

Dispelling the myths of electronic filing By TED BAKER Advanced Automation / Dallas, Texas

(The following article was adapted from Mr. Baker's presentation at the AMS User's Group convention, which was held in April in Nashville, Tenn.)

IN MY 25 years in the insurance industry (in addition to being a consultant, I confess I'm also a recovering producer), I've worked with many agents and brokers seeking to improve their workflow. New technology is often an important part of the effort. To improve workflow, however, agencies must analyze their workflow before making technology decisions. They must also realize what technology can and cannot do.

Some of the most frequent questions I get from agents and brokers these days are about electronic filing. Agencies want to know if they should adopt it, how to start, what technology they need, what the benefits will be and if they're doing it right. I've found that a big part of helping agencies set up a proper electronic filing system is to clear up their misconceptions about what they will achieve and how to achieve it. In this article, I'll discuss some of the most prevalent myths of electronic filing. –

Myth No. 1: The goal of electronic filing is to create a paperless office.

Insurance agencies will always have to deal with paper. Live with it. If your electronic-filing goal is to become completely paperless, you will fail to reach it—and no one should set goals that guarantee failure. Even if you could eliminate 100% of the paper, what would you have accomplished? Would you be making more money, reducing your employees' stress or improving customer service? Maybe, but not necessarily. The only thing you would guarantee by going paperless is that you wouldn't have any paper.

An electronic filing system can help you reduce the amount of paper in your office, which is good. But your real goal should be simply to find the system that helps your agency improve its workflow the most. No new system will work 100% of the time. I find that the "80/20 rule" often applies to electronic filing—80% of your documents can be filed electronically, but you need to keep handling paper for the remaining 20%. Trying to file that 20% electronically can be like trying to fit a square peg in a round hole.

For example, I talked to an agency a few years ago that had started transactional filing. The agency was having a lot of trouble with their personal auto policies, which were constantly being cancelled and reinstated—not because policyholders were missing payments, but because the carrier's accounting system was flawed. The CSRs complained that they were going crazy, searching the t-files nearly every day to reconstruct account information. I suggested they use a "traditional" filing system for personal auto, and keep the t-filing for everything else. They said, "We can't do that, because our boss says it's all or nothing." Their failure to be flexible with a new way of doing things hurt their efficiency.

Another agency I worked with was making the move to electronic filing, and a CSR spoke to me about a particular commercial account. She had the file on her desk, and it was quite thick. When she asked if she should "go paperless" with the file, I asked her how often it was on her desk. Her answer was, "It never leaves." Since she was touching that file every day, the smart choice—at least at first—was to make that file part of the 20% that didn't go to e-filing. After the agency had been e-filing for a while, I suggested, they could revisit the "20% files" and determine if and how they should start filing them electronically.

Live in the real world when you start e-filing. There may be some files that never go "paperless." Revisit your decision frequently, and evaluate it based on what works best for your workflow, not the mistaken notion that you can—or should—be completely paperless. –

Myth No. 2: Agencies have a choice about whether to use e-filing.

When transactional filing started to replace the conventional filing system, some agencies decided to stick with what they had. That was a valid choice. Electronic filing is different. Agencies have no choice. They must adopt an e-filing system, for several reasons:

- **Privacy laws:** Rising awareness of identify theft and privacy laws dictate that all businesses must "lock down" any confidential information they have about their clients. We live in an increasingly litigious society, and the smallest leak of information could lead to big trouble.

A traditional filing system is no longer sufficient to protect information. I knew some agents in Fort Worth, Texas, who were hit by a tornado. They received phone calls from people 20 miles away, saying, "We found some paper in our yard with your agency's name on it." A few years ago, that would be embarrassing; today it's illegal. And protecting files from natural disaster or theft may not be enough. E-filing systems can be arranged to protect information within the agency as well. For instance, if your agency provides group health benefits to clients, the system can be arranged so that another producer looking for cross-selling opportunities has no access to any of a client's confidential medical information that may be stored in your system.

- **Storing information:** When agencies are discussing a move to e-filing, I often hear CSRs say, "I'm concerned that we might not have enough storage space on our server" and, "I'm afraid that if we lose an electronic file, the information is gone for good." These are valid concerns--just as they are with paper files. It's funny that I rarely hear people say, "I'm worried that we might run out of space in our filing cabinets." E-filing stores documents more efficiently than paper files do, and hard disk space today costs a lot less than a fireproof filing cabinet.

Computers can lose information, just as paper files can be lost. The advantage of losing an electronic file lies in the backup choices available. Agencies can back files up on tape and keep tapes at a separate location. A number of backup services—some through

agency management system vendors—offer online data backup, storing the information at their secure servers and offering assistance with recovery.

Ultimately, many CSR concerns about e-filing are not based on worries about the agency, but about themselves. If an electronic file is lost, it somehow will come back on them. Management should acknowledge the validity of this concern and not treat it lightly—it is good for agencies that CSRs are so concerned about process and security. But ultimately, this is a top-down decision, and CSRs must accept it.

- **Efficiency:** With a paper filing system, let's assume it takes a CSR five minutes to get up, retrieve a file and return to the desk, including the time the CSR spends chatting at another desk along the way. Let's also assume the CSR has to retrieve a file 10 times in a day. That's nearly an hour that the CSR is effectively out of the insurance business. If you have a staff of four CSRs, that's like paying a half-time employee; with eight CSRs, it's the equivalent of an additional full-time employee who does no work. Agencies cannot remain competitive with such an expense.

You only gain efficiency, of course, if e-filing comes from the top and is implemented correctly. If producers refuse to learn the system or managers demand to see paper files on a client, you're increasing, not decreasing the CSR workload by going to e-filing. –

Myth No. 3: E-filing is simply the latest filing system, like the move to t-filing.

E-filing is far more than just the next type of filing system to come along. A successful shift to e-filing involves a cultural shift for an agency. Part of the move, for instance, involves examining all documentation within the agency and re-evaluating what to keep and what to throw out—in any form.

For example, E&O classes have for years been stressing, "document, document, document." Well, I know of an agency that used a popular agency management system, and had a policy of attaching every possible document to client files in that system. The agency went to court for an E&O case, and their electronic files were subpoenaed. Those files included a note saying, "The husband on this account bought a house for his girlfriend. Do not tell the wife." This type of potential problem has led some agencies to consider the thought, "What we don't keep, the courts can't subpoena."

Some agencies are also tempted to keep certain paper documents as backups, in effect creating a dual filing system. This is even more fraught with potential danger. Whenever you have a dual filing system—say, when a producer gives some handwritten notes to a CSR, who enters the notes in the system and keeps the handwritten copy as a backup—there could be discrepancies between the two versions. Keeping such notes could help you later in court, or it could nail you to the wall.

Before implementing a new system, an agency should go through every document that comes into the agency—in either paper or electronic form—and decide what you do with it, and why.

Start by grabbing someone's stack of mail and looking at what's on top. Say it's a direct-bill premium notice. The first question to ask is, "What are we currently doing with this?" Are you throwing it away or keeping it? If you keep it, are you scanning it or creating an electronic activity in your management system? Doing this at an agency-wide level should help you identify any inconsistencies in your procedures.

The next question you should ask is, "Is the world going to come to an end if I don't keep this?" (And by "keep," I mean electronically.) You could develop a chart—say, divided up between commercial and personal lines—and include every piece of paper you receive. Use the chart to indicate what you'll do with each piece of paper. When you finish this chart, you can distribute it to everyone in the agency to say, "This is how we do things."

The next piece of paper in the mail stack might be a direct-bill intent to cancel. This is a copy of a notice that the carrier sends to the policyholder. Some agencies file these. You shouldn't. The idea of direct-bill is that the carrier handles the billing, for which the agency gets a reduced premium. So every time you touch such a notice, the agency is losing money.

The next item might be a final cancellation notice. You already enter this electronically, through scanning or manually entering an activity in your management system. Should you keep the paper? No—again, this would be creating a dual filing system.

Look through everything else in the mail and decide what to do with it. One agency we worked with established a rule that they would not keep paper or electronic files for any information they could get within one business day from any other source. –

Myth No. 4: Imaging and scanning are the same thing.

Most people use the terms "imaging," "scanning" and "electronic filing" synonymously, but they are not the same things. Scanning is just one type of imaging, one way to get things into an electronic file—and it is the most costly, least effective way, at that. Scanning is a step up from a completely paper-based filing system, but it still takes time and introduces the possibility of inconsistencies and mistakes. Electronic filing that uses imaging methods other than scanning—i.e., by using original electronic documents—is more efficient and consistent. Agencies still using scanners should choose the most efficient scanning method.

- Some agencies use front-end scanning, in which all incoming mail is scanned at a central source before being routed electronically to the appropriate people. In most cases, nothing is screened before scanning; CSRs later make the decision about what to keep and what to discard. This means that as much as half the time spent scanning could be wasted time.
- With back-end scanning, incoming documents are immediately routed to individual CSRs. The CSRs process the documents and decide what to keep. For each item they

keep, they print a barcode label and attach it to the document. All such documents are routed to a high-speed scanner in a central location, and the barcode "tells" the system where to electronically store the document. This cuts down on front-end waste, but it has its own drawbacks. For instance, I spoke with a 100-member agency that said its IT person had to fix about 20 to 30 documents a day that had been stored in the wrong electronic file, either because of a system "glitch" or an error by a clerical employee doing the scanning.

- The third method is to use desktop scanning. Every CSR has a scanner on his or her desk and decides which items to scan and which to discard. A number of reliable, relatively low-priced scanners are available. Many of these scanners provide the additional advantage of effectively serving as a desktop fax machine as well. One drawback of this method is the use of the CSRs' time to scan documents, instead of having the task performed by a clerical employee.

A 20-CSR agency we worked with implemented a procedure to reduce their paper without using scanners. Whenever anybody called them and said, "I need something mailed to me," the CSR's first response was always, "If you give me your e-mail address, I can send it to you." If the requesting person didn't have or want to use an e-mail address, the next response was, "OK, if you give me your fax number, I can fax it." The CSR could then fax the item directly from the desktop. Only if the person declined that option would the CSR ask for a physical mailing address. In a nine-day period, this agency reduced their postage bill by \$1,500. –

Myth No. 5: Electronic filing is all there is.

Electronic filing is a great start, but it should be just that—the start of a cultural change at the agency. We believe that all agency employees should sit down to a perfectly clean desk every morning and leave a clean desk every evening. That may not be completely possible, but the closer you get to it, the more of a psychological boost agency employees would get.

Seeing double

More and more agencies are fortifying their shift to e-filing by putting dual monitors on CSRs' desks. Agencies that have not tried this worry about the cost and wonder about the benefits. Agencies that have purchased dual monitors have learned that new flat-screen monitors can cost less than \$250 and that their CSRs would shoot them if they ever tried taking the monitors away.

Agencies are finding that whatever the cost, dual monitors pay for themselves quickly through increased productivity. Many CSRs find the arrangement easier to use than to tab back and forth between software applications, and it's certainly preferable to the other two options—either comparing a paper file with what's on your screen or simply remembering everything in a file when you open another program.

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Many agencies afraid of e-filing say, "But we're insurance people, not computer people." Well, I'm not a computer person either. I don't care all that much about computers-but I do care about the benefits they can bring to an agency when they are used correctly. With all of the software and hardware available today, what agencies need most is to change their mindware. They must analyze their workflow, chart a more efficient path, and give their employees the culture and tools they need to follow it. E-filing isn't rocket science—it's just a way to give insurance agencies greater control of their time and launch them toward higher profits.

Ted Baker founded Advanced Automation, a consulting group providing assistance to independent agencies, in 1990. Mr. Baker has worked in the insurance industry for 25 years. He has presented seminars to such groups as the AMS Users Group, the Applied Systems users groups, the IIABA, the PIA and ARM Partners. Readers can contact Advanced Automation by calling (877) 704-1480. Pfingsten Publishing, LLC. 6000 Lombardo Center Dr., Suite 420 â€¢ Seven Hills, OH 44131 Copyright 2005

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