

# Navigating the Independent Brokerage Environment

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# NAILBA

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**Independent Brokerage has a complex multi-carrier multi-provider environment that can be difficult to navigate. Experts from NAILBA will outline how their organization can help cut through the chaos, and they'll detail implementation successes that can have a powerful effect on the way you handle your independent brokerage business.**

# NAILBA

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## **What Independent Insurance Distribution Looks Like and How We are Affected by Standards**

# Independent Distribution Defined

- Independent distribution is very broad by nature
- Independent distribution refuses to be defined
- Sources of insurance sales outlets that might be called independent distribution.
  - Personal producing general agents
  - Stockbrokers
  - Independent marketing organizations (IMO's)
  - Life brokers
  - Intercompany agreements
  - Financial institutions. - Banks, savings and loans, broker dealers

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**The Independent  
Distribution Model will be a  
Surviving and Driving Force  
in the Insurance Distribution  
Model for Tomorrow**

# Why?

- **Lowest cost distribution model**
- **Delivers results**
- **Agency training model is not as historically dynamic as it once was**
- **Who sells insurance is changing- CPA's, JD's, Banks, Internet, Broker Dealers, disenfranchised agents and community savings and loans.**
- **Flexible by definition**
- **Entrepreneurial sales agencies**
- **Adaptive by nature**

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- **What does your typical independent life agency look like?**

# Large NAILBA Agency

- Typically more than 50 employees
- Represents at least forty different insurance companies lines of coverage
- Lines of business would include- life (fixed and variable), annuity (fixed and variable), disability income, long-term care and possibly some individual health lines such as Medicare supplement or critical illness contracts.
- Most large agencies are publicly held subsidiaries of major financial services firms.

# Medium NAILBA Agency

- Typically ten to fifteen employees
- Up to twenty insurance companies
- Lines of insurance coverage- same as the large agencies with more focused distribution core competencies i.e. more life oriented or annuity focused.
- Most are privately held businesses
- Represents the largest block of NAILBA agencies and is the back bone of the independent distribution system
- Highly entrepreneurial

# Small NAILBA Agency

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- One to ten employees
- Represents more than three insurance companies
- Most business comes from one line of coverage- life or annuity
- Almost all are privately held

# Standards Are Required!

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**Independent insurance distribution has a definite business need for commonality in the process, rules, forms and organizational structure within the life, annuity, long-term care and disability business**

# Technology Committee Mission Statement

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**To make Independent Brokerage the most efficient and profitable distribution system in the financial services industry through technology leadership.**

# Committee Chairs

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- **Alan Musselman, Centrelink  
Financial Services**
- **Jon Shaw, Shaw American**

# Strategy

- **Communicate and prioritize the technology needs of the NAILBA members.**
- **Synchronize these priorities between NAILBA members, carriers, vendors, and technology service providers.**
- **Drive technology solution implementations that meet the needs of the NAILBA members.**
- **Identify and communicate best practices for technology solutions.**
- **Enable sales and marketing growth using technology.**

# Guiding Implementation Principal

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**To enable the member agencies in the Brokerage community to run their businesses more efficiently and effectively than ever before *through their Agency Management Systems*. Common industry standards will be utilized whenever possible.**

# Key Challenges

- **Carriers/agencies/vendors/tech service providers involvement and commitment.**
- **Timing amongst all organizations in doing the same projects the same time to achieve synergy, economies of scale, and maximum benefit to member agencies.**
- **Breaking down projects in increments that give regular deliverables.**
- **Cost vs Payback.**
- **Self-Interest vs Industry-Interest.**
- **Legacy Systems.**

# Standardized Approach Benefits

**A standard format for the electronic exchange of this information makes it possible for all parties to share information efficiently, effectively, and economically. Software systems that subscribe to such a standard can propagate information to and receive information from multiple trading partners through a single interface.**

# Why Are Standards Important to Us?

- **Save Money**
- **Write once, use often - each reuse is "free"**
- **Save Time**
- **Implement changes faster**
- **Bring on new trading partners quicker**
- **Better Service**
- **Fewer errors**
- **Faster processing**
- **STP, SEMCI, Consolidated Client View**

# Original NAILBA Tech Standards

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- **Pending Case Status**
- **Application Upload (NAILBA200)**
- **Commission Statement Download**
- **Document Exchange (Imaging)**
- **Inforce**
- **Requirements (NAILBA800 850)**

# Connection With ACORD

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- **Relationship began in 1998 with ACORD**
- **Looking for a way to make standards renewable**
- **Internet friendly technology**
- **Updatable process – Keep standards current**
- **Open Standard – widely and freely used by the industry**

# Industry Standards Helps Us All

## Business



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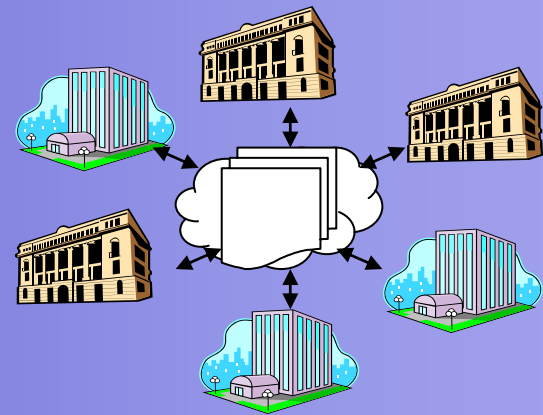
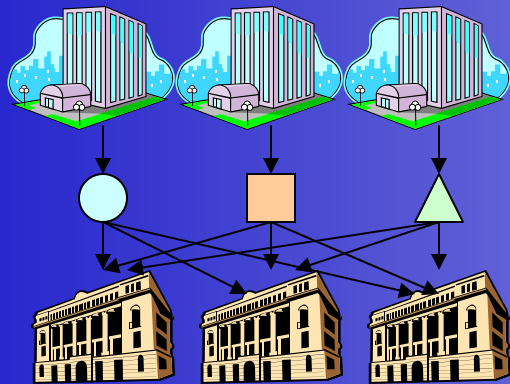
## Data Standards Technology Tool



- **Significant Cost Savings**
- **Streamlines business operations**
- **<Technology Dependence single carrier**
- **Increases Competition**
- **Reduces barrier to entry**
- **Increases Independence**
- **Focus on Marketing/Selling Products**
- **\$\$PROFITS\$\$**



# Our Scope - Information Exchange



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# **2003 – 2004 Top 10 + 1 NAILBA Technology Projects**

# #1

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**Exchange of all pending/new business information accurately and timely through agency management systems using the ACORD standard.**

**Bob Harding – Ash Brokerage**

**Jeff Lingenfelter – Lincoln Benefit Life**

# #2

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**Common/Standard set of forms (all categories -apps, licensing, service and new business). Paper, fillable and data.**

**Alan Musselman, Centrelink  
Financial Services**

**Susan Keuer, Prudential Financial**

# #3

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## **Electronic Licensing and Appointment Information exchange using ACORD Standards and NAIC/NIPR solutions.**

**Shonda Miller, Bisys  
Mike Sladek, One Life**

# #4

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**Commission statement information that provides commission tracking, managing, and reconciliation capabilities through agency management systems using the ACORD standard.**

**Eddy Greenberg, Total Financial  
Dorothee Burchartz, Prudential  
Financial**

# #5

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Support the ACORD approved Underwriting Requirements working group establishing standards for underwriting requirements that will result in agencies receiving more detailed information accurately and timely during the new business process.

**Glen Clay, 3-Mark Financial**  
**Ken Leibow, Mutual of Omaha**

# #6

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**Illustration Software. Fix all known compatibility issues agencies have with multi-carrier illustration system installations.**

**Dex Umekubo, Producers XL**

**Dave Peters, Principal Financial**

**Deliverables: Brokerage Best Practices Guide; AMS Integration**

# #7

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Define and agree on an information distribution strategy. This includes standardizing the method of information exchange (protocol) and choosing the most direct and cost effective means of exchanging information (direct, third party, etc.).

# #8

**Expand adoption of Imaging standards  
(electronic document exchange)  
throughout the NAILBA Independent  
Brokerage Community**

**Joann Schiavo, Four Seasons Financial  
Barbara Herbetko, MacNamee Group  
Doug Freehling, Lincoln Benefit Life**

# #9

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Exchange of inforce information through agency management systems using the ACORD transaction request/response standard to better enable the process of conversions, replacements, calculating of future commissions, recruiting of agents, etc. to achieve overall better customer service.

# #10

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**Implementation of electronic new business application solutions through agency management systems using the ACORD standard.**

# #10 +1

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Share technology tips and experiences that have increased an agency effectiveness of business and/or saved money.

# Executive Subcommittee

- Purpose/Vision
- Need Smaller Focused Group
- Agency Members in Control
- Vital Carrier Input and Participation
- Tomorrow's Projects - Forum for Thoughtful Collaboration
- Tactical To Strategic
- Guidance/Direction - Current Issues Facing Us
- Clear Process Structure for Successful Progress

# Qualifications

- Agency Members - Open To all Agency Members
- Carriers - Leadership Responsibilities in sub-committees
- Technology Service Providers?

# Successful NAILBA Accomplishments to Date

From

- **Clouded Vision**
  - Perception that “vendors ran the Tech Committee”



To

- **Scattered Participation**



- **Focused**
  - Strategy, Mission, Guidelines Document
  - BGA “Top 10” Technology Projects (annual review)
- **Created Executive Committee (Agency & Carrier)**
  - BGA members in control
- **Recruitment of NEW BGA Members**
- **Over 100+ signed up for Boca Meeting! 70+ in N.O.**
- **Every project has**  **agency/carrier leadership.**

# Successful NAILBA Accomplishments to Date

From

- **Unstructured**



To

- **Focused on Top 10 Projects**
- **Highly Productive Meetings**
- **Part time volunteers to full time Tech Advocate**
- **Introduced Working Group Sessions in 2003**
- **Project Lifecycle**

# Successful NAILBA Accomplishments to Date

From

- **Industry  
Technical  
Standards Little  
to No Progress**



To

- **Good Progress**
- **Several Active Working  
Groups**

# Successful NAILBA Accomplishments to Date

- **Pending Case Status**
  - **Implementation Guide**
    - **ACORD V 2.7**
    - **NAILBA to ACORD Translation Table**

# Successful NAILBA Accomplishments to Date

- **Agent Appointment Status**
  - **On ACORD Working Group**
  - **Worked through Brokerage needs**
  - **Several Implementations in one year**

# Successful NAILBA Accomplishments to Date

- **Commissions Statement Information**
  - **Implementation Guide**
  - **V 2.10**
  - **NAILBA to ACORD Translation Table**
  - **Expanded Information**
  - **Expect Pilot Group 2<sup>nd</sup> half of 2004**

# Successful NAILBA Accomplishments to Date

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- **Document Exchange (Imaging)**
  - **Document Types (forms within categories)**
  - **Missing forms contained in NAILBA Standard**

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# Deliverables for 2004

# Pending Case Status

- **Expand Pending Case Status Implementation Guide (Based on the ACORD Standard)**
  - **Add additional data items identified as important by member agencies not in the NAILBA standard.**
  - **Update to latest ACORD version.**
  - **✓ Encourage implementation of ACORD based standard**
  - **Communicate Retirement of old EDI standard**

# ACORD Forms

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- **Complete New Business Forms**
- **Implement Producer Appointment**
- **Promote and encourage carrier participation/adoption and implementations**

# License and Appointment

- ✓ **Encourage Implementations**
- **Establish working group to use the ACORD standard to agree upon and establish an Electronic Appointment Standard – Large effort as it will involve will involve reprocess and design work by carriers and member agencies to go from a paper based process to an electronic process (and agree to use as the standard!)**

# Commissions

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- ✓ **Complete Implementation Guide**
- ✓ **Conversion of NAILBA standard to ACORD standard**
- ✓ **Expand information not in standard today**
- **Encourage Implementations – Facilitate Pilot Group**
  - **AMS vendors**
  - **Carriers**

# Underwriting Requirements

- ✓ **Support Project**
- ✓ **Encourage Carrier Participation**

**Identify and communicate  
brokerage benefits**

# Illustrations

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- **Analyze/fix known Compatibility Issues**
- **Create technical guide for “Best Practices for Independent Brokerage”**

# Distribution Strategy

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- **Begin Defining Brokerage Strategy**

# Imaging – Document Management

- ✓ **Encourage Carriers to implement document exchange**
- ✓ **Standardize the Transmittal Form**
- ✓ **Convert NAILBA standard Document Types to ACORD standard**
- ✓ **Create standardized form for handling of check Log and the Documents that go with that process**
- **Encourage carriers to eliminate paper returning to them after imaging – Communicate the federal and state regulations on “Best evidence rule**

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# Questions?