

# Overcoming the Challenges of Life Insurance Billing

A Novarica Research Partners Program™ Report  
*Underwritten by FINEOS*



# Executive Summary

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Group insurers are facing several challenges, including a competitive market for group life and voluntary benefits/worksites products, the emergence of private exchanges as a new distribution channel and increased agent and customer demands for self-service capabilities. IT leaders at group insurers are looking to modernize their aging core systems to better support rapid product development and increased customer expectations. While interest remains strong in core policy administration system replacement, many insurers are also making plans to update their customer-facing capabilities, including billing systems.

This report presents results from a survey on billing system capabilities at 10 mid-to large-size group carriers that offer group life and voluntary benefits/worksites products. Insurer CIOs and IT leaders were asked about challenges and limitations of their current billing solution, and their perspective of what is important in a future system.

Insurers consider billing to have a great impact on customer experience, but current systems have limitations that include billing inaccuracy and reconciliation issues. Replacing their current billing system is being given priority, especially by those also considering core system replacement. This report provides valuable insight for CIOs facing similar billing system challenges and considering how to address them.

*This report presents and discusses the findings of a survey of 10 mid-size and large life insurers that write group and worksite products (annual premiums of \$100M+).*

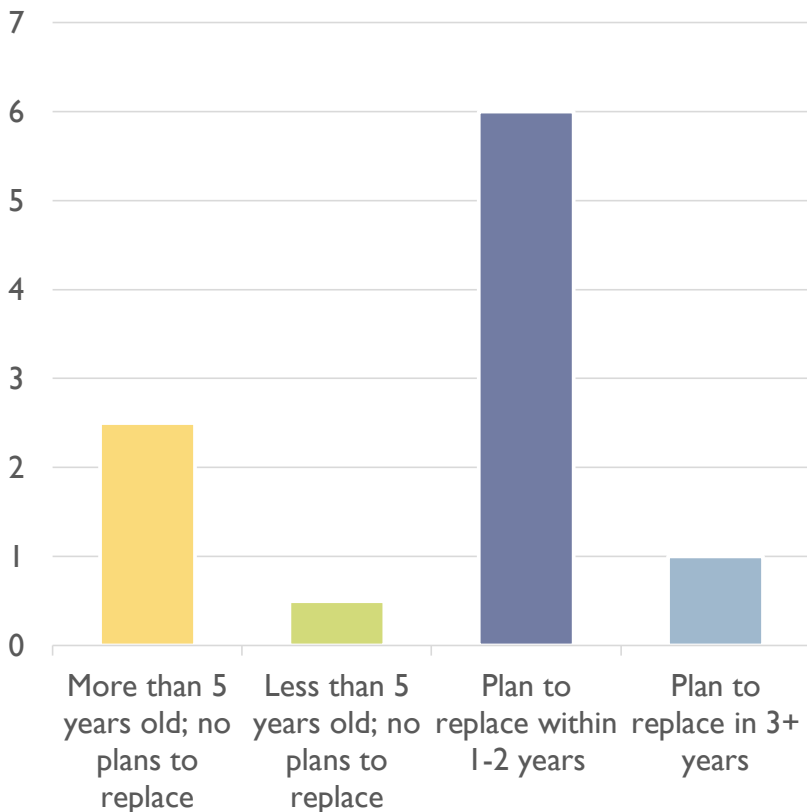
*This report is a product of the Novarica Research Partners Program, which enables industry sponsors to underwrite surveys on topics of interest. These surveys are conducted using the same methodologies and with the same respect for participant privacy as Novarica's independent surveys and reports.*

*Underwriting sponsors have input on question design and general characteristics of target respondents only.*

*Novarica conducts the survey and analyzes the results independently. Underwriting sponsors do not have draft approval or other ability to influence content of the final report.*

# Most large and mid-size group life insurers plan to replace billing systems in the near-term

Current State of Billing Systems at Large and Mid-Size Life Insurers



- ▶ More than half of those surveyed plan to replace their billing system in the next 2 years, while 3 of the 10 have no plans for replacement.
- ▶ One insurer commented:

*Our billing system replacement is focused around the voluntary workplace market... the primary driver is to improve billing capabilities and premium collection for life insurance products.*

*For our worksite products, we currently use a process that is mostly manual and paper-based, with incremental systems improvements being applied to reduce the error rate. We realize we'll need to replace our billing systems in 2 to 3 years.*

# Customer experience is a key business driver for billing replacement decisions

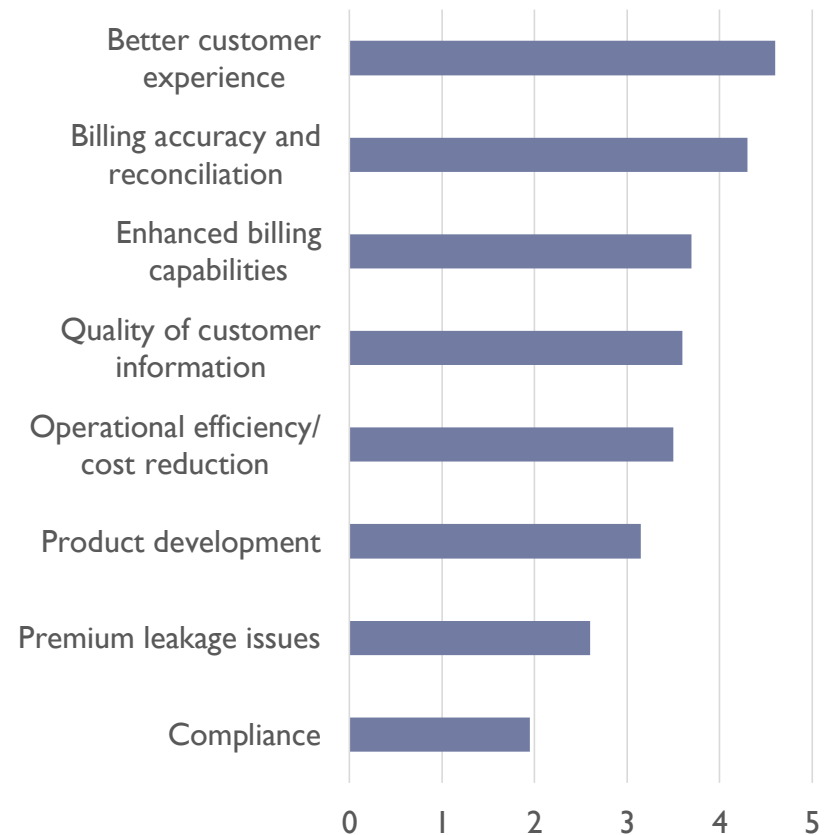
- ▶ The most important drivers were providing a better customer experience and more accurate billing and reconciliation.
- ▶ The next areas mentioned were also related to customer experience: enhanced billing capabilities and improved quality of customer information.
- ▶ Insurers commented:

*Regarding improving the quality of customer information: “Sometimes the complexity of group billing causes issues with getting the calculations right.”*

*On customer experience: “The look and feel is not modern—it doesn't show well on the web or smartphones... this is a huge driver for us”*

*On operational efficiency: “This is absolutely critical—the real challenge is in continuing to grow the business, in scalability”*

Business Drivers for Billing Replacement Decision  
0 = Not Important, 5 = Critical



# Lack of built-in analytics/reporting is a key limitation of current billing solutions

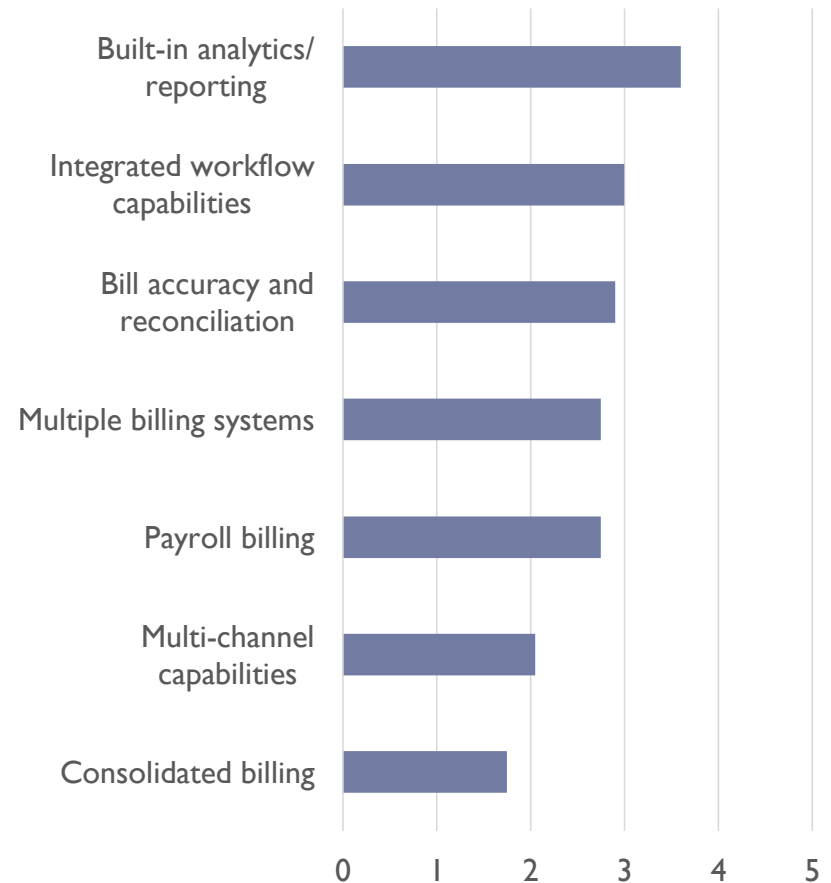
- ▶ Insurers consider lack of reporting/analytics and workflow capabilities as the areas with the most limitations.
- ▶ Some mentioned issues with getting the first bill right, and how much of the reconciliation work with older systems in place requires large amounts of manual rework.
- ▶ Those who reported problems with multiple billing systems had higher scores overall, ranking lack of integrated workflow and bill accuracy/reconciliation as major limitations.
- ▶ Insurers commented:

*On workflow: "We use more people than process"*

*On payroll billing: "Now with worksite products we're realizing that employers want to bill at same cycle as they pay their employees, so if a solution integrates payroll into billing it's a step ahead"*

*For another: "Most of our billing is outsourced because we just can't do it on the system we have"*

Limitations of Current Billing Systems  
0 = No Limitation, 5 = Major Limitation



# Current billing system limitations have high impact on customer experience

- ▶ The main impact of current billing system limitations is on customer experience: insurers rated this area as having the greatest impact.
- ▶ One insurer commented:  
*“If bills are inaccurate, customer experience goes down quickly”*

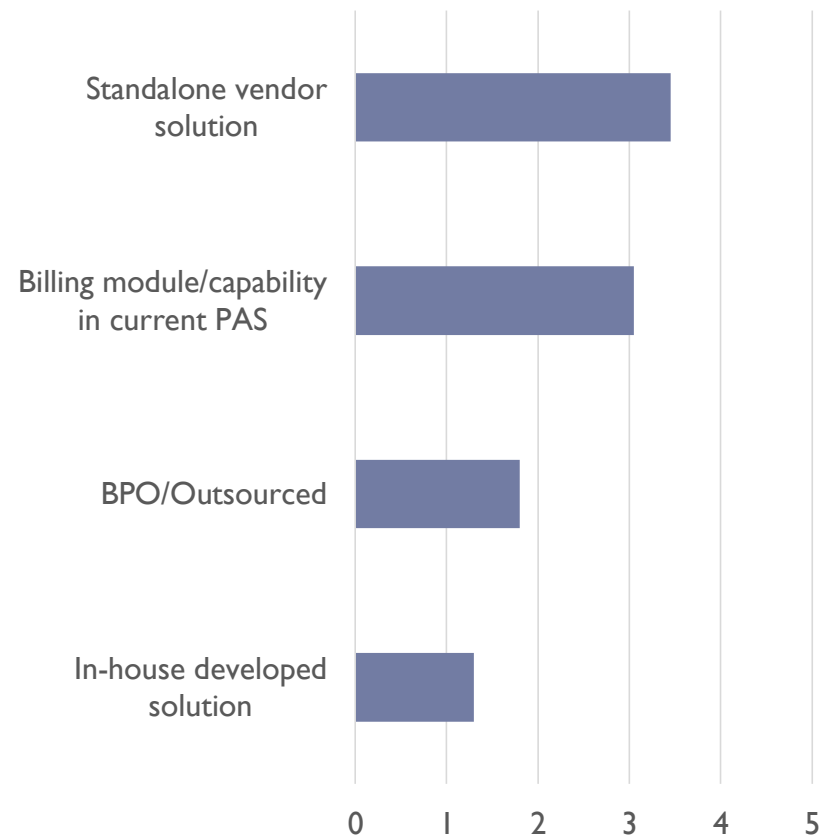


# Insurers prefer a standalone billing solution or a module/capability in the core PAS

- ▶ When considering alternatives, insurers looked mostly at standalone solutions or billing modules in their current or planned policy administration system.
- ▶ Few carriers considered an in-house developed solution as an alternative, and several were looking at replacing such systems.
- ▶ A few insurers considered BPO/Outsourcing, mainly for speed-to-market issues, but did not consider it a long term solution.

## Billing System Options under Consideration

0 = No Interest, 5 = Strong Interest

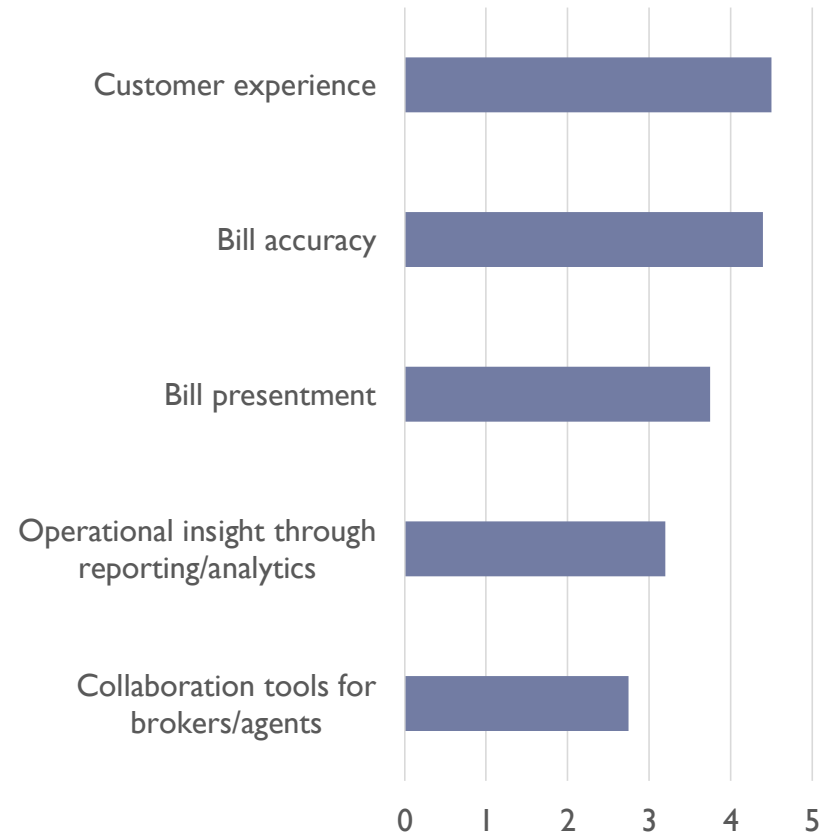


# Overcoming customer experience and bill accuracy issues are key replacement priorities

- ▶ Customer experience and billing accuracy, considered to be major limitations in current systems, were the top priorities for replacement systems.
- ▶ Bill presentment was also considered important as carriers consider new capabilities for customer portals and bill payment.

Relative Importance of Billing Solution Criteria

0 = Not Important, 5 = Very Important



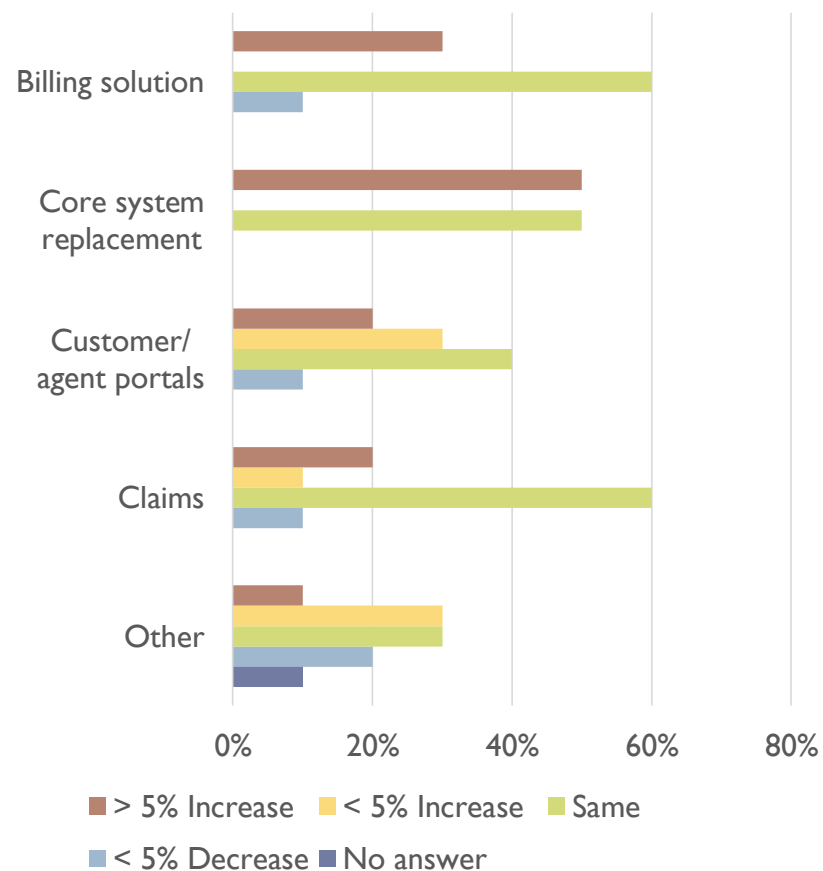


# Insurers expect budgets to increase most for core system replacement and billing

- ▶ For life group/worksite carriers, core system replacement remains a strong area of interest, and half of the surveyed insurers have plans to increase spending for a replacement project.
- ▶ 3 of the 10 respondents have strong interest in a new billing solution along with their core system replacement, with plans to increase spending for both.
- ▶ While overall spending remains mostly the same or less than 5% increase, funding for customer/agent portals and billing are being given funding priority. Funding for billing could be a potential catalyst for other customer improvement initiatives.
- ▶ One carrier noted:

*“Many current processes are manual or homegrown and our process of incremental improvements is not adequate—we evaluated continuing to build vs buy and realized we’re better off not reinventing the wheel”.*

Expected Budget Changes for Project Funding



# Insurers see billing system replacement as a key to improved customer experience

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**“If bills are inaccurate, customer experience goes down quickly”**

– *Insurer on impact of billing systems on customer experience*

- ▶ Insurers ranked customer experience as the top driver for billing system replacement.
  - ▶ Among the top limitations of current systems were lack of built-in analytics and billing accuracy, which greatly affect customer experience.
  - ▶ Insurers also mentioned issues with manual processes, workflow limitations, multiple billing systems and other areas where bill preparation and reconciliation slow down the billing process.
- “Our billing systems are not set up to change easily... we want a system we can change more rapidly”*
- ▶ **Key billing system priorities to support better customer service**
    - ▶ Built-in reporting and analytics
    - ▶ Integrated workflow capabilities
    - ▶ Improved billing accuracy and reconciliation
    - ▶ Consolidated billing platform
    - ▶ Payroll billing capability
    - ▶ Multi-channel delivery and electronic bill presentment
    - ▶ Collaboration tools for agents/customers

# Concluding Thoughts

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- ▶ Most carriers are considering replacing their billing systems in the next two to three years.
- ▶ While the largest limitations with current systems are in analytics/reporting and billing accuracy, key drivers for replacement are customer experience and bill reconciliation.
- ▶ Insurers recognize the big impact billing has on customer experience, especially when facing issues with multiple billing systems and problems caused by manual processes and incremental solution approaches.
- ▶ There is strong carrier interest in core PAS replacement, and most of those who are include billing as part of the project.
- ▶ Replacing billing systems is a clear priority for group life carriers, with strong interest in a standalone solution.

# About Novarica and FINEOS

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**Novarica** provides technology strategy research, advisory services, and consulting to more than 80 property/casualty and life/annuity insurers.

Novarica's research covers trends, benchmarks, best practices, case studies, and vendor solutions, drawing on the expertise of its senior team and relationships with nearly 400 insurer CIO members of the Novarica Insurance Technology Research Council.

Through its advisory services, Novarica's expert team becomes an adjunct member of its clients' strategy and planning functions, providing a force-multiplier that facilitates faster, better, more informed decisions.

Novarica's consulting services focus on vendor selection, custom benchmarking, project assurance, and IT strategy, leveraging its proven methodologies, extensive knowledgebase, and broad network to rapidly deliver actionable insights and recommendations.

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**FINEOS** is a global software company providing modern customer-centric core software to the life, accident and health industry. We help our customers transform from outdated legacy administration systems to our modern customer-centric core product-suite, FINEOS AdminSuite for Billing, Claims and Policy Administration, enabling improved operational efficiency, increased effectiveness and excellent customer care.

FINEOS Billing is a complete premium billing and reconciliation management solution for group, voluntary and individual insurance which supports all product types and billing models. By automating and streamlining key processing steps associated with complex billing, FINEOS Billing enhances the effectiveness and efficiency of insurer operations by directing attention to where it can have the most impact on premium leakage. Plus, FINEOS Billing provides billing analysts with a simplified, consolidated view of the full bill lifecycle for a more complete picture of each customer.

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