

Insurance Times: Legal issues slow insurers on e-signatures

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When Congress approved an electronic signature law three years ago, it was expected to have a significant impact on business on the web— insurance transactions in particular.

But insurance carriers haven't exactly rushed to take advantage of the new technology and a majority will continue to not be on board within 18 months.

That's according to "e-Signatures in U.S. Insurance: Overview, Issues & Case Studies," a new industry report issued recently by Boston-based research firm Celent Communications.

The report's author, analyst Craig Weber, says a number of factors have kept insurers from signing on full-scale to the new technology – particularly apprehension about legal challenges.

Legal Issues

"To this point," he said, "the biggest issue has been a lack of clarity on the legal issues. To date, there have been no legal challenges to electronic signatures and insurance, and very few challenges to the legality of e-signatures in any industry."

And without those challenges and legal case law in place, Weber said, "carriers are hesitant to rely on electronic signatures the way they rely on wet-ink (conventional) signatures today."

In addition, Weber said, the insurance industry hasn't added e-signature technology because "the industry is not known for moving quickly when it comes to technology."

Though Weber said he expects "a bubble of activity" down the line as insurers catch up to the availability of e-signature technology and simpler applications come online.

In the short term, he said, carriers can rely on other factors to launch e-signature programs.

States' Approval

For example, regulators in more than 40 states, including all five New England states, have either approved e-signatures outright or told carriers they fall under regular sales practices rules. Weber said the evidence suggests "that a careful application of e-signature technology is acceptable."

That's a big step, Weber said, because "regulators are concerned mostly about fraud. And if you can prove to them that your e-signature process is secure and prevents fraud, they're likely to look on it favorably.

"In fact," he said, "some of the e-signature processes today are more secure than the wet-ink signature process that they are replacing."

There's a point-of-sale e-signature application carriers are using in particular, that he said blends both new technology security and traditional methods.

"It has the agent sitting across the table from the client ... which validates to a degree, the identify of that person."

But in addition to that, he said, the system on which a client's electronic signature is written creates "an electronic audit trail and the means of comparing that signature down the road should questions ever arrive.

Biometric Technology

“That’s relying on biometrics technology,” he said, “analyzing the speed of stroke and weight of the pen on the page. You have the ability to validate the signature later.”

American General, Zurich Life, National Health Insurance, eHealthinsurance, Prudential, American General Life and Accident, Wellpoint and Kaiser are among the insurance companies that have successfully used e-signature technology so far, according to Celent.

In New England, John Hancock is among the regionally based companies that have explored e-signature technologies over the last few years.

Celent also recently released a second report that identifies seven major vendors involved in selling e-signature technology. They are: Communication Intelligence Corp., Topaz Systems, Valyd, Inc., WonderNet, Lexign, PureEdge Solutions and Silanis Technology.