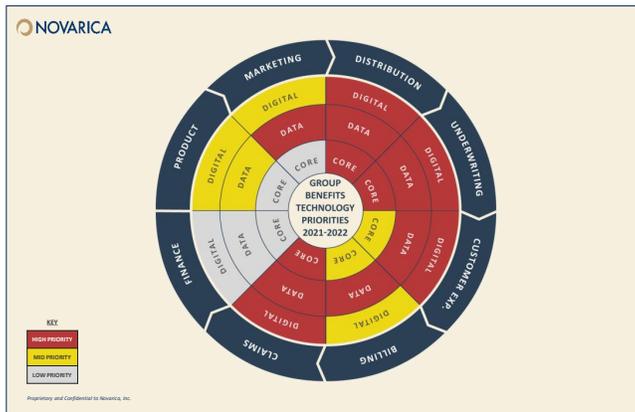


GROUP LIFE AND VOLUNTARY BENEFITS

MARCH 2021

Summary

This report provides an overview of group life and voluntary benefits provider business and technology issues, data about the marketplace, and more than a dozen named examples of recent technology investments. Insurers are investing in front-end and core systems capabilities across the board, including benefit and policy administration systems as well as distribution enablers.



Topics

- Recent market and financial trends
- Active insurer landscape
- Technology issues, priorities, and examples by functional area
- Top technology priorities for 2021 and beyond

Key Points and Findings

Sales growth is robust for voluntary lines. Critical illness, accident, and term life products are showing strong growth. Dental and vision care offerings are gaining attention.

Analytics are widely used for voluntary products. Applications include enrollment, identifying claims fraud, member conservation, sales reporting, and underwriting.

With no clear standard for group life and voluntary benefits information exchange, insurers are considering their next move. LIMRA has worked with insurers and vendors on post-enrollment standards, and InsureTechs may also offer solutions.

Group and voluntary/worksite insurers are exploring partnerships or other relationships with benefits administration and enrollment players. This is based on a desire to differentiate through customer experience and to combat potential disintermediation.

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INTRODUCTION

Group life and voluntary benefits are the introduction to accident, health, disability, and life insurance for many employees; this is especially true for younger generations in the workforce, who may not purchase coverage through traditional individual market channels. Stakeholders can include benefit brokers, insurers, enrollment specialists, traditional agents and brokers, employers or plan sponsors, and plan members or participants.

Most new sales growth in this segment comes from voluntary benefits rather than group life and annuities, but even voluntary lines see a significant number of takeovers from other insurers.

With plan sponsors seeking to drive out costs, insurers must execute the basics—benefit and policy administration, enrollment, marketing, and product design—while also driving greater efficiency. M&A activity has picked up in recent years; many insurers are looking to build scale and efficiency quickly while gaining share in a market that is already highly concentrated among a relatively small number of insurers.

There are significant differences between “true” group insurance and voluntary or worksite benefits. The latter has elements of group and individual insurance. As employers cut back on employer-paid insurance products, they, in turn, will deliver voluntary product offerings such as accidental death and dismemberment, critical illness, long-term care, and short- and long-term disability protection. Plan sponsors sometimes refer to these offerings as “low-cost or no-cost benefits.”

Group life and voluntary benefits insurers may understand employers and plan sponsors better than they do individual participants; this leads to challenges across fraud detection, member conservation, and product design. In some areas, voluntary benefits providers are ahead of group peers in leveraging data and analytics.

About This Report

This report is part of a series on key business and technology trends in specific lines of business in the US insurance industry. These reports draw from the expertise of Novarica’s staff, conversations with members of the Novarica Insurance Technology Research Council, and a review of secondary published sources.

This report provides an overview of group life and voluntary/worksite insurer business and technology issues, data about the marketplace, and more than a dozen examples of recent technology investments by insurers.

MARKET OVERVIEW

Product Commonalities and Differences

Offering group life and voluntary/worksites products allows plan sponsors—typically employers or associations—to provide plan members (i.e., employees, members) with entry-level access to important benefits they would not otherwise purchase as independent offerings.

The voluntary benefits market has become more attractive as responsibility has shifted from employer to employee for many health-related insurance products (e.g., STD, LTD). Sales for voluntary benefits have grown in recent years, driven by regulatory and demographic changes.

Insurers are also paying additional attention to worksite products, particularly as more systems support everything from enrollment to policy processing for the worksite model. It is common for employers to view voluntary/worksites products as “no-cost” benefit solutions, enhancing the attractiveness of associating with the group.

Group and voluntary benefits products tend to cost less than comparable individual retail products because the plan sponsor can pool its buying power to obtain competitive pricing. Products tend to be simpler, and their structure provides a lower cost of entry. Often, all members of a given group pay the same premium. Rather than rely on detailed medical underwriting information, underwriters consider group population characteristics and include contract provisions to reduce elements of adverse selection.

Insurers tend to issue group policies as certificates of participation that explain the coverage participants receive (i.e., the individual’s policy). Participants receive their contracts with the group and certificates. Voluntary benefits often have the same structure.

Worksite marketers issue individual policies that are often portable should a policyholder leave the employer. Portability has significant implications for plan sponsors, providers, and participants; it is also of growing importance as the nature of work in the American economy changes. The nature of portable contracts has also shifted with demographic and labor force changes; scenarios with a high probability of adverse selection have pivoted to become some of the best risks in an employee population.

Group Life

Insurers largely sell group life to employers and other large organizations like associations and labor unions. Competition for new business is aggressive. Insurers may discount larger claims when reviewing cases’ experience, accept higher guaranteed issue limits or higher benefits, and increase rate guarantees beyond the standard two years. As case sizes get larger (e.g., national accounts), the degree of customization insurers need to provide to accommodate plan sponsor preferences grows accordingly. Customization can come in the form of coverage options, special servicing arrangements, or special processing accommodations.

Large case accounts have seen a high degree of turnover. Some insurers opt for a lower close ratio if it leads to better-priced business. A large portion of overall premium growth comes from cross-selling efforts and adding employee contribution options. The latter also aids insurer efforts to enter the less-saturated small and midsize market.

Group life includes basic and voluntary insurance. The former is employer-paid insurance. Employees purchase the latter—face amounts are often a multiple of salary—which come with a minimum guaranteed issue amount and premium deducted from the employee’s paycheck each pay period. Additional products or features may include accidental death and dismemberment

(AD&D) coverage, coverage for spouses and children, and accelerated benefits for terminally ill employees.

There is strong competition in group life pricing and plan design. Some health insurers bundle benefits products with core medical offerings and price these to win business.

Small market groups face different challenges than mid-market or national account plans, the latter of which can cover 5,000 or more lives. Insurers must compensate for these challenges by tailoring their technical and operational capabilities to optimize results.

Historically, the needs of different market segments challenged the ability of technology environments to service different segments effectively for insurers. This made it difficult for insurers to leverage economies of scale with respect to cross-segment expansion.

Voluntary Benefits/Worksite Marketing

Voluntary products include accidental death and dismemberment, critical illness/dread disease, short- and long-term disability (DI), long-term care, supplemental Medicare, and voluntary life products.

Voluntary products sell on an individual or group basis. Distributors include benefit brokers, career agents, and worksite brokers. A broker may assemble offerings from multiple insurers for a given client, and many brokers use third-party enrollment companies. Unlike group business platforms, which operate on sponsor-provided census data for the group, voluntary business platforms build up from the individual plan participant.

Dental and Vision Insurance

Dental and vision insurance are very different from other lines, with lower loss ratios and less importance for operational and technological sophistication. Dental insurance requires a sophisticated provider network to support post-issue activity; claims adjudication capabilities are critical and highly automated. Insurers compete on market knowledge, service, and customer experience (including network size) instead. Both lines of business are highly concentrated, with Delta Dental of California alone accounting for 26% of the total dental insurance market.

Dental and vision insurance have historically been sold as true group or voluntary/worksite coverages. Individual dental coverage is growing rapidly, with Guardian, among others, introducing direct-to-consumer offerings. Dental insurers are partnering with Medicare insurers to offer individual dental coverages. Medicare and Medicaid dental premiums are growing more rapidly than overall dental premiums, though they start from a smaller base. Cross-selling dental products also benefits distributor relationships.

The provider credentialing process is highly manual for many insurers, taxing their internal operations and making scale a challenge. Insurers are looking for automation in this process to serve the providers better while efficiently expanding their network. Claims payments are made in various methods, from EFT to debit cards, but paper checks are still prevalent, particularly for smaller dental offices. Some payers are using AI and analytics to identify abuse, fraud, and waste. Expansion of provider portal capabilities to expedite coverage verification and claim submission is important to serving the provider network.

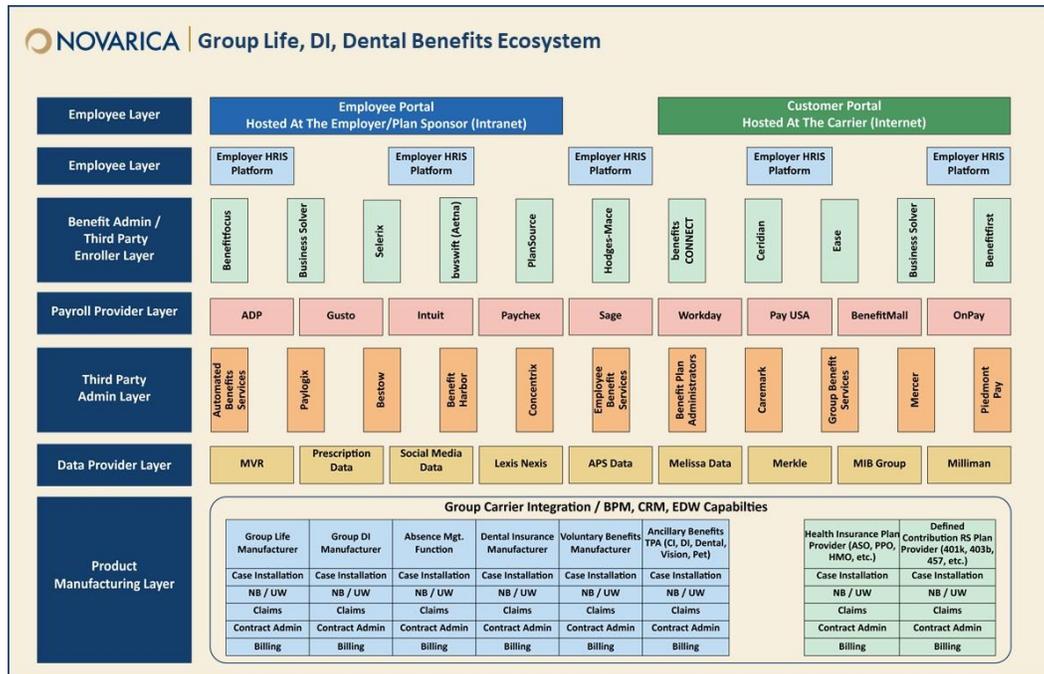
Vision insurance plans are largely discount plans for eye exams, eyewear, etc. Health insurance covers major eye conditions and surgery. Two large vision insurers also have optical retailing businesses, which leads to competition with providers. Companies are a mix of health, group, and multi-line L/A players. Few write vision as their main business, preferring relationships with third parties (e.g., VSP) to deliver the capabilities.

Market Dynamics and Trends

Group Life, Disability, Dental Benefits Ecosystem

Novarica has developed an ecosystem map for group life, disability, and dental benefits, with input from insurers. Ecosystem layers include the employee/member, the employer, benefits administration and enrollment, payroll provision, third-party administration (TPA), third-party data provision, and product manufacturing.

Figure 1: Group Life, DI, Dental Benefits Ecosystem



Securian’s recent purchase of Emyrean, a benefits administration platform provider, can be viewed as a means for the insurer to combat disintermediation through vertical integration. Countering this is benefit administration solution provider consolidation. Some insurers also see acquiring benefit administration solution providers as a way to create more holistic experiences.

Product Development

Voluntary/worksite insurers are in constant pursuit of innovative solutions to differentiate themselves. Financial planning, pet insurance, and prepaid legal services are three more established examples; newer offerings include discount purchase programs for fitness wearables, identity theft, and student loan assistance. Group insurers seek to avoid adverse selection and commodity pricing. Individual voluntary insurance faces the challenges of product complexity and of justifying higher premiums than group disability. Digital experiences, important before the onset of the COVID-19 pandemic, have increased as a priority for insurers looking to develop broader, deeper, and more resilient relationships with plan participants.

The supplemental health voluntary insurance market is seeing an increase in competition. Competition growth stems from more insurers turning their attention to the market segment and a growing number of plans. Insurers find themselves caught between the desire for simplicity and employers’ push for continual, guaranteed-issue underwriting, more flexible plans, and waiving pre-existing conditions. Many insurers in this segment offer optional benefits to satisfy consumer desire for customization. Some insurers offer stop-loss insurance for self-insured plans as a form of health reinsurance.

Different Millennial attitudes toward their careers, combined with the gig economy, require that insurers attempt to think about affinity groups and product design in different ways. Solid product design and offerings for affluent and mass-market segments are more important.

MetLife offering FSA, HSA, and commuter accounts in time for 2021 enrollment enabled the insurer to become an integral part of health insurance decisions without offering the product, raising awareness and visibility. Health savings accounts (HSAs) have many of the same asset accumulation and investment options as 401(k)/403(b) retirement plans, making them easy to explain. Voya also [recently introduced](#) a similar set of product offerings, while TIAA has done something similar to [complement retirement plans](#).

These products are also relatively high-transaction volume, thus offering insurers new and powerful insights into key customer cohort spending habits.

HSAs are a relatively new product offering and are particularly [interesting as an investment vehicle for Millennials](#), who have a long runway ahead of them to take advantage of the saving and tax deferral features. Introducing a product just as Millennials overtake Boomers in the labor force appears to be a very timely decision to support deeper future engagement.

At the end of 2020, there were roughly 30M HSAs on the books, holding an estimated \$53.8B in assets, with growth in contributions for the prior year hitting 22%. Insurers might want to consider HSAs in their future-state planning, lest the market [cede fully](#) to banks (e.g., Optum, Bank of America) and investment companies (e.g., Fidelity, TIAA). With contribution limits again [increased for 2021](#), these accounts appear to be an increasingly important connection point between insurers and plan participants.

Insurers are also pursuing the dental and vision market, which similarly offers insurers consumer insights as lines of business with a higher frequency of member interaction. They are launching new products or are partnering with existing players in the space, acting as distributors.

With the new Federal Administration in Washington and the Affordable Care Act on a more stable footing, it remains to be seen how the benefits marketplace overall will be impacted. At one point, broader moves toward a type of “defined contribution” benefit model for an array of capabilities, along the lines of DC retirement plans, seemed like a probable outcome from the initial ACA implementation. This could be a future-state model that insurers will want to prepare for in terms of product offerings and access models.

Wellness Programs

As rising health care costs affect employers and employees alike, many plan sponsors continue to investigate wellness programs to lower costs and increase employee productivity. Some insurers are offering wearables to gather data and monitor progress. Group life insurers need to remember that [group health insurers](#) are growing wearable technology support and their ability to create a sense of shared accountability. Wearables also offer insurers the opportunity for more frequent yet relatively inobtrusive consumer engagement.

Absence Management

Acquisition and consolidation in the absence management space have opened doors for claims solution vendors to expand their offerings. Group life and voluntary benefits providers are wary of working with service providers that their competitors own. Some insurers (typically larger entities that focus on larger case sizes, i.e., national accounts) view absence management capabilities as differentiators that complement other disability product offerings (e.g., STD, LTD). Only the largest group life/DI insurers typically offer FMLA support through internal capabilities; others often turn to TPAs (e.g., Reed, Sedgwick) for a solution.

Recent Financial and Market Trends

Impact of COVID-19

The Society of Actuaries found higher than typical claims incidence for group term life for April-August 2020. Some providers have reported more off-cycle re-enrollments and more employers offering identity theft protection and legal plans, as well as greater employee interest in financial planning and financial wellness programs. With consumers restricted in their ability to go out due to regional shelter-in-place orders, pet adoption has increased, suggesting an opportunity to promote pet insurance as a voluntary offering.

Group Life

The group life market is highly concentrated. According to Novarica analysis of A.M. Best figures, the top ten group life insurers accounted for 80% of group life in force as of 2019. Likewise, the top 25 insurers accounted for 95% of group life in force. Similar figures apply for group life issued—75% and 96%, respectively.

The Gen Re *US Group Term Life Market Survey* for 2019 (published in June 2020) found positive in-force premium growth for group term life and AD&D. New sales premium for group term life increased five percent in 2019, and new sales premium for AD&D increased one percent. Group term life also saw a five percent increase in new sales lives and corresponding lives per case for 2019.

Voluntary/Worksite

The voluntary/worksite market is highly concentrated, with Eastbridge Consulting reporting that the top 15 insurers accounted for roughly 75% of sales in 2019 and that 2019 industry sales grew by 4.5%. Some health insurers bundle benefits products with core medical offerings and price them to win broader, more persistent relationships.

Insurers are hesitant to launch new stand-alone long-term care insurance (LTCI) products, likely due to past loss experiences and difficulty in properly pricing products. For LTCI products, insurers may face a new challenge: readily available consumer DNA testing. Consumers may have more information than is available during an underwriting process, which could lead to an increase in adverse selection.

Employers continue to shift to voluntary benefits for attracting and retaining employees with competitive benefits offerings. Higher deductibles, out-of-pocket expenses, and the need for brokers to grow revenue due to caps on commissions encourage growth in voluntary benefits.

There is also more interest in nontraditional voluntary products, including financial advice, student tuition payments, home and auto insurance, purchasing power programs, and telemedicine. The small case (10-100 employee) voluntary market remains under-penetrated, as large insurers find the small plan market expensive compared to customization for large employers.

Eastbridge Consulting published a series of market analysis studies in 2020 that pegged total voluntary/worksite sales (new business annualized premium) at \$8.83B for 2019 (the latest year available). The top-selling lines were term life, dental, accident, short-term disability, and cancer/critical illness. Hospital indemnity, gap and supplemental medical products, critical illness, and term life experienced the highest sales growth rates. Voluntary takeover sales accounted for 56.4% of new annualized voluntary sales premiums, a slight increase from 55.7% in 2018.

INSURER LANDSCAPE

According to Novarica’s analysis, there are 194 large and midsize US insurers highly active in this sector. Other insurers may have small books in this space. This does not include health insurers.

Table 1: Insurer Landscape

| Category | Number | Examples | Primary Distribution Model |
|---|--------|--|--|
| Very Large (over \$5B in total premium across all lines) | 53 | MetLife Prudential Transamerica Aflac Securian Financial | Independent Agent Broker Career Agent |
| Large (over \$1B in total premium across all lines) | 55 | Torchmark CNO Reliance Standard Life American Fidelity NGL Group | Independent Agent Broker Direct Response Career Agent |
| Midsize (between \$100M and \$1B in total premium across all lines) | 86 | Sentry Life Homesteaders Life Manhattan Insurance Group Trustmark Insurance Group | Independent Agent Broker Exclusive/Captive Agent |

The companies in this space are a mix of group and multi-line life/annuity/health players. Few companies write group life or benefits as their main business. Often, insurers will write individual annuity, life, or accident and health business as well. Larger health insurers, not included here, often package group life with health products. L/H/A insurers usually offer voluntary benefits products as part of their portfolio, though specialist companies exist as well. Health insurers seeking to diversify revenue due to health care reform may expand into the group life and voluntary benefits space. Several are already doing so.

Most M&A activity is companies divesting to focus on core operations or companies acquiring business for diversification or increased scale. Recent M&A news includes:

- Cigna sold its accidental death and disability insurance unit to New York Life for \$6.3B.
- MetLife bought Versant Health from an investor group including Centerbridge Partners and FFL Partners for roughly \$1.675B. Versant Health owns vision insurance brands Davis Vision and Superior Vision.
- Aflac has bought Zurich North America’s U.S. Corporate Life and Pensions (Group Benefits) business, including disability, group life, and absence management products, including the assets and employees of Benefit Harbor Insurance Services, the outsourced platform supporting the group life and disability business of Zurich North America. Aflac will be a member of Zurich’s Global Employee Benefits Solutions Partner Network, enabling Aflac to offer employee benefit products to Zurich’s multinational clients with a U.S. presence.
- Aflac purchased Argus Holdings, LLC and its subsidiary Argus Dental & Vision, Inc., a benefits management services provider, national network group, and individual dental and vision carrier.

Group health insurers are increasing their voluntary benefits offerings to complement traditional ASO, PPO, HMO, and DMO products. Group life and DI insurers had not considered these insurers as competition in the past. Higher awareness of competition from peripheral lines of business will become important over the current planning horizon.

TECHNOLOGY-ENABLED CAPABILITIES

The Novarica 100 Capabilities Framework details digital, data/analytics, and core systems capabilities across functional areas, including product development, marketing, distribution, underwriting, customer experience, billing, claims, and finance and operations.

The Novarica 100 capabilities graphic below highlights the areas of highest importance for group life and voluntary benefits insurers in 2021-2022. This prioritization reflects prior investments and a forward-looking assessment of which capabilities are unlikely to meet current and near-future challenges. The top issues in these critical areas for group life and voluntary benefits appear in summary in Table 2 on page 11 and in greater detail on the following pages.

Figure 2: Novarica 100 Capabilities Framework, 2021-2022 Group Life and Voluntary Benefits Technology Priorities

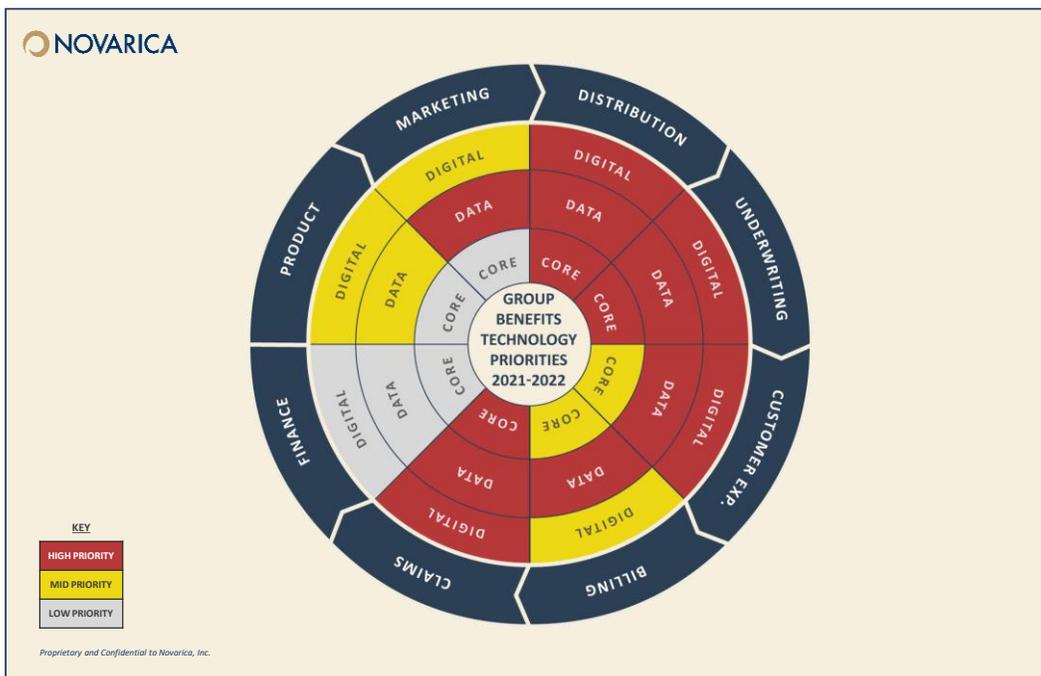


Table 2: Top Technology Concerns by Novarica Capabilities Area

| Area | Digital | Data | Core |
|-------------------------------|--|--|--|
| Product Development | <ul style="list-style-type: none"> Not a priority for investment | <ul style="list-style-type: none"> Use of analytics to develop more compelling products | <ul style="list-style-type: none"> Actuarial pricing and product design |
| Marketing | <ul style="list-style-type: none"> Responsive and role-centric website design Online/mobile tools to guide prospects in product selection | <ul style="list-style-type: none"> Analysis of participation rates and other data Analytics to cross-sell voluntary benefits | <ul style="list-style-type: none"> Campaign mgmt. Upselling around major events Increasing participation and election |
| Distribution | <ul style="list-style-type: none"> Automated online enrollment Data management Education and planning tools Self-service | <ul style="list-style-type: none"> Illustrations/needs calculators Productivity and profitability analysis Sponsor reporting on participation | <ul style="list-style-type: none"> Integration with employer systems and enrollment platforms Case setup Eligibility verification |
| Underwriting | <ul style="list-style-type: none"> Improving workflow Configurable rules engine(s) Automated rules Case installation | <ul style="list-style-type: none"> Accessibility of data Experience rating for existing groups | <ul style="list-style-type: none"> Group NBU replacement vs. big bang |
| Customer Engagement | <ul style="list-style-type: none"> Policy inquiry Policy and group changes Online account view | <ul style="list-style-type: none"> Robust reporting and analytics for plan sponsors Group-level reporting | <ul style="list-style-type: none"> Insurers want more functionality (data gaps and contract language may limit them) |
| Billing | <ul style="list-style-type: none"> Agent and plan sponsor download of billing statements, inquiry, and payment capabilities | <ul style="list-style-type: none"> Billing and payment reconciliation | <ul style="list-style-type: none"> Support for a range of billing and payment models and methods |
| Claims | <ul style="list-style-type: none"> Efficient group life claims handling Mgmt of STD/LTD outcomes Online claims submission | <ul style="list-style-type: none"> Reduce employer/sponsor claims costs Voluntary: identifying claims fraud Disability: social media analysis | <ul style="list-style-type: none"> Integration with FMLA capabilities for absence mgmt. |
| Finance and Operations | <ul style="list-style-type: none"> Group insurers may run certain HR functions for employers and sponsors (e.g., absence mgmt.) | <ul style="list-style-type: none"> Compliance reporting | <ul style="list-style-type: none"> Financial systems are not a priority Operations focus on integration and cross-BU or system solutions |

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PRODUCT DEVELOPMENT

It is a challenge to design products that are profitable for insurers *and* attractive to employers/plan sponsors *and* members/plan participants. Group plan sponsors may desire more features and options to address institutional concerns and the perceived needs of plan participants.

Attractive benefit packages are vehicles for attracting and retaining employees in tight labor markets. When it comes to the voluntary benefits space, employees who purchase the coverage want a product they can understand and meets their needs. As average job tenure declines and more employees gain the option to pay to take coverage with them when leaving their current employers, insurers that do not offer attractive products risk losing these relationships and the potential to cross-sell or up-sell.

Digital capabilities are not an investment focus due, in part, to the abovementioned motivations for group life and voluntary benefits insurers. Data and analytics capabilities emphasize understanding what product features and options employers/sponsors and participants find attractive. Core product development capabilities center on actuarial pricing and product design.

Digital

The importance of digital product development capabilities differs between true group life and voluntary benefits. On the group side, plan sponsors may want products with more features and options to address institutional needs. On the voluntary benefits side, where plan participants make the purchasing decisions (much like on the retail side), product simplicity may be an important virtue for gaining plan participation. Insurers are not spending heavily in this area.

Data and Analytics

Voluntary benefits product design and mix are in constant flux as insurers add more attractive products and product features to their portfolios. Data and analytics are critical to understanding what employers, sponsors, and participants find appealing.

For example, **MetLife** conducted data mining on dental and vision plans quoted across the United States to develop pre-built, tailored small business employee benefits bundles for businesses with 10-99 employees in different markets. MetLife Simply Smart Bundles include dental and vision and optional, employee-paid group legal services. (MetLife press release, "New MetLife Simply Smart Bundles Provide Benefits Solutions Tailored to Fit the Needs and Budgets of Small Businesses," 09/16)

Core

Core product development capabilities focus on actuarial pricing and product design. In general, traditional group life and DI product development have tended to be evolutionary, riding off the basic framework of existing product sets. Voluntary benefits products, which transition from being a census-driven business to one with a clear focus on the individual plan member(s), require a significant investment in new capabilities.

Many insurers are implementing new core systems as separate greenfield initiatives for a period that could extend well into the future. In other instances, these newly deployed platforms could expand into something which could offer long-term support for group and VB. New policy administration systems provide tools to add or modify products through configuration quickly, enabling insurers to respond to employer and employee needs. **Prudential Financial** is deploying Vitech for group insurance, following an earlier deployment for voluntary lines.

MARKETING

Voluntary benefits insurers want relationships with plan participants that could continue even if participants move to new employers. Corporate wellness is part of marketing capabilities in the sense of getting employee buy-in.

Digital

Digital capabilities include user-centric corporate websites designed around roles rather than mirroring corporate silos, responsive design for public websites to provide good mobile user experiences, and online or mobile tools to guide prospects in selecting applicable products.

Unum doubled and, in some cases, tripled open and click-through rates for pre-enrollment communications using IBM's IBM Watson Campaign Automation Engage Landing Pages module to create custom, co-branded landing pages with calls to action. (IBM case study, "Benefits provider uses IBM Watson Campaign Automation to deliver critical enrollment information," 02/17)

Data and Analytics

Some life insurers are using data warehousing and business intelligence to improve marketing operations efficiency and customer retention. Sales and marketing are championing greater use of analytics. Some insurers have found that employers are reluctant to allow the use of employee data and that employers need education on the benefits of analytics.

Insurers are marketing financial wellness programs that may incorporate group benefit and retirement services. These programs offer insurers potential gains in mind and market share with employers. Financial wellness programs may also increase employee engagement and pre-existing awareness of insurers when employees leave their workplaces.

The analysis of participation rates and other critical census participation data is a priority. If employers or plan sponsors allow it, one use is cross-selling voluntary benefits to group plan members. Insurers may want to adjust contract language in advance to enable this; contractual language can otherwise constrain insurer access to plan member data. Data use restrictions often correlate to the size of the employer.

Securian Financial's Benefit Scout digital platform uses AI to recommend voluntary benefits to employees and provide costs based on information they provide about their assets, debts, families, and lifestyles. Employees can customize recommended benefits before enrolling (Securian Financial press release, "Securian Financial Introduces Benefit Scout to Help Employees Better Understand and Make Decisions on Voluntary Workplace Benefits," 03/19).

Core

Insurers are not making significant investments in CRM solutions, though some recognize service issues or a need to integrate systems better to achieve financial or service-level-related metrics. Insurers have some interest in basic contact management for campaign management in terms of open enrollment periods, upselling around major events (e.g., salary increases, promotions), and increasing participation rates and election percentages (e.g., percent of salary for group life).

Equisoft co-developed a turnkey email marketing platform for financial advisors with **Humania Assurance** that integrates with Equisoft's Kronos Finance CRM solution and promotes Humania Assurance's 5575 critical illness portfolio. It includes campaign and contact management functionality (Equisoft press release, "Equisoft and Humania Assurance Collaborate to Offer a New Technology Solution for Financial Advisors," 05/19).

DISTRIBUTION

Distribution functionality includes agent and customer portals, educational and planning tools, enrollment, distribution and compensation management systems, and many elements of benefit administration systems.

Digital

Basic requirements include quote management, iterative quoting, pre-fill, and reflexive questioning, as well as real-time export and bridging to agency management systems. Differentiators include support for core systems integration, communications tools for agent/underwriting collaboration, and dashboarding/reporting capabilities. Solutions must support open enrollments and life- or work-event changes.

Customer portals serve three constituencies: benefit brokers, plan sponsors, and individual participants. They focus on calculators and planning tools, educational materials, online enrollment, and viewing policy information. Several insurers also offer mobile apps.

For example, **Sun Life Financial** is using Noyo's API platform to streamline offering group, voluntary, and supplemental health benefits and services via HR benefits platforms (*Coverager*, "Sun Life partners with API platform Noyo," 11/20).

Data and Analytics

Data and analytics applications include identifying claims fraud, member conservation, sales reporting, and underwriting. Insurers have no significant leverage over enrollment vendors, forcing them into a "take all comers" model. Competing efforts by ACORD, LIMRA, and Open HR Standards to establish data exchange standards have failed to gain traction to date. As a result, insurers must manage the integration of multiple systems and inconsistent data feeds.

Retirement services plan providers and group health insurers encounter similar data challenges. Several insurers have embarked on proof-of-concept efforts with InsureTechs like [Friendly Health Technologies](#) rather than pursuing standardized data feeds or universal API strategies. It is in the early days for these efforts, but they represent a creative way to address the issues.

Principal Financial is using client opt-in medical data from Human API rather than requiring lab tests and physical exams for individual disability insurance policies due to COVID-19 (*Coverager*, "Principal halts lab tests and physical exams," 03/20).

Core

Many insurers are interested in legacy system replacements of individual components (e.g., new business/underwriting) as a safer alternative to a full policy administration solution replacement.

Group insurance has only a few good options for dealing with old blocks of business. Most insurers wall off the systems from an IT and operational perspective and integrate at the customer service level, allowing time for newer solutions to mature and gain traction. Doing so also allows for a "convert on renewal" strategy, which minimizes risks and costs.

Commission tracking and management is another critical aspect of distribution systems, including support for licensing and appointments, calculation and administration of compensation, support for multi-tiered compensation plans, incentive processing, and support for distribution hierarchies.

UNDERWRITING

Group underwriters use a combination of contract provisions and group characteristics to properly price risk, rather than the medical underwriting other life/annuity lines use. The focus in underwriting is on automation and workflow efficiency. Benefit and policy administration is a top investment area, though cost justifications are difficult to quantify.

Digital

Digital priorities include improving the efficiency of internal workflows, configurable rules engine(s), automated underwriting rules capabilities, and improving support for case installation. Most insurers have had a document management solution in place for years, with some now upgrading. Two areas of interest for improvements are workflow and content management. Document management initiatives are often part of a core systems upgrade. Insurers must ensure that critical account documents are available to any staff that requires access.

Limelight Health (now FINEOS) and **Principal** are integrating, starting with simplified rating functionality for select Principal brokers, with additional functionality being built out and made available to Principal staff and more brokers (*Coverager*, “Limelight Health Partners with Principal Financial,” 05/19).

Data and Analytics

Data accessibility is critical to underwriting. Analytics are in wide use for voluntary products. Another use case is experience rating for the existing group in the case of disability. Data and analytics might assume a larger role in underwriting, particularly with the proliferation of third-party data.

Core

Benefit administration solutions tend to be consolidation platforms for the insurer or broker (on behalf of employers) or for an employer to manage enrollment, eligibility, self-service, billing, etc., across multiple insurers. Insurers do not control benefit administration platforms per se but must ensure they integrate with them.

Some insurers are using new policy administration systems as testbeds for newer products. Newer systems offer the potential for rapid time to market.

Legacy systems straining to support rapid product development and pricing and product changes are top drivers of contract or policy administration systems replacement. Other factors include a desire to attract and retain top producers and reduce dependence on vendors. The move to voluntary benefits, which creates different demands on insurers for access to real-time plan participant information, is another driver for revisiting core system implementation plans.

Core system replacement justification continues to be a challenge. Many insurers are investigating replacing individual components to avoid the risks of a “big bang” replacement. Data security continues to be a concern for insurers considering cloud deployment of core systems. Plan sponsors may have perspectives on cloud-based deployments that supersede insurer plans. Also, the cloud strategies plan sponsors dictate may correlate to their size.

Renaissance Life & Health Insurance Company of America implemented EIS BillingCore, ClaimCore, CustomerCore, CustomerCore CEM, DXP, and PolicyCore across its dental, disability, life, and vision lines of business to provide a single cloud-based platform and introduce self-service capabilities (*IIR*, “Ancillary Insurance Provider Renaissance Deploys EIS Platform for Digital Sales,” 11/20).

CUSTOMER ENGAGEMENT

Customer engagement in the context of group life and voluntary/worksite products raises the question of whom the insurer considers the customer to be. The insurer markets to benefits brokers, enrollment specialists, employers/plan sponsors, and employees/members simultaneously. In the case of dental insurance, the provider is the main stakeholder in the coverage verification and claim submission/payment processes.

Digital

Digital capabilities include policy inquiry, policy and group changes, as well as online account viewing. One new area of interest is the use of chatbots and virtual assistants to find answers to employee and HR benefit questions. For “true” group benefits business, which operates from census data shared between the insurer and the plan sponsor, the insurer may not know who individual plan participants are until the time of claims activity, further complicating the process of prioritizing investments in digital capabilities.

Guardian Life was able to deploy IPsoft Inc.’s Amelia AI-powered chatbot to answer customer inquiries around claims in weeks; normally, it would have taken months (*WSJ*, “Guardian Life, Priceline Step Up Pace of Digital Initiatives,” 05/20).

Data and Analytics

Insurers prioritize reporting and analytics for plan sponsors, including the ability to drill down into participation rates, premium rates, and other analytics that could help plan sponsors and insurers manage promotional and educational programs. Group-level reporting is also important. Insurers widely use analytics for voluntary products in member conservation.

Insurers [such as MetLife](#) have developed studies to highlight the importance of financial wellness programs. An emerging set of capabilities from independent third parties may be a threat to insurers and the programs they offer, surrounding an array of products and services from disparate sources, including health and life insurers as well as retirement plan providers.

Sun Life leveraged its purchase of Maxwell Health to provide employers with real-time data for benefit assessment and plan design and streamline electronic data interface/exchange with employer coverage providers (Sun Life press release, “Sun Life and Maxwell Health launch new digital benefits platform to enhance employee enrollment and ease employer administrative burdens,” 04/19).

Core

The use of separate systems for individual and voluntary benefits can complicate insurers’ ability to view complete customer relationship histories, even when the group contract language allows it. Insurers may not have enough data to view customer relationships across products, transaction types, or channels, let alone conduct transactions across policy types or manage customer communications across channels and use cases.

Ameritas’ group division replaced its customer correspondence solution (which the vendor would no longer support) with Quadiant Inspire. Ameritas can now generate a batch of 2,000 ID cards in 15 minutes or less rather than the former time of two hours or more (*IIR*, “Ameritas’ Group Division Gains Speed and Flexibility through Quadiant Inspire,” 01/19).

BILLING

Digital capabilities center on billing statements, inquiry, and payments. Data and analytics capabilities focus on reacquisition over retention, as group insurers assume renewal. Core billing capabilities, like support for multiple billing models and premium calculation methods, are vital.

Digital

Digital capabilities include agent and plan sponsor download of billing statements, inquiry, and bill payment via mobile devices or portals.

Ontario Teachers Insurance Plan picked FINEOS Claims and FINEOS Payments for its group disability and life business (FINEOS press release, "OTIP (Ontario Teachers Insurance Plan) Chooses FINEOS Claims to Manage Group Disability and Life Claims," 10/19).

Data and Analytics

In theory, voluntary benefits insurers are more mature than true group insurers in their use of billing data and analytics. Insurers are more likely to try and reacquire lapsed customers rather than being proactive. Group insurer use of analytics often assumes renewal and emphasizes determining whether business is priced properly. Group insurers with a single line of business at an employer or plan sponsor may look for ways to create additional relationships in this respect.

Billing and payment reconciliation are key elements of group business. The bill may often be incorrect, with the employer paying based on more accurate employee information, requiring reconciliation. Enrollment and change file management is critical for census-driven businesses like group life and DI. Traditional ETL tools are important to insurers seeking to ease the manual burden of managing this data and provide significant improvements in efficiency and accuracy.

Core

The ability to consolidate bills for multiple products from multiple providers and integrate with plan sponsor payroll systems are vital. Stand-alone billing is more common for Tier 1 insurers and in the voluntary benefits and worksite spaces. Smaller insurers are more likely to license billing as part of an integrated solution. Some services and solutions (e.g., Mphasis' ComPASS) now offer cloud-based Billing as a Service; census-driven group benefits businesses tend to have tightly coupled billing and contract administration.

Many insurers continue to use in-house billing systems, but some have implemented vendor solutions or use TPAs. Resolving enrollment and billing data can often require manual intervention. Insurers are seeking improvement since, as one insurer put it, "Good billing won't drive in customers, but bad billing will drive them away."

Priorities include support for multiple billing models, including cost-plus or administrative services only and a range of premium calculation methods, group billing and application of group payments, payroll deductions with unique frequencies, conversion from group to individual products, the ability to transfer a participant from one group to another, and online list bill reconciliation.

MetLife deployed the first phase of its IBM Majesco life/annuity group platform (Majesco Limited Q4 2020 Earnings Call, 05/20).

CLAIMS

Group/voluntary insurers are focusing on payout administration and claims. Several insurers have introduced or already deployed same-day claims payment capabilities. DI insurers want to improve outcomes by shortening claims duration and, as a result, improving loss experiences, much like workers' compensation insurers. A common practice is to employ return to work counselors that focus on individual ability to resume working or finding suitable, alternative positions that accommodate any challenges. Mobile capabilities and wearable solutions offer important benefits that should become part of a new normal in the future.

Digital

Insurers' top concern for claims is claims handling efficiency. Approaches include rules-based claims adjudication, claims portals to enable real-time tracking of claims status, and collaborative workflow implementations. Disability digital capabilities, covering the Family Medical Leave Act and short- and long-term disability, can represent a new and important form of customer engagement.

BPM solution providers have entered the group life/DI insurance market with solutions for underwriting and claims. BPM claims solutions focus on improving claims workflow rather than complete claims adjudication. Insurers desire online claims submissions capabilities. Most insurers have already deployed document management solutions; some are now upgrading them, prioritizing workflow and content management improvements. Insurer document management strategies are usually part of a core systems upgrade strategy. Insurers need to make sure that critical account documents (underwriting and claims, but also plan sponsor and employee communications) are available to any staff that may need to access them when they need to access them.

The Standard Insurance Company is adopting FastTrack's suite of end-to-end claims processing solutions and services for its group LTD, individual DI, group life, and group life waiver claims. FastTrack's suite leverages AI, analytics, and RPA (*JIR*, "The Standard Adopts FastTrack for Life and Disability Claims," 11/19).

Data and Analytics

Proactive claims cost management is a critical area of focus. It can take the form of offering guidance and other tools for absence management and return-to-work programs or collaborative care management; it can also take the form of utilization management and review. Insurers widely use analytics in voluntary products to identify claims fraud. DI insurers take social media into account when investigating claims.

In early 2020, **Prudential Group Insurance** introduced an opt-in medical claim monitoring service that alerts employees to medical services that are eligible for supplemental health benefits if they haven't already filed supplemental health benefit claims. Prudential also helps employees submit claims and shows them how to check claims statuses (*Dig-In*, "How Prudential helps workers maximize employee benefits," 11/20).

Core

FMLA capability integration is important for group insurers operating in the California and New York markets, which have new regulatory requirements regarding leave.

For example, **Reliance Standard Life Insurance** picked ClaimVantage (now part of Majesco) for its group claims (ClaimVantage press release, "Reliance Standard to Transform Its Claim Management Process with ClaimVantage," 06/20).

FINANCE AND OPERATIONS

For group life and voluntary benefits insurers, self-service capabilities may extend to plan sponsors, e.g., absence management where the insurer runs HR functions for an employer or plan sponsor.

Digital

Digital capabilities include digital platforms to submit expenses, track time, approve employee requests, and manage staffing and recruiting; fully digital processes for requests and approvals across finance and operations functions; enterprise-wide internal social networks and skills directories to facilitate collaboration and knowledge-sharing; and the ability for internal knowledge workers to access systems (e.g., CRM/PRM data, UW or claims case files, approval processes) via mobile. A critical distinction is that group insurers may operate some HR functions on behalf of employers/plan sponsors in the case of absence management.

Unum's LeaveLogic, for example, enables employees to plan their leaves and returns to work while also training employer/plan sponsor HR managers on supporting employee leaves (Unum website, "New tool from Unum helps dads, moms and HR teams manage parental leave," 06/18).

Data and Analytics

Data and analytics capabilities include holistic customer value analysis across all divisions and functions and based on all available data; integrating budgeting/forecasting systems with financial reporting systems for automated calculations and visualizations; fully-allocated P&L analysis, including a mix of channel, product type, customer segments, and other distinctions; as well as the ability to generate potential scenarios for capital modeling, financial stress testing, and other risk management tasks. Compliance reporting is a significant area of focus.

Core

Financial systems work well for insurers, in general. Little activity occurs here outside normal maintenance updates.

Producing group statements and group certificates to issue to individuals and plan sponsors is crucial. Other priorities include integrating new capabilities with legacy solutions to support the transition of workloads and capabilities, integration to enterprise capabilities extending beyond business-unit-specific solutions, and rules engines supporting functions outside the domain of specific core system solutions.

For example, **Unum** deployed Clearwater's automated portfolio data management, accounting, and reporting SaaS platform, replacing over 20 proprietary and vended legacy systems (*InsuranceNewsNet*, "Unum Group Completes Investment Operations and Accounting Transformation with Clearwater," 11/19).

TOP TECHNOLOGY PRIORITIES

Novarica believes that these areas are the top technology priorities for group life and voluntary benefits insurers. Novarica's team advises CIOs and business executives to consider the following issues and approaches to address these:

Sales, Marketing, and Enrollment Tools

Products and the sales process have become more complicated. Sales tools to help plan sponsors and enrollers explain the various product offerings are becoming more critical. Insurers also recognize the importance of supporting enrollment processes via laptops, mobile devices, and internet portals. Communications across the plan sponsor, enroller, and insurer systems are vital to keeping them in sync. The use of third-party enrollment platforms will continue to increase, requiring insurers to accommodate a more complex and less controlled environment. In some cases, insurers have chosen to acquire other ecosystem players to facilitate expanded capabilities.

Robust Flexible Group Administration Capabilities

Insurers need group administration capabilities, including reporting and analytics, to understand group characteristics and resultant sales opportunities. Plan sponsors and insurers are interested in trends across a group (e.g., what products do employees tend to buy?) and in areas where a group could benefit from information about each product offering. Flexibility in payroll deduction dates, porting to another group, and converting group contracts into individual contracts are important. In a business where scale is increasingly important, robust environments that can support a combination of organic and acquisitive growth are likely to be more important as insurers plan for strategic investments on core systems.

Multi-Channel Marketing and Sales

Insurers need to market and sell group products through all available channels, using calculators and planning tools. Brokers, agents, and plan sponsors use these tools for illustration and planning purposes. In general, calculators and planning tools are available via consumer and agent portals. Insurers that offer group life/DI products and defined contribution retirement plans may have significant opportunities for cross-organizational learning and cross-selling. Self-service is another important capability. Recently, insurers with group life/DI and retirement services businesses have consolidated them under the same managerial structure to gain market efficiencies and leverage cross-selling opportunities.

Additional Administrative Capabilities

Peripheral areas that require attention include billing, claims, enrollment, and efficient financial and non-financial transaction processing. These components contribute to improvements in transaction and payment handling. Insurers need to handle these elements with greater accuracy and cost efficiency, given the high pricing pressures that plan sponsors and insurers face.

NEXT STEPS AND RELATED RESEARCH

- Contact Novarica at client-support@novarica.com to set up a conversation to discuss this topic.
- Read related reports:
 - [Emerging Technology in Insurance: AI, Big Data, Chatbots, IoT, RPA, and More](#)
 - [Insurer IT Budgets and Projects 2021](#)
 - [Dental and Vision Claims Systems: Overview and Prominent Providers](#)
 - [InsureTech for Insurers: 250 Startup Profiles](#)
 - [Novarica 100 Digital, Data, and Core Capabilities for Life/Annuity Insurers](#)

ABOUT NOVARICA

Company

Novarica helps more than 150 insurers make better decisions about technology projects and strategy through research, retained advisory services, consulting, and special programs.

We serve clients in life/annuity/retirement, property/casualty, workers' compensation, and reinsurance. Our clients range from Fortune 100 insurers to small regionals and specialty companies. Though most of our clients prefer we keep their names confidential, a partial client roster includes AF Group, Amica, Grange, Hanover, Mercury, National Life, OneAmerica, Penn Mutual, Principal, ProSight, RLI, SunLife, and WCF.

Our senior team has direct experience as senior IT executives at AIG, Arbella, AXA, Guardian, Liberty Mutual, Marsh, MetLife, Progressive, Prudential, Travelers, and others.

We publish frequent, independent, in-depth research on trends, best practices, and vendors. Our research projects are directed by our senior team and leverage our relationships with the more than 400 insurer CIO members of our Research Council. We conduct over 2,000 conversations with insurer executives every year.

Our retained advisory services provide enterprise access to our research, unlimited phone and email consultations with our team, facilitated one-on-one conversations with other CIOs in our network, and an annual trends and best practices workshop.

Our consulting services include assessments, strategic blueprints and roadmaps, benchmarking, business process visioning, and vendor evaluation across digital, data/analytics, core systems, operating model, and innovation.

Our special programs include our Silicon Valley Innovation Tour, InsureTech Summits, Executive Leadership Development with Brown University, an online learning course in *Foundations of Insurance Technology Strategy*, and more.

More information at <https://novarica.com>

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