

LimelightHealth

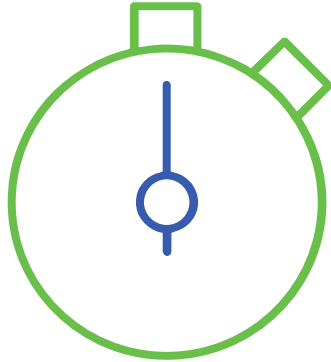
The Opportunity Cost of Legacy Underwriting & Pricing

PREPARED FOR:

Sydney

Presented: June 23, 2020

Agenda



- Introductions
- Current State Underwriting and Pricing
- The New Digital Ecosystem
- Benefits of Transformation
- Financial Implications

Introductions



Garrett Viggers

VP Innovation & Product Evangelist,
Co-Founder

Garrett Viggers co-founded Limelight Health as the creative force behind the platform with nearly 20 years in the group industry. He leads the sales, strategy, and partner teams in presenting the strategic path to insurtech success to group carriers,



Alex Terry

Director of Expert Services,
Actuarial

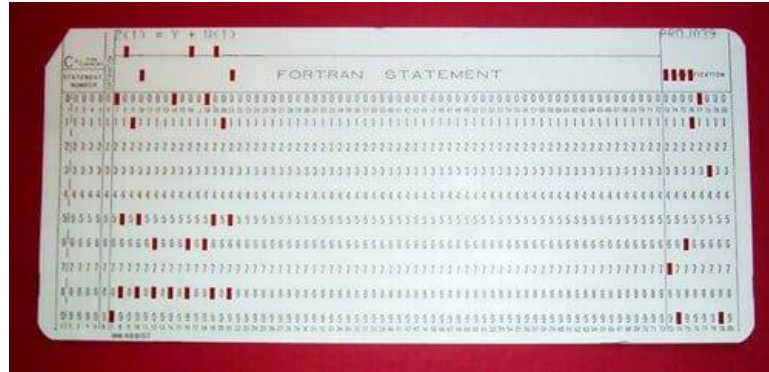
With more than 20 years of direct carrier experience, Alex is focused on advancing the risk analysis capabilities of insurance carriers seeking transformational change through digital technologies.

Current State Underwriting & Pricing

Our current state once was innovative

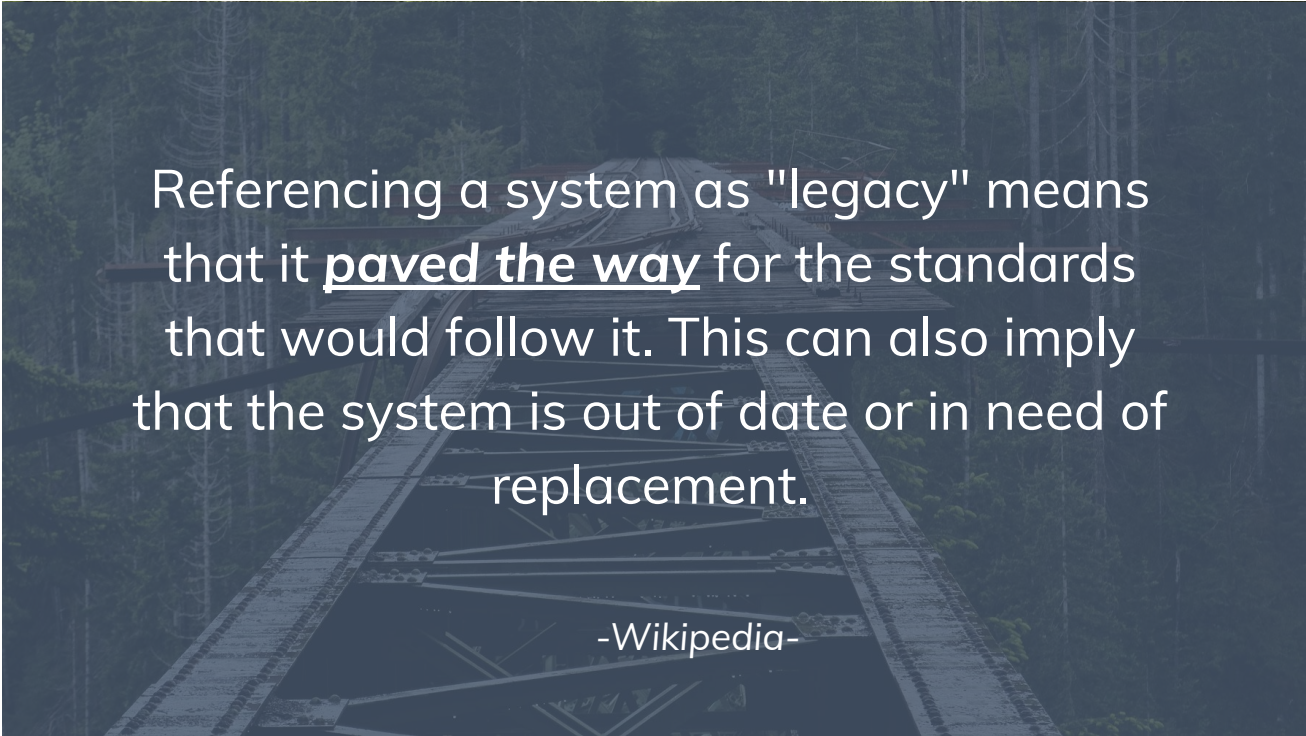


Legacy languages once were innovative



```
000024  
000025 PROCEDURE DIVISION.  
000026 0001-MAIN.  
000027     INSPECT FUNCTION REVERSE(STR-1)  
000028         TALLYING WS-LEN1 FOR LEADING SPACES.  
000029     COMPUTE WS-LEN = LENGTH OF STR-1 - WS-LEN1.  
000030     DISPLAY WS-LEN.  
000031     MOVE 1 TO I.  
000032     MOVE WS-LEN TO J.  
000033     PERFORM REV-PARA WS-LEN TIMES.  
000034     DISPLAY STR-1.  
000035     DISPLAY STR-2.  
000036     GOBACK.  
000037     REV-PARA.  
000038     MOVE STR-1(J:1) TO STR-2(I:1).  
000039     SUBTRACT 1 FROM J.  
000040     ADD 1 TO I.  
000041     EXIT.  
***** Bottom of Data *****
```

The value of legacy systems



Referencing a system as "legacy" means that it paved the way for the standards that would follow it. This can also imply that the system is out of date or in need of replacement.

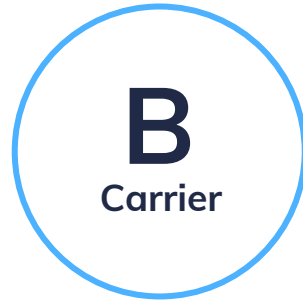
-Wikipedia-

Where do you find yourself today?



Legacy rating engine
not integrated with
other legacy core
policy, billing, claims
systems

(Silo legacy)



Legacy end-to-end
system with
underwriting, rating,
policy admin, claims
systems

(End-to-end legacy)



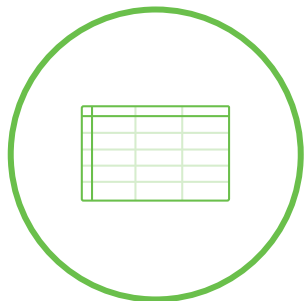
Legacy rating engine
siloes from modern
core PAS, billing
and/or claims
systems

(Hybrid legacy/modern)

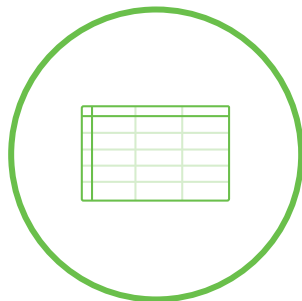
Siloed Underwriting & Pricing



Legacy manual
rating engine



Experience rating
spreadsheet



Wholesale
adjustment
spreadsheet



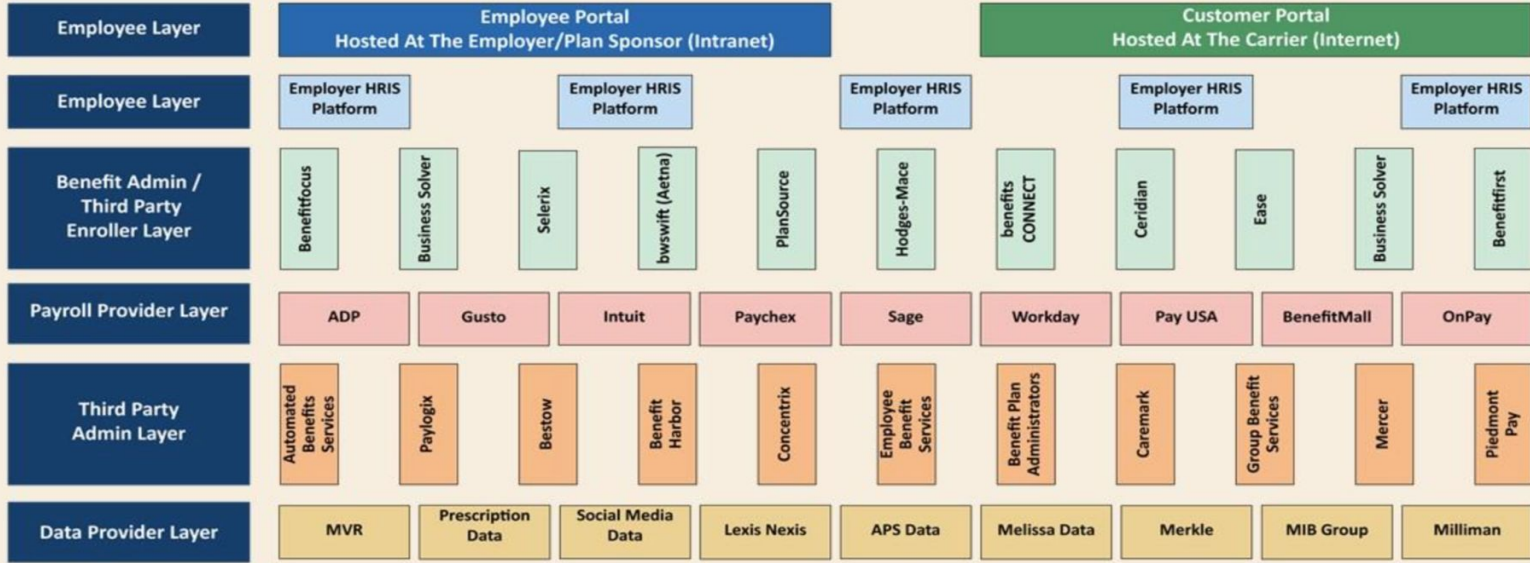
Risk score POCs
w/manual process

Current state realities & pain points

- Quote turnaround-times are less than acceptable
- Outdated product and pricing (configuring any changes by IT is timely and costly)
- IT support for legacy systems is aging out in some cases
- Millennial talent struggling to embrace legacy workflows
- Difficult for legacy systems to keep up with the demands of the business and market innovation
- Underwriting rules can be complicated due to legacy system dependencies & limitations

The New Digital Ecosystem

NOVARICA | Group Life, DI, Dental Benefits Ecosystem



Group Carrier Integration / BPM, CRM, EDW Capabilities

Group Life Manufacturer	Group DI Manufacturer	Absence Mgt. Function	Dental Insurance Manufacturer	Voluntary Benefits Manufacturer	Ancillary Benefits TPA (CI, DI, Dental, Vision, Pet)
Case Installation	Case Installation	Case Installation	Case Installation	Case Installation	Case Installation
NB / UW	NB / UW	NB / UW	NB / UW	NB / UW	NB / UW
Claims	Claims	Claims	Claims	Claims	Claims
Contract Admin	Contract Admin	Contract Admin	Contract Admin	Contract Admin	Contract Admin
Billing	Billing	Billing	Billing	Billing	Billing

Health Insurance Plan Provider (ASO, PPO, HMO, etc.)	Defined Contribution RS Plan Provider (401k, 403b, 457, etc.)
Case Installation	Case Installation
NB / UW	NB / UW
Claims	Claims
Contract Admin	Contract Admin
Billing	Billing

Underwriting & Pricing In An Ecosystem

Lead — Quote — UW — Sold — Enrollment — Policy — Claim — Renewal



Business Case for Underwriting and Pricing Transformation

Business Case Components

- Problem to be solved
- Cost Benefit Analysis:
 - **Benefits - best/worst case**
 - **Value**
 - Cost
 - ROI/IRR
- Alignment to Strategic Goals

Benefits of Transformation

- Efficiencies

The Legacy Drag...

Inefficiencies

= Suboptimal Processes

= Suboptimal (CX, agility, innovation, speed to market, pricing, etc)

= Suboptimal sales and

Suboptimal persistency and

Suboptimal Profit

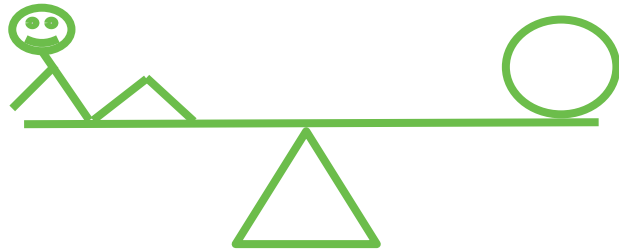
> Expense Savings

Benefits of Transformation

- Efficiencies
- Growth: improved CX, agility, innovation, speed to market, pricing, etc.
- Economies of Scale
- Profitability: CX premium, optimized pricing and enforce block management

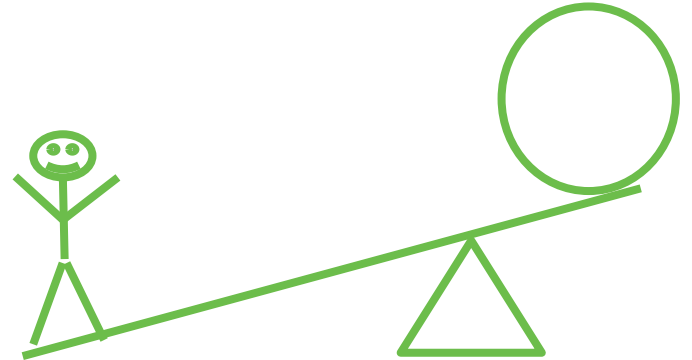
Leveraging the Value from Transformation

Passive



vs.

Proactive

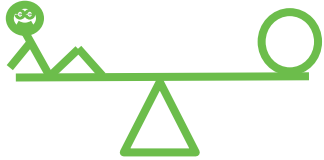


Hypothetical Insurance Carrier

- \$2.0B inforce premium
- Sales: \$300M annually
- Growth: 2% (in line with inflation and market)
- Expenses \$300M
- \$10M direct operating budget impacted by transformation
- Profit \$200M

Business Value

Direct Expense Redeployments/Reductions



Passive Approach - Operational efficiencies are achieved thru a reduction in duplicate entry and use of single platform for pricing/underwriting

- IT: Redeployment of 1 FTE.
- Business: 10% improvement in productivity of all direct day-to-day users of platform.

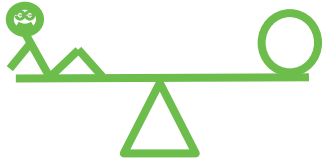


Proactive Approach - Optimized efficiencies are achieved with redesigned workflows, broker self-service, and intelligent straight-thru processing.

- IT: Redeployment of 1 FTE.
- Business: 20% improvement in productivity of all direct day-to-day users of platform.

Business Value

Growth: Sales and Persistency



Passive Approach - Operational efficiencies are achieved, resulting in quicker RFP turnaround times and an improved broker experience

- 5% increase in sales.
- No improvement in persistency.

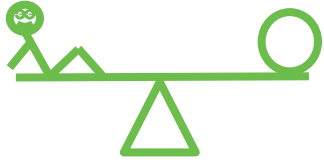


Proactive Approach - Capitalizing on new business agility and analytics results in new product introductions and regular product & pricing adjustments to respond to changing market conditions

- 30% increase in sales.
- 1% improvement in persistency.

Business Value

Inforce Block Management



Passive Approach -

- No change in the long-term expected profit margin



Proactive Approach - New focus on analytics and pricing results in reduced pricing “mistakes” and improved retention of appropriately priced business.

- 0.5% improvement in the long-term expected profit margin.

Impact of Transformation

	Year 6 Financial Impacts	
	Passive Approach	Proactive Approach
Additional Revenue	\$55.4M	\$434.2M
Expense Savings	\$1.5M	\$2.6M
Opportunity Growth Value	\$5.5M	\$43.4M
Economies of Scale	\$1.7M	\$13.0M
Inforce Opportunity Profit	\$0.0M	\$11.2M
Total Business Value	\$8.7M	\$70.2M

Eating the Digital Exhaust

“Standing still is the fastest way of moving backwards in a rapidly changing world.”

Lauren Bacall

Questions



Legacy Systems



Spreadsheets



Silo Workflows

The Opportunity Cost of Legacy Underwriting & Pricing



Broker Email RFPs



Multi-entry



Microsoft Word
.DOC Proposals