level overview of STP as applied to PLM

do not have workflows built for their spaces, so there is no complete automation. In this setting, vendors who can help achieve STP with the following core components can claim the lion's share of a market that is looking forward to an end-to-end solution.

Under the bonnet – Proposed solution for PLM solution

Following is a high-level depiction of the components of the proposed solution for PLM.
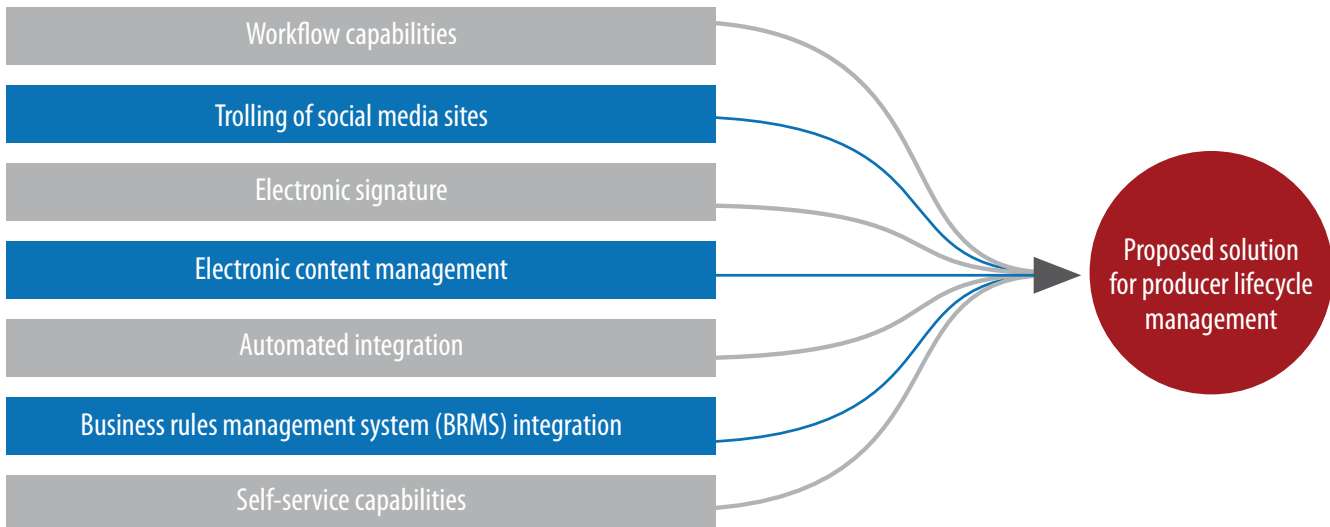
| Workflow capabilities |
| Trolling of social media sites |
| Electronic signature |
| Electronic content management |
| Automated integration |
| Business rules management system (BRMS) integration |
| Self-service capabilities |

→ Proposed solution for producer lifecycle management

Figure 3: Components of a highly-effective PLM solution

Workflow capabilities

The system possesses workflow capabilities, in addition to capabilities for sending notifications to the appropriate parties. Additionally, the system will enable users to manage the business rules in the workflow. This is achieved by integrating the system with a business rules management system (BRMS), like iLog. This eliminates any need to involve the IT team when changing the rules in the system, which has been a serious limitation in the past.

Trolling of social media sites

Social media sites are increasingly proving to be treasure troves for companies trolling for leads. Recruiters search social media sites such as Facebook, for potential candidates. Key providers of recruiting solutions are planning to integrate with social media sites or have social media already included in their solution. Such recruiting solutions even interface with jobsites like CareerBuilder and Monster.com.

Recruiting solutions perform resume parsing in case of key experiences, as well as establish interfacing with social networks to do background checks. With increased use of social networks, integration with external systems will prove a windfall for recruiters. Recruiting solutions minimize the manual effort required in searching for candidates and increase the efficiency of the recruitment teams.

Electronic signature

To realize effective automation, every aspect of the process has to be digitally transformed. The signing of documents using electronic means (electronic signature) is going to be a sheer necessity on the road to complete automation. There are various types of electronic signatures and attestations that an organization can choose from:

• Clicking a check box
• Entering a password and the date of signature
• Entering a password as well as answering some personal questions

The company's legal department will have to take a call on the type of e-signature they would want to use for contracts and other documents. Most government agencies have now started to accept e-signatures including FINRA, who use them for background checks, and state governments in the US, who use it to license applications.

Electronic content management

Automated document generation and automated check-in and check-out are going to be key features of electronic content management. Multiple versions of a document can be maintained and retrieved at any point in time. The document can provide auditors details such as date when added and user who added or changed the document.

Automated integration

Automated integration with external and internal systems is a key requirement to achieve STP. An STP workflow process will automatically trigger data exchange between systems at pre-defined stages. For example, the system can trigger the data exchange between the National Insurance Producer Registry (NIPR) for submitting and retrieving license information. Data that is exchanged between two systems could be automatically processed for accuracy and completeness. Here are some vendors who can implement automated integration: RegEd's Xchange, for example, allows for integration with NIPR. It's a system of record for all state licenses; BIG's solution offering in PLM has an intuitive user interface for capturing data and performing background checks.

User data may be stored across different systems including systems for recruitment, compensation, and on-boarding. The proposed solution will integrate data and display all the producer-related data in a central repository, thus making life easier for users who can access all of their information at a single portal.

Business rules management systems integration

Currently, there are some limitations when it comes to including business rules in the code, but these can be easily overcome using a business rules engine such as iLog. These tools can externalize business rules in the form of plain sentences, instead of code. Thus, these rules can be managed by the producers themselves, thereby eliminating the need to depend on the information systems (IS) team for every rule change.

Integration with BRMS tools will be a bonus; though, there could possibly be performance issues when the system is required to check BRMS in case of every rule. Due to this limitation, the rules that go into BRMS must be carefully evaluated. A good thumb rule for determining if a rule is applicable for inclusion in BRMS is to see if the rule changes quite often. If it does, that means it contains calculations, making it a good candidate for BRMS.

Self-service capabilities

The proposed solution provides producers with a portal that can host all their personal information and documents. The producers can use this portal to implement their changes (such as address changes, initiation of transfers, and contract changes) using the self-service route. This will remove a great deal of dependency on the part of home office users, while providing them with the flexibility they need to change the data at the appropriate time. Some of the changes may trigger a workflow process, and the proposed solution must take such scenarios into consideration. For example, a producer who has disclosed details of a recent arrest will be required to undergo the entire underwriting process.

Where's PLM headed?

Despite all of its limitations, PLM promises real potential in driving significant improvement and growth in this, largely virgin market. Security remains a key area of concern, what with all the sensitive producer information stored in a digital format. Companies that are currently paper-based may have some reservations about moving to e-signature. However, with an increasing number of organizations and governments making a beeline for e-signatures, it is only a question of time before the security threats around PLM vaporize.

An STP-enabled PLM may limit the flexibility systems have in integrating with the company's internal systems. While it is possible to standardize the integration with external vendors, it might be difficult to integrate the producer data that companies have on their internal systems with the STP-enabled PLM systems. The most important advantage that comes from implementing an STP-based PLM system is the self-service capability of the producers, which enables candidates and producers to maintain their own profiles. IT also ushers in a scenario in which rules can easily be modified to ensure compliance with federal and state government regulations, thus reducing resource requirements and driving cost savings. Finally, with a single application in action across all companies, changes will be controlled and auditing will see clear improvements. Above all, it will significantly improve the turnaround time for on-boarding producers.

About the
Author

He is a senior consultant with the Life Insurance practice for the process and domain consulting stream. With over nine years of experience, he has predominantly worked in the insurance domain with focus on Life Insurance (Agencies - Producer Management and Distribution channels), and Property and Casualty Insurance (Policy Management and Accounting). He is currently working on a project to revamp the producer on-boarding process and the systems used by the Contract, License and Registration (CLR) division.

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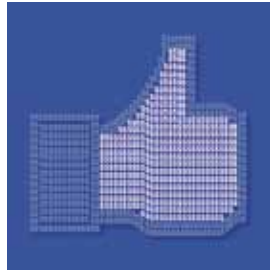
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