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Vertafore is the leading provider of software and information to the insurance distribution channel, including independent agents, brokers, MGAs, carriers and reinsurers. Vertafore leverages a unique industry presence to deliver meaningful solutions—powerful technology, critical information and robust insights to help organizations effectively respond to business challenges and capture new opportunities. Vertafore solutions are helping more than 17,000 customers and 500,000 end users gain a competitive advantage to accelerate their business performance.



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Leveraging Producer Credential Synchronization to Dramatically Improve Compliance and Workplace Productivity



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Leveraging producer credential synchronization to dramatically improve compliance and workplace productivity: Eliminate errors, remove inefficiencies and lower costs, while significantly improving compliance.

Executive Summary

SITUATION: The failure to ensure full compliance across all 51 states and jurisdictions impacts carrier and producer sales.

For many insurance carriers and agencies, ensuring that all sales personnel are in full compliance across 50 different states is essential to uninterrupted insurance policy sales.

Unfortunately, each state has different compliance requirements for resident and non-resident agencies and producers (agents, brokers, licensed customer service representatives), which can include variables such as education credits, appointments, product authorizations, deadlines, etc., that become part of each person's sales authorization record. Each carrier, agency, and producer must be in full compliance with all state requirements on a periodic basis for each salesperson in order to maintain their authorization to sell insurance products in that state.

PROBLEM: Traditional human-intensive approaches result in missed deadlines, higher fees, and a greater potential for audit risks, impacting overall carrier/producer sales readiness.

The process associated with tracking, navigating, and maintaining a large number of compliance records can become highly labor intensive with many potential pitfalls. Accurate tracking of this detailed information is almost impossible to maintain on a routine basis using manual processes and standard office productivity applications.

In the event that each salesperson's education requirements are not regularly kept up to date, producer licenses will not be renewed and expensive fines may be levied, impacting the bottom line for insurance carriers, agencies and producers alike.

SOLUTION: Automated producer credential synchronization allows carriers and agencies to easily detect compliance problems and take corrective action on their producers.

When it comes to maintaining state authorization records, many carriers and agencies don't invest in the kind of backend information solutions that would facilitate this process. Instead, the job of sales automation relies on outdated human intensive approaches that lead to a greater number of errors, missed deadlines, the risk of compliance reviews and fines, and, subsequently, higher costs.

Producer credential synchronization is a highly effective approach to this complex problem and has become essential to consistently maintain state regulatory compliance records. Synchronization updates producer credentials by comparing and gathering information from trusted sources, providing the means not only to electronically update producer credential records but also to apply a logical workflow to the updating process.

Once established, carriers and agencies are able to access trusted credentials and automate record maintenance both now and into the future without the requirement of costly and time-consuming human interaction.

RESULT: Just-in-time producer credential retrieval that provides full national compliance and unobstructed sales authorization.

As a web-based, software-as-a-service (SAAS) solution, Vertafore Producer Manager applies producer credential synchronization capabilities to fulfill the task of managing the sales authorization process across each of the 50 states and applicable jurisdictions. Synchronization allows insurance carriers and agencies to identify potential problems before they exist and resolve them as soon as the appropriate sales authorization information is posted to state and national databases.

This provides the most accurate and timely form of information that fulfills all state renewal deadlines. As a result, carriers and agencies can remain up to date with record maintenance requirements, whether by file, schedule, job, individual, or group of producers, in order to satisfy the timely delivery of information for state regulators. Producer credential synchronization ensures that all insurance policy sales continue unabated.

The Case for Producer Credential Synchronization

The Reliance on Poor Sales Automation Practices Can Result in Costly Fines

For many insurance carriers and agencies, ensuring that all of their sales personnel are in full compliance in 51 different states and jurisdictions across the nation is essential to uninterrupted insurance policy sales. In the event that certain state requirements such as training and compliance maintenance are not up-to-date and renewed for each salesperson on an ongoing basis, state sales licenses will not be issued and expensive fines may be levied, impacting the bottom line for insurance carriers, agencies, and sales producers.

Unfortunately, accurately tracking the abundance of detailed information across every state and/or jurisdiction is almost impossible to perform on an annual basis using manual processes and standard office productivity applications. When it comes to applying technology to the task, many large carriers don't invest in the kind of back-end solutions that would facilitate this process. Instead, technology is typically applied to front-end solutions such as customer service applications, while the job of sales authorization continues to rely on manual intervention that leads to a greater number of errors, missed deadlines, the risk of compliance reviews and fines, and, subsequently, higher costs.

When it comes to sales authorization, many large carriers rely on manual intervention that leads to greater errors, missed deadlines, more fines and higher costs.

The story of one Michigan-based insurance carrier further illustrates the importance of maintaining accurate and up-to-date sales records. In December 2007, Foremost Insurance Company was required to pay Connecticut \$230,000 for failing to ensure that their sales agents were fully licensed and appointed to sell policies. At the time, this was one of the largest fines levied by the state.

The fine resulted from a “market conduct” examination by state insurance regulators that checks how insurance carriers are treating their customers and following all state insurance laws. The review found that during the prior year, Foremost had 205 agents who weren’t appointed to represent the company in Connecticut, along with an additional ten agents who were not granted sales licenses.

Automated producer credential synchronization solutions prevent costly fines and losses such as this by ensuring that insurance carriers and agencies can quickly assess all areas of state regulatory compliance risk and take corrective action before they can impact sales and profitability. Unfortunately many carriers, producers and agencies either aren’t aware that these solutions exist or are under the false impression that they are too costly or too resource-intensive for their organization.

What carriers and agencies need is a low-cost, accurate and automated synchronization solution that provides the ability to spot potential problem areas and take corrective action across all U.S. states and jurisdictions to avoid any subsequent compliance problems. This ensures full compliance while minimizing the time and costs associated with maintaining state licensing and regulatory requirements.

Vertafore has been a leader in the insurance industry for several decades. Our extensive experience working with state regulatory agencies for their education credential data access requirements provides insurance carriers and agents with robust sales automation solutions that increase insurance carrier, agency, and producer productivity while lowering sales-related operating costs.

The goal of this white paper is to demonstrate to insurance carriers and agencies how the application of highly-effective producer credential synchronization dramatically reduces regulatory and compliance risks and leads to reduced costs, improved sales authorization and greater sales productivity.

The Problem with Traditional Administration Methods for Maintaining Sales Compliance

The information that the insurance industry relies on for license compliance requirements resides in a central repository referred to as the “National Producer Database,” or PDB. The database includes information from all 51 different states and jurisdictions (i.e. District of Columbia and Puerto Rico). Compliance information on each salesperson is contained in a single report, whether the producer has been licensed in one state or every state. The report is updated on an daily or weekly basis by all participating state insurance departments and includes:

- General demographic information relating to all insurance producers, such as name and address
- License information, such as states licensed, license numbers, authorized lines and license status
- Appointment information, such as company appointments, effective date, termination date, and termination reason
- Regulatory actions taken (if any)

Unfortunately, each state has different compliance requirements for their agencies and producers, which include variables such as licenses, license lines of authority, education credits, appointments, authorizations, deadlines, etc. This information becomes part of each agency and producer’s PDB record. Every carrier, agency and producer must be in full compliance with all state requirements for each salesperson on an annual basis in order to maintain their authorization to sell insurance in that state. For all insurance sales organizations, the process of tracking, navigating and maintaining the sheer abundance of compliance records for their sales personnel can become highly labor intensive and present many potential pitfalls, given its magnitude and scope. The failure to maintain and update these records each year can result in costly compliance audits, fines, or licensing challenges that ultimately impact future insurance policy sales and the company’s bottom line.

Sadly, many insurance carriers and agencies are unaware of available sales automation solutions that could facilitate PDB record maintenance, choosing instead to apply costly personnel to the problem, which often results in the following complications:

- **Poor Data Quality and Accuracy:** The insurance industry is moving toward a “just-in-time” compliance model that requires information to be highly accurate and available precisely when it is needed. Traditional human-intensive information management processes cannot respond fast enough and therefore cannot provide the timely support that will address these time-sensitive requirements.
- **Manual Reconciliation Prior to Annual Renewal:** When infrequent, manual processes are used to check the compliance status on sales authorizations at the end of each year, typical human error often results in incomplete or inaccurate information, disclosure of unauthorized sales agents and subsequent missed deadlines.
- **Systematic Problems Resulting in Audit Flags:** Repetitive compliance transaction failures and/or consumer complaints flag state regulators, placing carriers’ ability to sell insurance within those states at greater risk and/or resulting in costly fines.
- **Risk to Brand and Reputation:** Negative publicity due to costly regulatory fines and compliance problems can impact insurance carrier and agency brand and willingness for customers to purchase insurance from them in those states.

Rather than relying on costly and error-prone personnel for this complex task, insurance carriers, agencies, and producers need a cost effective, easy-to-use automated approach that will ensure all related producer credential data is automatically synchronized with the national PDB and state databases on a routine basis.

In the event that there is a potential compliance problem, an automated approach can alert a carrier or agency’s licensing specialist to the problem, ensuring that corrective action can be taken to comply with all state regulations prior to a scheduled deadline. Such an approach would eliminate any potential impediments to the sales process.

Understanding the Role of Producer Credential Synchronization in the Producer Lifecycle

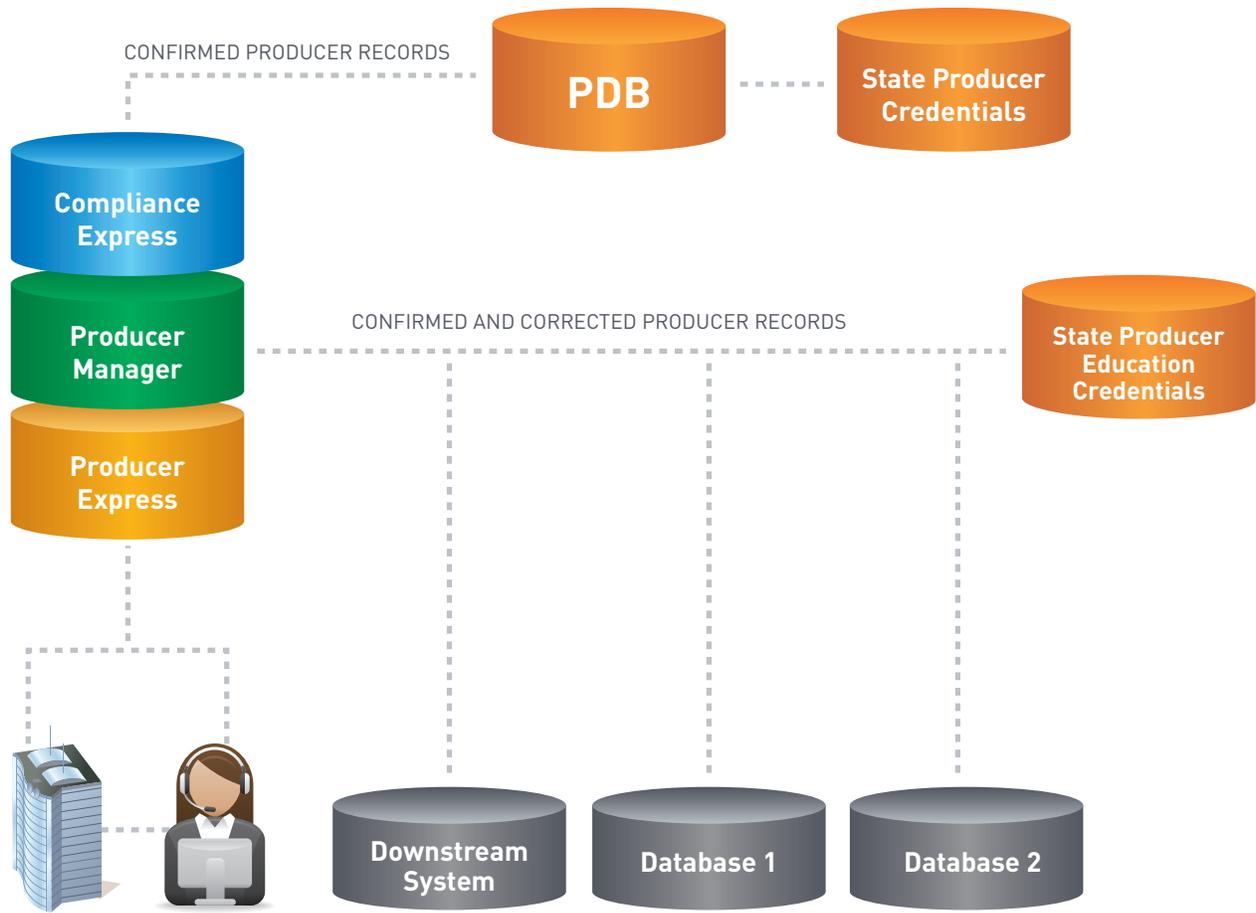
In order to maintain sales authorization compliance on a regular basis, automated data synchronization has become an essential component in what the insurance industry refers to as “producer lifecycle management.”

What is producer credential synchronization and how does it ensure up-to-date and accurate state compliance record verification in support of producer lifecycle management?

Synchronization is an effective way to update producer licensing data by comparing and gathering data from trusted data sources, and providing a means not only to electronically update producer records but also to apply a workflow or logic to the process. Once established, producers can access trusted credential information and automate record updates along with any new updates that have been entered in the future without the requirement of human interaction to obtain it.

Of important note is the inconsistency of information, since all states do not provide reporting to the national PDB in the same way. For example, some states report license expiration dates via lines of authority (LOAs) and not on the license itself. A well executed data synchronization solution should have the means to detect these differences, normalize them, and save the new expiration dates on the sales license so that subsequent, costly, and time-consuming human interaction is not required.

Figure 1: Producer Credential Synchronization in the Producer Lifecycle



Data Synchronization automates sales record maintenance, eliminating the errors associated with manual methods.

Credential Synchronization Automates Sales Record Maintenance, Eliminating the Errors Associated with Manual Methods

Synchronization performs three tasks essential to maintaining accurate producer credentials:

- 1. Record Confirmation and Download.** Agency and producer credentials are confirmed to be on file from national and state PDBs and downloaded into the record-keeping system.
- 2. Record Analysis and Normalization.** The PDB records are updated or “normalized” eliminating any inconsistencies that have been uncovered, and sends out messages to system administrators indicating the specific fixes that have taken place for auditing purposes.
- 3. Record Update and Reporting.** Producer records are updated in the Vertafore system and an audit trail is created which includes a PDB report, a record of all changes, and the associated processing messages (the reasons why the changes were made).

How Producer Credential Synchronization Provides Significant Productivity Benefits

Vertafore believes that the best producer credential information is the type that the states supply themselves, a philosophy shared by the industry regarding the use of PDB reports in lieu of license copies. By leveraging their extensive experience servicing state regulatory systems, Vertafore can ensure more accurate credential information, accurate regulatory and compliance information, and faster application response times that result in quicker and unrestricted insurance sales. Moreover, implementing Vertafore credential synchronization means substantially less typing, less searching across multiple state websites, and less administrative work.

Vertafore Producer Manager is a “software-as-a-service” (SAAS) solution delivered on the web. The integrated credential synchronization capability allows insurance carriers, agencies and producers to access pertinent information at any time and from anywhere, ensuring clients can obtain the most up-to-date application versions as they becomes available. It also allows an IT staff to focus on critical support issues rather than stretching their resources to accommodate another installed technology.

Producer Credential Synchronization includes advanced functionality that sets it apart from other solutions and provides significant benefits that boost producer and workplace productivity, including:

- **A 360-Degree Information View**—Vertafore synchronizes a wide variety of producer credential information that supports direct and indirect producer relationships and agreements, annuity sales information by state, and state partnerships that provide insights on state code changes.
- **Normalization Rules**—Vertafore “normalizes” PDB credential information during the synchronization process taking into account data inconsistencies that normally occur such as field formatting differences between states.
- **Audit Tracking**—Vertafore provides audit-tracking reports for each automated record change, which serves as documentation for potential market conduct exams. As a result, Vertafore automates the reconciliation process nationwide enabling tasks to be completed in less time, with less effort, and more accurately than ever before.
- **Varied Synchronization**—Producer Credential Synchronization used one of four different sync approaches, depending on the specific sales situation and data update needed:

PRODUCER CREDENTIAL SYNCHRONIZATIONS		
SYNC TYPE	WHAT IT DOES	WHEN IT SHOULD BE USED
Quick Add	Provides the ability to add one agency or producer record to the system at a time.	When there is only one new agency or producer that needs to be added to the system or to another downstream system; this may occur when a new producer is brought on board.
Quick Load	Provides the ability to add multiple agency and/or producer records at a time, directly from a spreadsheet and validated against state-supplied information on the PDB.	When there are a number of agencies/producers that must be added to the system or another downstream system at once; this may occur when a new agency with an entire roster of new agents is brought on board.
Quick Sync and/or Quick Load with Sync	Provides the ability to update one or more records against the PDB.	When something has changed with one agency or producer in particular, or when one agency or producer has business in hand that needs to be properly credentialed before booking the business; this may occur after a license renewal or before an appointment renewal period.
Scheduled Sync	Provides the freedom to schedule synchronization when some or all agency or producer records need to be updated against the most up-to-date information on the PDB.	For a large group of agencies/producers, before or after a license expiration date, or periodically every 30, 60, or 90 days to make sure all sales records are always up-to-date and to demonstrate proactive compliance.
Producer Management Web Service	Web service initiation of a synchronization upon being requested by a carrier or agency system.	Provides the ability to automatically perform a synchronization when a carrier or agency system determines an urgent need to do so.

As a result of these synchronization advantages, many companies choose Vertafore Producer Manager as their primary “entry point” to downstream systems since it provides integrated access to trusted data via the syncing process. Loading agency/ producer credentials into the system helps ensure that all sales authorization records flowing into downstream into other systems are accurate and up to date from the start.

Producer credential synchronization solves the common problems associated with traditional, manual data reconciliation methods in the following ways:

- **Solving the Problem of Poor Data Quality and Accuracy:** As compared to alternative solutions that force state credential information to comply with proprietary application and data standards, Vertafore tracks state data based on how the individual states see and use that data. Using on this approach, Producer Manager credential synchronization combined with Vertafore’s industry expertise ensures the highest-quality and most accurate data without a loss of fidelity.

Vertafore actively monitors regulatory rule and technical changes and updates its applications to help keep customers current on a highly leveraged basis.

- **Solving the Problem of Just-in-Time Processing:** As a web-based solution, Vertafore enables automated synchronization that provides the greatest likelihood of identifying potential authorization conflicts before they exist, and resolving them as soon as the information is updated. This methodology provides the most accurate and timely form of information to meet state renewal deadlines. When renewals are required, whether by file, schedule, job, individual, or group of producers, the records are kept up to date and reports made available to satisfy the timely delivery of information as required.

- **Solving Repetitive and/or Systematic Problems:** Vertafore Producer Manager uses a powerful rules-based engine for producer credential synchronization that eliminates the repetitive occurrence of systematic state reporting differences that can cause subsequent problems downstream, and then flags discrepancies for the agency or carrier to review and resolve them. Vertafore producer credential synchronization catches the three major areas that account for the majority of producer transaction errors: Individuals not properly qualified, individuals that have been terminated, and individuals not licensed to sell in that state. For example, in the event that a sale is pending by an unauthorized agent, the rules engine would provide an immediate notification that a license appointment, or product specific education credential is required in order to complete the transaction.
- **Solving the Problem of Potential Reputational Harm:** With regard to compliance requirements, states assess the agency or carrier’s intent to comply as well as actual compliance based on their data and compliance processes. Therefore, reputational harm to a company name or brand can only occur only when the carrier or agency has demonstrated a clear information management failure and/or lack of systematic approach to compliance. The synchronization system built into Vertafore Producer Manager automatically generates an audit trail that prevents repetitive red flags that can impact subsequent compliance-related problems before they can impact an organization’s image, reputation, or brand name. Implementing Vertafore Producer Manager demonstrates intent to comply, and improves actual compliance.

Only Vertafore connects producers, agencies, carriers, and education providers with state regulators in real time via the web using the most comprehensive and reliable producer management information solutions available within the insurance industry.

Why Not Use an Administrative or IT Staff to Perform Producer Credential Synchronization?

For large insurance carriers that have an internal IT organization, maintaining the support of all their business information needs requires an extensive resource commitment. So the logical question that any executive would ask when evaluating synchronization solutions is, “Can we develop this functionality internally and reduce our total expenses?”

Unfortunately, developing traditional enterprise applications is vastly different than the requirements associated with synchronizing insurance producer credential information on a nationwide basis. Due to the scope of credential information coupled with the wide variety of data formats across 51 different states and jurisdictions that comprise the national PDB, creating a custom credential synchronization system would not only be vastly time consuming and resource intensive but also extremely expensive.

The personnel and operating costs involved with undertaking such a project could be substantial, especially in light of today’s more cost conscious business environment.

If any organization attempted to create their own internal credential synchronization capability with the national PDB, it would be a substantial undertaking, involving up to six months just to validate the existing state codes and another 12 months to complete the project. In addition, an ongoing maintenance process would be required to keep the rules and state codes up to date.

To make comparisons with semi-automated synchronization solutions would require an IT development effort to build and maintain such a solution, and would still require manual research and producer credential updates to account for discrepancies. The personnel and operating costs involved with undertaking such a project could be substantial, especially in light of today's cost conscious business environment.

Manually syncing producer records using an administrative staff would mean:

- Enlisting a licensing and compliance staff for numerous hours of heads-down work per week
- Visually comparing in-house data against state websites and PDB records
- Manually updating new information into disparate legacy systems
- Ongoing maintenance of record upkeep and fully burdened costs for the lifetime of the business

Building a syncing solution in-house using an existing IT staff could involve:

- Dedicating an IT staff of 1-2 people for every licensing or compliance person
- 4-10 months researching state codes
- 10-18 months comparing producer records against newfound data and validating
- 1-2 months uploading new information into disparate legacy systems
- Ongoing maintenance and fully burdened costs for the lifetime of the business

Finally, dedicating the internal IT resources required to develop and maintain credential functionality would deny other revenue generating areas of the enterprise from leveraging these information resources to meet both their sales and profitability goals.

Producer Credential Synchronization provides the most feature-rich and cost effective solution available today. As compared to more limited, internally developed custom IT solutions, Vertafore's robust feature set combined with their extensive experience working with state education credentials yields a more productive and cost-effective solution to manage producer credential information.

Case Study: National Health Insurance Provider and the Medicare Environment

Producer credential synchronization applies equally to insurance carriers and agencies of all sizes. This case study takes a closer look at one division of a large Northeastern-based national health insurance carrier. The division featured in this study provides Medicare solutions via independent insurance agents located throughout the United States.

Background and Situational Challenge

The Medicare division of this large national health carrier hires approximately 2,000 agents during the fourth quarter of each year to accommodate the open enrollment period. On an annual basis, the division must onboard and get these new agents licensed within a short period of time.

When the federal government created a rule in 2008 that required insurance carriers to appoint all producers who sell Medicare, the task of adding 2,000 sales agents suddenly became a much larger endeavor for this large carrier. The Medicare division not only had to license and appoint 2,000 agents in all 50 states, but they also had to complete this task within a matter of weeks.

Prior to implementing Vertafore Producer Manager, licensing administrators were entering data into five disparate systems, including a contract management system, an agent data repository, an appointment request system, a background request system and a document repository. This licensing and appointing process required a high level of manual tracking, which varied among different sales personnel and departments. The process was slow and highly error-prone, difficult to audit and required a 20-day turnaround period.

Solution Advantages

Vertafore Producer Manager with Producer Credential Synchronization provided this national healthcare company with the following benefits:

- **Integrated Systems:** The company now manages all producer credentials using one central Vertafore system rather than manually entering and tracking data with several in-house systems.
- **Improved Speed and Accuracy:** This carrier uses Vertafore synchronization services to synchronize and verify downloaded data from the PDB along with their internal systems. They also sped up the process of adding producer records by using the “quick-add” feature that populates or overwrites data in the system.
- **Faster Turnaround:** Using Vertafore’s electronic processing capability, one of the largest health carriers in the nation has reduced the time needed to process licenses and appointments and turnaround contracts in half, from days or weeks to a matter of hours or minutes.
- **Credential Accuracy:** During fourth quarter onboarding, the company performs data syncs for 2,000 new agents every seven days, keeping close tabs on all who are authorized to sell Medicare policies. Their producers are synced every 33 days to ensure that all of their data is current.

Results

- **Streamlined Process:** The carrier saves time and reduces the opportunity for errors by managing producer data in one central system.
- **Faster Onboarding:** Producer credential synchronization “quick add” feature enables their licensing agents to quickly and accurately add producer records using data pulled from the PDB. Using electronic processing, the company was able to reduce contract turnaround time by 50 percent or more.
- **Bottom-line Improvements:** Licensing and contracting staff productivity has improved by 40 percent, dramatically reducing this company’s overhead costs.
- **Increased Accuracy:** This national provider has also improved data accuracy as a result of streamlined processing and scheduled synchronizations. Their scheduled synchronizations find and correct data inconsistencies in producer records without any manual intervention.

Concluding Summary

Sales authorization and compliance information on all authorized sales agents that arrives “just in time” from state regulatory agencies has now become a factor essential to ensuring uninterrupted policy sales within the insurance industry. To maintain this status on an ongoing basis, all authorizations must be maintained for each individual state. Taking into consideration the different compliance requirements for all 50 states, the process of accurately maintaining this information can become extremely cumbersome for any administrator assigned to the task.

Vertafore has a proven track record providing robust producer licensing, appointment, and information management solutions for the insurance industry. Our vast experience with state regulators has allowed us to build highly effective productivity solutions that facilitate the sales automation process for insurance carriers, agencies, and producers.

The producer credential synchronization capabilities built into Vertafore Producer Manager provides sales organizations with the ability to maintain accurate authorization and compliance records for every sales agent, in every state, on an ongoing basis. In the event that a conflict occurs with one or more agents, notification is immediately provided to an administrator 'just in time', allowing corrective action to be quickly taken before the problem can impact current policy sales.

In summary, there are four distinct areas where Vertafore Producer Manager Producer Credential Synchronization provides a clear value for any insurance carrier or agency in need of sales automation and producer lifecycle management solutions:

- **Leveraged Industry Expertise**—Vertafore's expertise with state regulatory agencies ensures immediate productivity without incurring the time and expense inherent in manual processes or in-house customized solutions. Using Producer Credential Synchronization, Vertafore saves clients both time and money, allowing their sales organization to refocus their existing administrative resources on more effective sales productivity goals.
- **Greater Data Accuracy and Consistency**—Vertafore Producer Manager's producer credential synchronization generates higher accuracy using an automated approach, without relying on the human aspect that often creates missed deadlines and less accurate sales data. With accurate sales automation more repeatable and reliable, checks and balances become a routine part of staff productivity.
- **Facilitates Sales Automation Processes**—Using the sales automation benefits inherent within Vertafore Producer Manager's producer credential synchronization, the resulting increased staff productivity provides lower operating costs that are essential to an effective sales automation strategy.
- **Provides Lower Risk and Greater Peace of Mind**—As authorization and compliance deadlines continue to be met on an ongoing basis, the risks normally associated with state compliance and authorization issues are reduced.

