Policy Review to reduce E&O Exposure and Compliance failures

Introduction

Policy Review is a critical activity for agencies and brokers alike. A Rough Notes study estimated that 53% of policies issued by carriers contain an error and about 90% of those policies actually contain 2 or more errors. Based on the policy premiums, the complexity varies and in general it could consume between 25 minutes to 4 hours to check a policy comprehensively. There are numerous possibilities for the policy to contain exclusions or limitations that were not noted on the carrier quote or renewal pack. The bandwidth needed to perform a comprehensive check is almost non-existent with any agency operation today.

Our client, a leading TOP 20 global broker, operated in almost all the 50 states in the US with over a hundred branch offices. They had the usual challenges that came with rapid growth and were facing high E&O exposures and the resultant client satisfaction issues.

> We realized that policy checking was a critical area that needed a process in place. We generally had our CSR's or AM's working on it and sometimes the producer – it was subjective and we never had a measure in place. We knew we had the right partner when Exdion brought to the table well-structured checklists to not just capture variances but also prompt immediate action on critical variances.
>
> VP – Commercial Lines, Client Organization

Critical Issues

- High E&O exposure (12% of variances resulted in endorsements)
- Poor source documents – leading to poor proposals and policies
- Bandwidth crunch – CSR's unable to check policies within 30 days
- Endorsements not requested within carrier deadlines
- Lack of standardized checklists to identify and report variances

Results

- E&O Exposure reduced by over 80%
- Costs on policy checking reduced by over 40%
- Automated workflow to check source documents, policies and track endorsements
- Standard and Comprehensive LOB specific checklists created and deployed

About The Client

The Client is one among the Top 20 Insurance Agencies as listed by Insurance Journal 2016.

The client employs over 8000 staff and services over 16 different industries. The client is one of the leading insurance brokers in the world engaged in providing risk management, insurance brokerage and related services to customers in US, Europe and South-East Asia.

They operated out of over a 100 branch offices, many of them acquired over many years, and were very successful in building powerful carrier relationships. However, their customer satisfaction was deteriorating primarily due to incorrect policies that were issued.

To be able to sustain the growth plans, the company was actively looking for ways to reduce operational costs and control expenses arising due to penalties and E&O exposure. Amidst other companies that were contacted, Exdion stood out as a capable, mature partner with the necessary domain knowledge.

With a seed team of certified insurance experts, Exdion was able to build custom checklists based on the policy premiums.

Quick Facts

Client:
Top 20 Global Broker

Employees: 8000

Locations:
20+ countries

Policies checked:
3000/Week

Branches served:
110

Policy Review – A Standard Practice

As against the common norm where policy checking is left to anyone with a little time to spare, Exdion built a process that brought in a standard. Exdion ran analytics to understand the book of business of the organization to categorize policies based on premiums that were auto renewed. Every policy was mandated to pass through the Exdion policy review team. Checklists were categorized as "Standard" Checklists and "Expanded" Checklists. Standard checklists were applied to accounts with premiums of $ 10,000 or less and Expanded checklists were used on high premium policies. Auto renewals were checked using a condensed "Express checklist" that ensures that critical areas of the policy were checked.

The source documents were carefully chosen to ensure comprehensive accuracy. In general the Renewing Policy, Proposal (Final/Golden Copy) & Quote (in case of Small Businesses), Expiring Policy (for Renewals & Automatic Renewals) were considered as valid source documents. This also built into the entire organization the discipline of structured storage of these documents. Policies were checked and the checklists generated and saved on the AMS within 5 business days – every policy, every time.

Given Exdion's expertise with 1 in 8 of our staff being certified by The Institutes and CII our Business Excellence set out to further streamline the process and bring in predictability to the whole process.

Policy Cloud – Innovative Workflow Automation

Exdion's consultants, after careful review of the collected metrics and intelligence, were able to build a proprietary cloud based application. The Policy Cloud system had preloaded checklists for each LOB. When the associate starts to check the policies, predefined questions with drop down listings helped them go through the process quicker. Critical variances are defined in the system and when encountered, immediately relayed through an automated email to the producer and AM as a red alert. Exdion followed through in contacting the carriers on behalf of the broker to follow-up on and track the endorsements. We maintained trackers and created AMS workflow tasks to ensure that the agency team follows up where required with clients and carriers.

Policy cloud allowed extensive data mining capabilities to be able to determine problem carriers and common carrier oversights. It also helped in tracking every piece of information including time taken to complete a checklist.

Streamlined Proposal/Renewal Pack and Policy Checking Process

Our process starts at the proposal submission process. Named Insured Lists, Location schedules etc. are sometimes not updated and the policies are quoted for based on historic data. This leads to the policies being issued incorrectly without the latest information on limit changes, mortgagee loss payees etc. We track source document and policy variances separately to pin-point the cause of such errors and help reduce the instances of non-compliance.

Observations

Out of a sample of 1200 policies

4645 variances noted.

12% red alert variances - endorsements requested

44% Proposal/Quote not updated

44% non-issues

> Streamlined Proposal/Renewal Pack and
  Policy Checking Process

Observations on Policies Checked	Total
Proposal/Quote Incorrect	2063
No action required	2299
Request Endorsement (Source Correct)	283

Carrier	No. of Endorsements Passed
Ace property and casualty insurance company	31
Zurich american insurance	25
Travelers indemnity company of connecticut	18
Lloyds	15
Charter oak fire ins co	12
Travelers property casualty company of america	12
Colony insurance company	8
Hartford fire insurance co	8
Travelers casualty and surety company of america	8
Westchester surplus lines insurance company	8
Everest indemnity insurance company	7

> We are excited to see how this is working for us. As a matter of fact,
our savings just on the deductibles of our E&O policy paid for most
of the policy checking in the first year. We are also able to garner
intelligence on some of the common errors from carriers and know
what to expect!

– COO, Client Organization

EXDION

About EXDION

Exdion comes with over 15 years of Property and Casualty Insurance expertise.

Exdion services clients ranging from Fortune 500 to small and medium sized carriers and brokers. Exdion is ISO 9001 certified for Quality and ISO 27001 and HIPAA certified for information security.

The company thrives on Business Excellence and leverages models such as Kaizen and Six Sigma along with technology enablers, to continually enhance value to customers. Exdion lays great emphasis on Accountability, Integrity, Innovation, Transparency and most importantly Customer Focus. Exdion continually strives to deliver transformational excellence through technology-centric process optimization and continual knowledge enhancement. Exdion is also closely associated with "The Institutes" and 1 in 8 of its staff today are certified in various US and UK Insurance programs.

Exdion's solutions include Transformation Consulting, Business Process Management, Analytics and Policy Lifecycle Maturity frameworks that leverage CLOUD FIRST technologies.

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