

The Docketing Excellence Webinar Series



Annuity Payment Failure Modes



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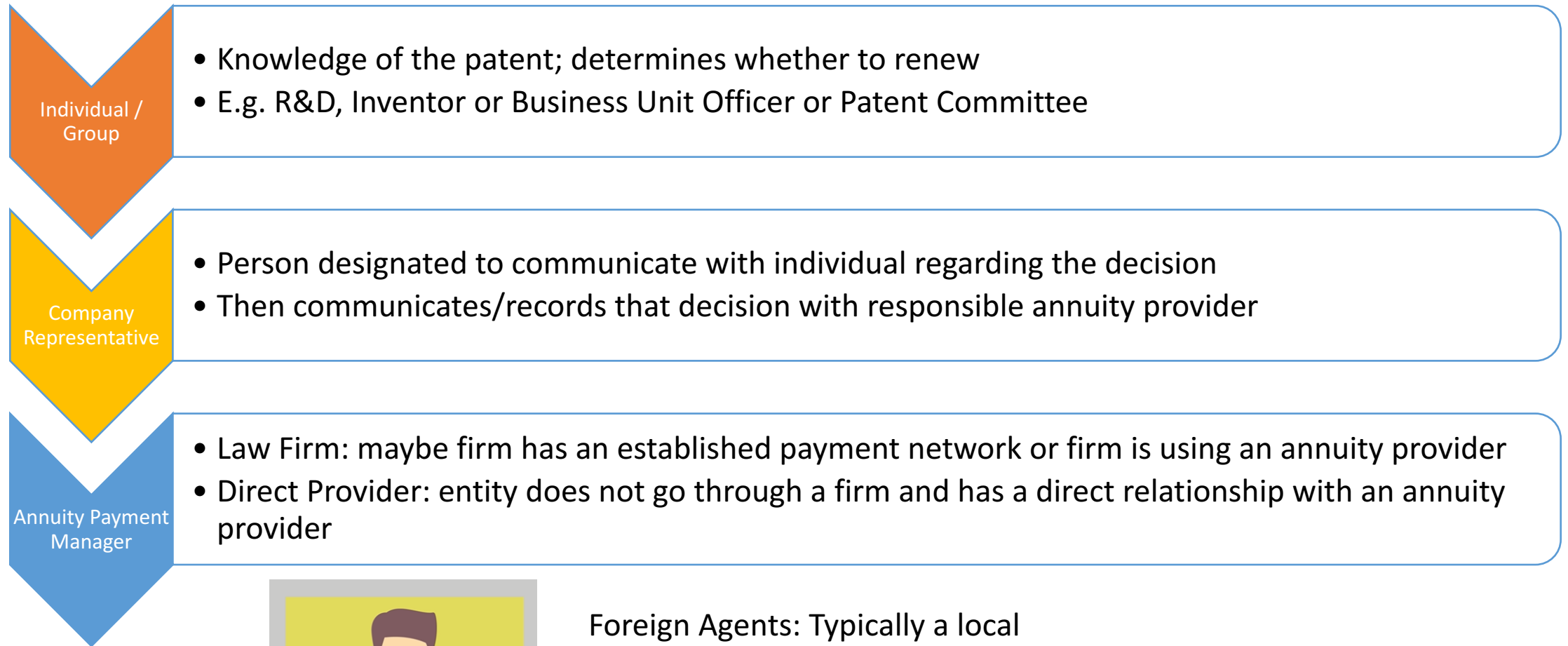
Annuity Payment Failure Modes

- **Presenters:**
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Topics

- Stakeholders with a renewal process
- Typical architectures of renewals systems
- How annuity payment instructions are collected
- Where things can go wrong in annuity payment systems/methods
- Methods for guarding against missed annuity payments

Stakeholders within a Renewal Process



Foreign Agents: Typically a local country representative/counsel that may/must pay the annuities for the given country

Stakeholders within a Renewal Process

Who is the Annuity Payment Manager for a Company?

Option A:

A law firm that makes payments through its own network

Option B:

A law firm that works with an annuity payment provider to make payments

Option C:

An annuity payment service that works directly with the company

Typical architectures of renewals systems

- Most annuity providers have a “back end annuity system” that communicates with a “front end docketing system”
- Files are typically “introduced” into the annuity payment process by loading them into the front end docketing system
 - Files may be introduced in bulk upon a transfer of ownership/files from one company to another
- In some systems, payment decisions are made in the front end system, and transferred to the back end system

How annuity payment instructions are collected

- If a law firm is handling annuity payments, they must collect annuity payment instructions from clients, and then forward to annuity payment provider
- Inside a company (the law firm's client), more than one person often needs to be consulted to get payment instructions, introducing another level of communication
- If a company is working directly with annuity provider, they often must collect annuity payment information or instructions from internal resources, and then forward to annuity payment provider

Where things can go wrong in annuity payment systems/methods

- File transfer errors – inventory of files provided is incomplete, or errors are made in on-boarding the files
 - File/serial number errors – corrupted serial numbers can result in payments of annuities on the wrong files
 - Misplaced files – many times files are transferred using spreadsheets or boxes of files – these can get lost or corrupted or overlooked
 - Selling/transferring party fails to send a complete list for various reasons

Where things can go wrong in annuity payment systems/methods (cont.)

- Confusion over “responsible party” errors –
 - Shared responsibility for payments is major source of problems where one of parties has weak process
 - Increasingly, corporations are taking responsibility for payments in-house, but fail to properly staff the function due to naivety about level of labor involved
 - Require law firms to “hand off” responsibility for annuities, but then fail to properly instruct the annuity provider

Where things can go wrong in annuity payment systems/methods (cont.)

- Confusion over “responsible party” errors –
 - Law firm mistakenly thinks corporation is handling payments, but the corporation doesn’t handle
 - If law firm annuity group is not involved, foreign paralegals can get more easily confused about how to coordinate with client
- Foreign associates sometimes unsure who to send annuity payment information to – can result in important notices not being properly forwarded to annuity provider
 - Notices of non-payment do not get to responsible party

Where things can go wrong in annuity payment systems/methods (cont.)

- Data synchronization errors – files or instructions introduced into a front end system are not properly transferred to the back end system, due to automation malfunction
- Inability to locate client to get instructions
- Communication or documentation errors or operator errors – human error results in a “pay” being recorded as a “don’t pay”, or instruction is misloaded in annuity payment system
- Payment errors – all else goes right, but payment is not submitted by provider

Methods for guarding against missed annuity payments

- Extreme care must be taken in transferring responsibility for payment between parties
- If responsibility is shared, process must be well defined
- Process for file transfers should be well defined and managed at the top level so it doesn't get relegated to employees who don't know the big picture

Methods for guarding against missed annuity payments (cont.)

- Foreign associates should have clear instructions on how to handle notices of non-payment of annuities
- Standing instructions should default to “pay”
- All file transfers and new file onboarding should be carefully monitored and double checked

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- Questions on Today's Program
 - Please submitted your questions using the Q&A button on the control bar on your screen.
- If you have questions regarding Black Hills IP's services or processes, please contact:
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