



Rethinking Paper Check Processing

QA with Steven Kidd

Today, we're interviewing Steven Kidd to learn about how to reduce the burden and costs of processing paper checks.



Sallie: Steven – I'm hearing the "lockbox" buzzword all the time. Can you explain what a lockbox is for those who aren't yet familiar with the term?



Steven: Sure! A lockbox is simply a PO Box where payments are sent and then collected by the payment processor. Partnering with Covenir to perform this service helps reduce expenses, improves cash flow, and frees up the business to focus on daily operations instead of payment processing.



Sallie: The other terms I'm hearing are "Remote Deposit Capture (RDC)" and "Image Cash Letter (ICL)" – How are these technologies used in conjunction with a lockbox?



Steven: Typically, you use a lockbox to gain some efficiency, but a lockbox is a lot more efficient if your partner can deposit and post payments received. These technologies facilitate electronic deposits. They turn paper checks into substitute negotiable digital instruments. With someone else receiving, depositing and posting premium checks, insurers can redeploy their human capital to other important tasks.

Remote Deposit Capture (RDC) is typically used for accounts with lower payment volume. It allows the bank to accept deposits using digital images instead of physical checks. Checks are scanned and uploaded to the bank's online remote deposit service and deposits occur electronically. We then manually post the payment to the insured's policy administration platform.



On the other hand, Image Cash Letter (ICL) is utilized for accounts with high payment volumes. When checks are scanned, all check and billing data is captured through proprietary software. The data file produced after scanning is called an ICL. This file is electronically transferred to a bank for processing. The billing information captured during scanning is uploaded to your policy administration system for payment posting at the policy level.



Sallie: Going back to the lockbox topic, how should insurers choose a lockbox partner?



Steven: Flexibility and security are key priorities when choosing a lockbox provider. Ask these questions:

- ① Do you have access to decision makers?
- ② Is the service customizable by volume and policy administration platform?
- ③ Is the facility secure? (Check 21 guidelines)
- ④ Is there a comprehensive reconciliation process with full transparency?



Sallie: OK, thanks Steven – that is very helpful. Here’s my last question for you. What’s the difference between a traditional lockbox and an intelligent lockbox?



Steven: A traditional lockbox service does not have insurance-specific knowledge to intelligently apply payments. They simply deposit the funds into your account and send you the file to upload to your system. It is your responsibility to work the exceptions. An intelligent lockbox service, such as Covenir’s, will work through all exceptions on your behalf, resulting in a seamless end-to-end process.



Sallie: So, if you’re an insurer, it is important to find a partner that provides an intelligent lockbox service. That make a lot of sense. if someone wants to learn more about intelligent lockbox, what should they do”?



Steven: I will be happy to answer any questions. Contact me at steven.kidd@covenirbpo.com or email info@covenirbpo.com.

