



Accelerating Funds - Minimizing Risk - Improving Control

Finally, a Federal Regulation that Delivers Bottom Line Results to Insurance Organizations

Executive Overview

The insurance company of today is in many respects a vastly different business than the typical insurance company of ten years ago. Most insurance professionals will agree that insurance companies have been on a slow but steady march to improve business operations, reduce costs, comply with stringent regulations, improve customer service and customer access into the insurance company, and to blend technology into virtually every aspect of the insurance value chain.

For most insurance organizations, the adoption and deployment of new technology has been transformative and enabled companies to increase market share, expand product offerings as well as bring products to market faster, respond in a timely fashion to new regulatory and compliance requirements, improve customer service, and to expand distribution opportunities. One of the constants in all business, including insurance, is that the marketplace by its very definition drives change and the need to adapt to change. As an example, five years ago, privacy of customer information as a business requirement was not clearly understood. Now, most businesses and certainly financial institutions clearly know the risks and the requirement to maintain privacy of customer information and have invested in the appropriate technology to comply with the exigencies of the market.

Today a new regulatory requirement is beginning to affect insurance companies which will alter some basic back-office processes and quite possibly dramatically change certain established business concepts. This new requirement, called Check 21, is coming from the Federal Reserve and for once, it is a regulatory change that is very different from past compliance requirements. Check 21, or more formally known as, Check Clearing for the 21st Century, is designed to enable digital processing and clearing of checks. With over 35 billion checks issued and processed each year, the idea behind Check 21 is to reduce the number of checks processed by business, banks, and the Federal Reserve. And, quite frankly, the number of checks processed will likely fall significantly over the next several years.

However, within the billions of checks processed each year are business to business checks – checks written by a business to pay for its commercial package policy, or to pay

for corporate owned life insurance, or for group health insurance or a myriad of other insurance payments that enter the cash stream of insurance companies. In addition, even with a significant reduction in personal checks, billions of personal checks will continue to be written to insurance companies for annuities, life insurance, health insurance, and other insurance products sold to individuals. All in all, the insurance industry, despite a likely reduction in the number of checks in the payment or remittance process, will still be processing billions of checks each year because many of the checks that insurance companies receive and process are an important part of financial records for business and consumer transactions. The lump sum payout of a retirement plan is not going to be done via a debit card, but will be a transaction that will utilize a check as documented evidence of the transaction.

Significant Process Improvement – Real STP!!

With Check 21 requiring the digital transformation of a paper check into a scanned, digital document, the opportunity exists to radically transform and improve payment processing. A significant advantage of the digitization process for insurance companies is to move the digitization – the check scanner – into the field where the check is first given to the insurance company. Called Remote Deposit Capture, here is how it works: an insurance agent or financial advisor meets with a recently retired client and the client would like to place \$25,000 in an annuity. Typically, the agent will complete the application and take the \$25,000 check and send the application with the payment to the insurance company. It may take several days for the annuity application and the check to reach the insurance company and another day or two for the insurance company to process the application and to deposit the check.

Now take that same example, with Check 21 and Remote Deposit Capture: The agent meets with the client, completes the application and accepts the \$25,000 check. The agent takes the check and scans the check into the Remote Deposit Capture System and the check is automatically endorsed and routed directly to the insurance carrier's correct bank and bank account. The funds from the deposit are then accessed by the carrier immediately and begin earning interest in favor of the insurance company days ahead of what would transpire in the former check deposit process. Additionally, the agent can fax the application to the carrier, again taking days off of the new issue process.

There are other benefits as well. With a Remote Deposit Capture system, the check can be processed remotely or at the carrier or carrier's service center using desktop software that integrates seamlessly into the carrier's accounting software. And, the RDC system should also provide enhanced usability in the check deposit and bank account reconciliation process.

For insurance companies that sell and service commercial insurance policies, the process is much the same and the benefits are equally impressive. Consider the typical commercial business that buys a BOP with a commercial auto policy, with a separate umbrella policy. While there is a single check coming into the company, that payment must be allocated between separate policies and policy numbers. Remote Deposit Capture technology can provide a single screen giving the user the capability to allocate or breakdown the payment between separate policy numbers or separate accounts. And, do that entry while giving real-time update into the general ledger system ensuring

accuracy of the transaction. And, for large agents/brokerages, that payment allocation process can be performed in the agency via the internet and access into a remote deposit capture system.

Many insurance companies have experienced a vexing problem in associating checks that are received and getting images or copies of the checks into the customer record or file. Most companies have deployed document management or enterprise content management software that enables them to image and capture for work process and records purposes all of the information that can accompany a check. By using a remote deposit solution an insurance company can image and scan documents as they normally do, and receive the scanned and endorsed image from the remote deposit system directly into their document repository. This gives the insurance company a complete record of all correspondence as well as payment stubs and other payment information for each customer that can be retained in accordance with industry best practices.

Solid Return on Investment

Check 21, as noted earlier, is one of the few regulatory changes that can actually save insurance companies money, save processing time, and actually generate positive cash flow. In the context of return on investment, there are very few technology purchases that can actually save money, make money, and save time. But with Check 21 and Remote Deposit Capture all three are quite likely to occur. In the development of Check 21 the Federal Reserve had as a goal to make customer-to-bank and bank-to-bank transactions not only faster, but less expensive as well. One of the outcomes of Check 21 legislation is to create an infrastructure that enables insurance companies as well as businesses to work with banks that can deliver to a business the most benefits for the costs incurred. In essence, the Federal Reserve has made banking geographic and size independent. With Check 21 and Remote Deposit Capture a business or insurance company in Iowa can deposit checks with the bank that will provide them with the highest interest rate and/or the lowest per check fee or reduced account management fees. Or, a combination of fees, rates and availability that makes sense for the insurance company or business. In other words, there is now an opportunity for that Iowa based insurance organization to work with a bank, perhaps in Boston or New York or Dallas that is offering the best service and overall best value. In short, banking is no longer about how many branch locations a bank has, but how a bank can best serve the interests of its commercial and especially its insurance customers.

By taking stock of existing banking fees, limits on number of deposits per account, account management fees, volume of checks processed, number of accounts required, geographic issues, trips to the bank for deposits, and so on an insurance organization can get a view of their current banking costs. By also looking at the time value of money, the insurance organization can also determine the financial effect of cutting check and deposit processing time by days and gaining access to funds faster. It is not uncommon for a company to see increased interest earnings in the millions of dollars simply by speeding up check processing. Add to that revenue savings due to reducing per check processing costs, account management costs, as well as faster and easier account reconciliation processes the savings and efficiencies are significant.

Finally, with Check 21 and Remote Deposit Capture, an insurance company will enhance its compliance with regulations such as Sarbanes-Oxley because improved business processes are now documented and in place over the entire remittance processing area. By documenting and improving processes and controls over payments, companies also benefit by reducing the possibility of fraud and theft.

How RemitPro Works With Insurance Organizations

RemitPro is the leading provider of innovative treasury solutions to insurance organizations as well as investment and securities firms, mutual fund companies and other complex organizations. Because RemitPro's Remote Deposit Capture solution is web based and is Software as a Service, implementation costs and deployment into a multi-location insurance organization is not only fast, but cost-effective as well.

A key value of RemitPro is its ability to interface directly into a client's accounts receivable and general ledger system and provide the client with virtually real-time access to accounts receivable to post checks, split payments between policies, accounts, and to improve the management of exceptions that regularly occur in remittance processing. In addition, RemitPro provides the client with a highly configurable interface that provides for faster and more accurate data entry and posting of receipts. RemitPro also completely automates the deposit and deposit balancing process to ensure complete accuracy throughout the remittance process saving valuable time and improving productivity. Additionally, RemitPro provides extensive management reporting as well as extensive workflow to ensure accurate processing as well ensuring industry best practices are in place.

Summary

Check Clearing for the 21st Century as envisioned by the Federal Reserve is opening up significant opportunities for insurance companies and organizations to improve remittance processing as well as to deliver substantial benefits to the bottom-line from increased interest earnings, reduced per-check processing fees, and improved account reconciliation processes. Insurance companies have unique business processes that require solutions that are designed to meet their operational needs. As a business partner with deep expertise in the insurance industry RemitPro is quickly becoming the partner of choice for a wide-range of insurance and commercial enterprises.

About RemitPro

RemitPro accelerates funds while minimizing risk through its industry leading remote deposit capture and customer authentication services. RemitPro provides Software as a Service which enables improved operational control, lower costs, and accelerated availability of funds. The RemitPro product family includes industry leading eRemitPro for remote deposit capture delivering real-time integration to accounts receivable applications, RiskAlert for customer authentication/identity validation and OFAC screening, and ICLExchange+ for normalizing standard-variant X.9.37 files among corporations and financial organizations. For more information call 877-861-0005 or email sales@remitpro.com.