

How Well Is the Life Insurance Industry Managing Data?

In the insurance industry, there's plenty that can go wrong during the sales process. Agents might worry most about making it to the close and getting the sale, but there are plenty of problems that can develop after a policy is sold. Last month, a feature entitled, "Life Insurance Industry Held Back by Lack of Standardization and Automation" appeared in a special sponsored section of this magazine. While the feature focused mainly on inefficiencies and their cost, it merely hinted at the hotbed of risk that exists after a policy is sold — risks, which center on the transfer of data and funds, that arise during the servicing of transactions.

The movement of funds — whether purchasing a policy, paying a premium or paying a claim — sets up opportunities for checks to be lost in the mail, which could have a number of repercussions such as delayed processes, lost time and resources, missed market opportunities, damaged business relationships, even the potential for consumer identity theft.

As personal information is being gathered and shared, **vulnerability to hackers and cyberattacks** comes into play. Personal privacy can be compromised, company reputations damaged, and fines mandated for improper handling of medical and other sensitive information.

Other post-issue risks can mean missed sales or missed opportunities for carriers and distributors who can end up disgruntled when they discover too late that an agent they're working with isn't properly licensed to sell a product they want to deliver. Additional headaches arise when financial advisors are pressed to compile reports on their clients' portfolios and find themselves on a wild goose chase to obtain basic policy information. In order for financial advisors to better serve their clients, they need a more complete picture of their portfolios at their fingertips. A paucity of accurate data can also cause a compliance risk when advisors are left in the dark and unable to supervise critical information.

What is the solution to mitigate these risks? Carriers, distributors and brokerages often have processes in place, but these processes are not implemented industry-wide so their **effectiveness is curtailed by a lack of standardization**. For example, if two companies have processes in place to monitor licensing but each monitor in different ways, attempting to share data can be like having a conversation in two different languages. Similarly, something that is sent in a secure manner isn't necessarily received in a secure manner.

A Solution Exists

The most powerful solution would be life-industry-wide standardization and automation of data and fund processes, and the solution provider does exist — they're just not universally adopted, yet.

These solutions are coming from The Depository Trust & Clearing Corporation (DTCC), a financial industry infrastructure that, through its subsidiaries, established and facilitates standardization and automation for annuities, mutual funds, equities, derivatives and other asset classes, worldwide. The company also makes its offerings available to the life insurance industry. Once widespread adoption occurs, many **common industry problems that have overstayed their welcome can become issues of the past**, just as they did for the annuity space when that industry segment adopted DTCC's standardization and automation.

Solutions Available Today for Life Insurers



Postions & Valuations

POV allows carriers to send distributors point-in-time policy details for an accurate view of their book of business for investment and reporting purposes.

Commissions

COM delivers commissions information and can settle payments same day, allowing agents to be compensated faster.

Settlement Processing for InsuranceSM

STL automates subsequent premium payments and systematic transfers between brokerage accounts and carriers. It eliminates manual-process-related risks such as misrouted funds. With STL, checks no longer disappear in the mail, wired funds are eliminated and money moves virtually overnight.

Licensing & Appointments

LNA brings speed, efficiency and accuracy to the data flow necessary between carriers and distributors to exchange essential licensing information.

Financial Activity Reporting

FAR enables carriers to provide distributors with daily financial transaction information, providing a **comprehensive and accurate picture** of client accounts.

In addition to its ongoing goals to continue setting insurance standards, DTCC also anticipates new data requirements and helps to fulfill regulatory data mandates.

Potential for risk permeates the life insurance industry. With such a volume of electronic data and money moving about, there are seemingly **infinite ways for something to go wrong**. Considering any time a product may not make it to the market, or an agent wants out of the business, or a consumer doesn't care to purchase life insurance at all, it often comes down to the existence of, the stigma of, the avoidance of, or regulations in place because of risk.

"The framework has been built by DTCC to establish standards; now we need to work with insurance companies and bring these advantages to the entire industry," says Kristie Thompson, Principal at Edward Jones. "DTCC offers the best solution to help us manage the large influx of data we receive and transmit on a daily basis, and that allows our Financial Advisors to conveniently access policy information so they can provide the best level of service to our clients."

Drive Standardization

Join DTCC and help reduce risk in the life insurance industry. Learn more today at www.dtcc.com/standardizelife or email insurance@dtcc.com.

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