



SOCIETY OF ACTUARIES

Article from:

Small Talk Newsletter

May 2001 – Issue No. 17

Standard Forms Could Bring Life Insurers Big Savings

by Lawrence Garvey

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“Money talks.” That’s the most common response received from life insurance carriers when they are presented with the idea of adopting standardized life insurance forms.

Agents see the administrative benefits and advantages of multiple carrier submissions. Solution providers see the idea as a way to streamline system development and cross-sell to both carriers and agents.

Carriers, however, are concerned with how standard forms will affect the bottom line. The answer to this concern is that potential savings could total hundreds of thousands of dollars per company per year.

These savings include a reduction in costs associated with distribution, research and development, compliance, as well as the reallocation of corporate resources. In addition, carriers who utilize standard life

insurance forms can expect to see their expenses associated with entering new markets substantially reduced.

To those in the property and casualty industry who have been using standardized forms for over 30 years, the idea of standard life insurance forms seems like a natural progression. P&C carriers have been saving money, so the savings no longer surprise them.

To life insurance carriers, however, the idea is radical and often viewed with skepticism. Life carriers want to be convinced that standard forms will bring measurable, substantial savings. Unfortunately, trying to convince life carriers of the potential savings by

using P&C numbers is no easy task.

There is, however, light at the end of the tunnel. ACORD has made a commitment to the development and implementation of standardized life insurance forms.

We have researched and studied

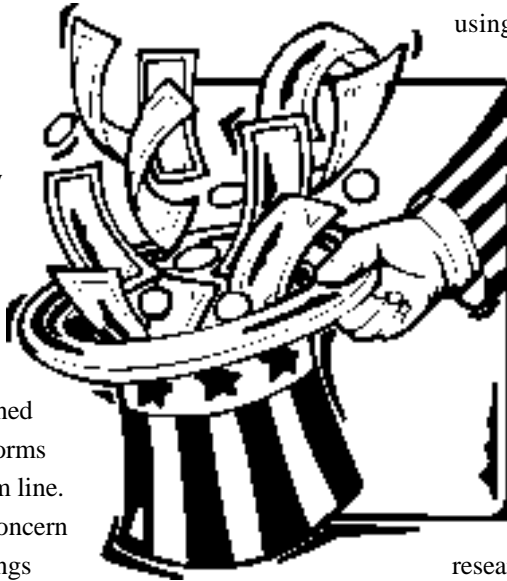
the issues and identified the potential savings as well as the business benefits that carriers will realize in supporting and adopting these forms. We have also put to rest some of the industry myths that some have used to try to impede the introduction of standard forms.

From a financial perspective, the potential savings are enormous. As the life insurance industry moves into the electronic age, the cost of information exchange has become a central issue. By migrating to standard forms, life carriers will be positioning themselves to capitalize on the many emerging technologies of today’s rapidly changing landscape, and the savings and business opportunities these technologies present.

In addition, a company that migrates to standardized life insurance forms can expect to save hundreds of thousands of dollars annually in the more traditional costs associated with forms development and distribution. Tangible savings will include cost reductions in filing fees, staffing allocation, and litigation exposure as well as distribution expenses.

In costs associated with traditional form development alone, the average life insurance carrier can expect to save upwards of \$300,000 annually, and this number does not include litigation exposure or distribution. Add this to the explosive expansion possibilities that standard forms present a carrier in the e-commerce arena and the decision becomes a “no-brainer.”

Contrary to what was conventional wisdom a few years ago, the life insurance industry is not currently on the verge of a paperless revolution. Life insurance carriers must find a way to integrate new electronic technologies — and the financial incentives they present — with more traditional, time-tested, paper-based methods of doing business.



This balance is critical to a company's commitment to maintaining their conventional market share and to the exploitation of emerging markets.

remaining committed to conventional, profitable business practices.

The key to a successful line of standard insurance forms is versatility. The

new blocks are available for reuse elsewhere. These building blocks, incidentally, are also used to electronically transmit the information so that every time a new form is created, most of the electronic application is already completed.

The result of this information library, also known as a data model, is the ability to collect and transmit information both traditionally and electronically. Paper and electronic integration becomes seamless. Electronic distribution portals can be exploited while companies maintain their commitment to traditional ways of doing business. In short, such a system provides the missing link between the past and the present while maintaining a carrier's commitment to the future.

So if money does in fact talk, life insurance carriers need to realize that, in addition to providing this missing link that allows simultaneous exploitation of the new and the old, standardized life forms present carriers with the potential for substantial conventional savings.

ACORD already has the support of industry organizations such as the Medical Information Bureau, the National Association of Independent Life Brokerage Agencies, and the Life Office Management Association, as well as a number of major carriers, agents, and brokers, in this effort.

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“Technological integration will be a major challenge for carriers. Carriers see the financial benefits of adopting new technologies, but have not yet figured out how to do so without upsetting their current distribution practices.”

Theoretically, virtually every carrier in the industry has made this commitment. However, practically only a few have actually begun to address this commitment with concrete steps and objectives. There is a very real gap between what carriers know has to be achieved and how to go about achieving it.

Technological integration will be a major challenge for carriers. Carriers see the financial benefits of adopting new technologies, but have not yet figured out how to do so without upsetting their current distribution practices.

Standard life insurance forms allow for paper-based transactions while standardizing the information being collected and therefore making electronic delivery much more seamless.

Standardized life forms will present the industry with one of the links they need to successfully integrate new technologies while

flexibility of a standardized data model allows users to select the technology desired as well as adapt it to the product being offered. That is the answer to many of the distribution quagmires presented by today's high technology.

The ability to collect information of paper or computer and transmit that information via SML or HTML is only part of the solution. Companies need to

look for more long-term adaptability. That long-term adaptability is the standardization of not only how the information is collected and transmitted, but also of the information itself.

Standardizing data collection allows systems to share standard information across software applications and forms. When a new form is needed, it is created primarily from the existing building

blocks presently available.

If additional elements are necessary, then new blocks are created, and those

