Advanced Manuscript Endorsement Processing

By streamlining and refining highly manual processes, insurers can enhance operational efficiencies and accuracy.

Executive Summary

With stagnant markets and a rising expense ratio in the U.S. commercial insurance industry, carriers need an enhanced level of agility, flexibility and operational efficiency in their business process (see Figure 1 on the following page).

Manuscript endorsements form a sizeable component of the policy packs and change endorsement documents (to communicate policy term changes made after the policy has been issued) for commercial risks. These endorsements contain specific terms or conditions that have been negotiated between the insurer and the insured which are applicable to a particular policy. Within commercial lines of business, there could be as many as 150 manuscript endorsements issued on a policy. Commercial insurers must issue these policies within the predefined service level agreements (usually 30 days within binding) with the broker/insured. Failure to do so can have consequences ranging in severity, from loss of business to imposition of penalties. Either way, the insurer loses credibility and begins the new business/renewal relationship on the wrong foot.

A large chunk (~80%) of commercial risk business is effective January 1st or July 1st, and the rush to get all manuscript endorsements drafted, approved and added to the policy within the stipulated time frame drastically increases the potential for errors.

Underwriters must be extremely careful when drafting manuscript endorsements, because any ambiguity in the document can be interpreted adversely against the insurer. Numerous aspects of manuscript endorsements impact the art and science of drafting them. For example the wording on the manuscript endorsement itself should be consistent with the balance of the policy structure. If a word appears in quotes within the policy to signify that it is a defined term, it is necessary that the same term, if used in the endorsement, also appear in quotes. Otherwise, the term in the endorsement may be interpreted by the courts as meaning something completely different, causing serious dispute at the expense of the insurer. It cannot be overemphasized how often disputes arise over manuscript endorsements.
A defined automated process can make the process of drafting and approving the manuscript endorsements more effective and efficient. Most insurers are moving toward IT applications consolidation and tightly coupled systems wherein the print system is integrated with the policy administration system. Accordingly, the sorting of endorsements and placement within the policy pack is driven by predefined business rules, with underwriting assistants having no/limited opportunities to make any changes. While well-defined business processes and tightly coupled systems make the policies and data more compliant, it prevents the user from applying “quick fixes” on the policy documents. This limitation gives rise to the need for the manuscript endorsement development process to be reengineered.

Remediation Priorities

Given these challenges, we recommend the following fixes:

- **Start early; don’t wait until the last minute to work on the draft of the manuscript endorsements.** Commercial insurance lines have a very high percentage of renewal business, and most manuscript endorsements issued on renewals use language similar to the expiring policy. The compliance department can proactively review the manuscript endorsements well before the quoting process, and create rough drafts that can be quickly amended immediately after binding to address any customizations that might have been made.

- **Inject agility into the manual manuscript processes.** Since most manuscript endorsement forms are not filed, they are not preprogrammed in the system or automatically picked up by the underwriting assistants at the time of policy issuance. Usually, the underwriting assistants draft these manuscript endorsements in Microsoft products and then paste them into blank forms that are preselected and presorted within the policy pack. Copying/pasting content into the print system could cause multiple issues such as loss of formatting, difficulty with comprehending images, etc.

A more agile business process can alleviate this problem. If the business and compliance teams can draft these manuscript endorsements well in advance (as discussed above) and deliver them to IT business analysts immediately after the account is bound, the IT team can potentially ensure that they are added into the system while the underwriting assistants register the policy. As the underwriting assistant reaches the stage of selecting the forms from the system, the manuscript endorsement forms would be developed and readied to be picked up, making the entire process much more efficient and effective.

- **Use data analytics to determine how many and what kind of manuscript endorsements were issued historically on accounts and draw similarities in their language for risks written within the same industry.** For example, there many additional insured manuscript endorsements issued on a general liability policy. One of the purposes of these endorsements
is to include the additional insured within the coverage as identified on the declaration form, keeping the limits of insurance intact. Usually, generic wording is used for this type of manuscript endorsement, and this can potentially be reused on all policies written within a specific industry, where inclusion of additional insureds may apply. Manuscript endorsements can be filed and assigned an internal form number to be reused on several policies.

- **Share resources and create consistent business processes across lines of business and products to create operational efficiencies.** Create a common repository of manuscript endorsements that can be shared by users across different business units registering and drafting policy packs. Implement a consistent business process for underwriting to assign an internal number to manuscript endorsements that can be used across multiple policies, and establish easy reference criteria for others to identify them.

- **It is imperative for underwriters to review the manuscript endorsements drafted by someone else (i.e., underwriting assistants) before it is issued to the broker/insured.** To avoid delays, there must be a seamless process of drafting, approving, assigning a unique internal number and entering them into the system in time for a user to select them – all while the policy pack is being created. A workflow management tool with automated mail triggers and reminders for document approval, testing, availability for usage and automatic upload for IT implementation could help create a lean, effective and efficient operating model.

**Looking Ahead**

A quick review of historical operational metrics can help the insurance carriers gauge whether there have been consistent delays in getting policy documents out to brokers/clients. While manuscript endorsement processing might not be the only cause of the delays, application of an accelerated, streamlined manuscript endorsement processing will definitely help bolster the process. A good place to start is a thorough review of the end-to-end policy documents issuance process, with a focus on workflow administration, various technology platforms’ integration points and internal users’ roles/responsibilities.

Some easy-to-implement process reengineering and technology upgrades can significantly reduce the potential perils of drafting and issuing manuscript endorsements and can increase the speed-to-market for policy packs and change endorsement documents, resulting in an overall enhancement of customer service.

**Footnotes**

1. NAIC.

**About the Author**

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