



# Paperless versus Less Paper — Can the Two Coexist?

By Mark and Karen Harris

In 1975 an IBM report predicted that in 20 years businesses would be fully paperless. Well, 1995 rolled in and most businesses still were wading in paper — no surprise. Now it's 2018 and we are still inching our way towards a paperless environment. There is little question that paperless is more efficient and promotes consistency. But should our goal be zero paper or is it reasonable to aim for less paper? And what about some of the benefits that paper offers that electronic has not been able to replicate (yet). There is tangibility, ease to read/no glare, and usefulness in meetings (handouts) and note-taking.

The insurance industry has urged the conversion to paperless. And in response, businesses have moved with glacial speed. In fairness, there is significant cost, time, and effort involved in transitioning to an electronic system. Plus, there is typically resistance to change, and not just from older staff. But to not adapt and make the necessary changes can leave you buried in the shredded paper of the businesses that have long since abandoned their paper weights and passed you by.

What qualifies as a paperless office? Is it devoid of filing cabinets, steno pads, or sticky notes? Can firms aspire to being mostly electronic and use less paper? If so, how and what are some of the benefits and pitfalls? What are some guidelines for an office that is a “combination firm” (using both paper and some electronic systems)?

We contacted a number of our partners — insurance companies, retailers, and wholesalers/MGAs/

others to get an informal snapshot of the paper vs. paperless issue. All of the respondents used electronic systems to a varying extent. About half of our respondents identified as “paperless” and the other half as “combination.” The results were similar for all types of firms.

Not surprisingly the paperless group felt strongly (55 percent) that using paper had no value. In contrast, about 84 percent of the combination firms supported the value of using paper

and two thirds have plans or are in the process of becoming paperless.

We also asked the same firms about their satisfaction with their agency management systems. Of the paperless respondents, the average grade was a B+. The combination firms were more disenchanted with their systems and averaged C+. Interestingly, more paperless firms had developed their own systems in house and those generally scored the highest. Off the shelf systems tend to be limited in their capabilities, performance, and adaptability and flexibility.

Paperless firms endorsed the ease, speed, and efficiency of working paperless and highlighted other value-added benefits such as ease of doing business remotely, reduced storage needs, and allowing seamless

workflow during staff absences. Paper firms cited ease of reading complex documents, note-taking, and absence of eye strain. Regulatory requirements, power outages, computer disruption, and cyber threats also were named as reasons to maintain some paper usage.

## E&O Pitfalls

Paper use in offices is a reality and doesn't appear to be going away anytime soon. However, relying on

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both paper and electronic for the same processes can potentially complicate an E&O claim. In litigation, both paper and electronic documentation associated with the claim are subject to discovery. If documentation in one system contradicts the other, questions about the validity of the information and the case can possibly endanger a favorable outcome.

Electronic records appear to be superior to paper in discovery situations. Attorney James Keidel handles agent and broker E&O matters and is a managing partner at Keidel, Weldon & Cunningham, LLP. He states that one of the benefits of electronic documentation is that “it has metadata behind it which can show how and when it was created. Unfortunately, with paper documents, there can always be a



possible issue raised as to when and how a paper document was created.”

However, even in paperless offices, unexpected files may turn up. Producers and other staff may have private paper files in their offices that are later found in discovery. These employees may keep a hard copy document thinking that it might prove useful in the future for their own work or for use in litigation. Unfortunately, that saved information can backfire and have the opposite of the intended effect, actually refuting the firm’s litigation case.

Electronic systems can pose their own challenges for litigation. In a paperless office, copying is part of the environment. Electronic copies are saved and sent many times and therefore are harder to control. Attorney Donald Wochna is a managing partner at E-Data Law Group, LLC and focuses on technology solutions in litigation and cyber/technology. He reports that “most clients do not know the location of all copies of relevant electronically stored information on all devices and endpoints.”

Electronic systems are efficient, but a server or agency management system won’t track who else has

## Quadrant Corner

copies or on what portable devices. In running your business or in litigation, that can be critical knowledge. There is new technology addressing this gap; “Insight2Data” is one example. It acts like a library card catalog and through metadata can help you monitor and locate copies of documents at any location and on every associated device.

Inefficient systems, whether electronic, paper or both, can convolute and paralyze a business. Since many firms are a combination of electronic and paper, attorneys Wochna and Keidel, recommend making one system primary, preferably the electronic system. Paper should be used only in a support position and all staff should comply. According to Keidel, “an agency or brokerage that claims to be paperless can severely undermine the strength of its electronic documentation if paper documentation is found to exist separately from the agency management system that is not saved electronically.” Wochna says “use it, scan it, and then shred it.” The old adage “less is more” applies.

### Becoming “Paper Less”

Having an electronic agency management system is no longer merely a choice — it is a necessity. The transition to electronic is onerous and expensive, but there is no turning back. Mary LaPorte, CPCU, CIC, CPIA, and principal of LaPorte Consulting, LLC, counsels insurance agencies on a variety of workflow and management issues and advocates moving to paperless, but recognizes that paper still plays an important role in today’s offices.

Once an agency makes the decision to be electronic and use less paper, they first must be assured that their digital records are complete and available in one convenient location. LaPorte suggests that all “email, policy documents, correspondence and underwriting documents must be attached to the customer record in the agency management or document management system.” During this transition, employees “often invent their own work-arounds, causing workflow inconsistencies.” For example, during an unscheduled employee absence another employee who doesn’t know the ‘work-around’ leaves out a critical endorsement in a policy. Maybe the mistake will be found, but maybe not.

Sound and consistent procedures can reduce the severity and frequency of E&O claims and incidents. To keep using paper effectively, there should be a procedure requiring all paper to be scanned into the agency management system and retained in an electronic format. Try to eliminate duplicate records in paper and electronic uses. As other insurance firms — companies, wholesalers, MGAs — have moved their processes to electronic, some are less willing or unable to provide paper documents to agents.



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Regulatory issues require careful thought and procedures in order to comply. Typically, claims records are required to be kept for seven to ten years. Issues of privacy, confidentiality, and data breaches are present in both electronic and paper files. How good is any system if your files are printed or surreptitiously emailed elsewhere?

Once you have transitioned to an electronic system, paper will very likely still be used, albeit in a supporting role. Survey your employees' paper use and be sure to include all levels of employees and departments. LaPorte suggests that "using paper in this manner should be acceptable, as long as the complete record is still digitally complete, and any paper documents are simply a transitional tool."

What is the value to using paper in your office? Are you using your electronic system to its maximum capabilities? Analyze your current operations and determine what procedures currently work and what needs to be revised. After procedures are established and standardized, set controls to check that they are being followed. The final step is to self-audit to analyze the effectiveness of both the procedures and the controls.

### **Your Bottom Line**

Does a paperless work environment increase the value of insurance distributors? According to George Bucur, V.P. MarshBerry, valuations primarily rely on pro forma EBITDA (earnings before interest, tax, depreciation and amortization) and other factors. However, a paperless environment may contribute to the value of the entity, "to the extent it [a paperless environment] is part of a system that allows a distributor to operate more efficiently, this could be materially accretive to value (as one may expect pro forma EBITDA to be higher)."

### **Conclusion**

Having an electronic system and using less paper is possible and realistic considering the benefits of paper that many report. As long as paper has specific uses that are not abused, it can coexist with electronic systems and has its own benefits. Plus, if there ever comes a time when paper is completely unnecessary, it will be sometime in the future. For the here and now, paper is still useful, but in a more limited role. 🌐

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