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Navigating Scaled Supplemental Health Block Monitoring & FP&A

Assumption monitoring, “True Group” conventions and franchise economics

Michael Prendes, FSA, MAAA

THE QUESTION

The plan-to-actual question

53.0%
Plan loss ratio

58.0%
Actual loss ratio

+5.0 pts
The gap FP&A needs explained

"Experience was unfavorable" is not an answer FP&A can plan on.

Part 1

Assumption monitoring

Submission types, group integration, census wellness

Part 2

"True Group" conventions

Data integrity, plan changes, renewal programs

Part 3

Franchises and FP&A

Segment economics, mix shift, staffing

Hypothetical block. All figures in this deck are illustrative.

PART 1 · ASSUMPTION MONITORING

The traditional basis and its gaps

Already monitored

- Incidence and severity by benefit
- Lapse by policy duration
- Early-duration claims on guaranteed issue
- Completion factors by product

Non-traditional drivers at scale

Claim submission types

Who files, and how, changes incidence and lag.

Integration with group

Other claims now trigger supplemental claims.

Census wellness

Bulk files replace one-at-a-time wellness claims.

PART 1 · NON-TRADITIONAL DRIVER 1

Claim submission types

Channel	Share of claims	Reporting lag	What to watch
Paper, fax, email	15% → 6%	About 45 days	Slowest channel; its decline shortens average lag
Portal and mobile	70% → 58%	About 21 days	The baseline behind pricing assumptions
Integration-initiated	5% → 21%	May backlog at launch, then shorter lags	Step-change in incidence; lookback claims at go-live
Census or bulk file	10% → 15%	Arrives in batches	High count, low dollar; distorts monthly counts

Completion factors built on last year’s channel mix will misstate this year’s IBNR.

Illustrative. Share of claim counts, prior year → current year.

PART 1 · NON-TRADITIONAL DRIVER 2

Integration with group

Medical, disability or leave claim is filed → Matched to supplemental coverage → Employee notified, claim initiated or auto-paid

92% → 118%

A/E incidence on integrated cases, before and after go-live

93% → 94%

A/E incidence on non-integrated cases, same periods

What to do

- Tag each case: status and go-live date
- Rebase expected; it is not adverse deviation
- Split lookback backlog from run-rate
- Track broader performance by franchise

Illustrative A/E. More than 85% of workplace carriers offer some claims integration (LIMRA, 2026).

PART 1 · NON-TRADITIONAL DRIVER 3

Census wellness

22% → 61%

Wellness utilization on cases that move to a census file

+6.5 pts

Loss ratio on those cases

+0.7 pts

Block loss ratio, with 11% of premium affected

High count, low dollar

One employer or vendor file can carry thousands of claims.

Lumpy timing

Paid when the file arrives, not when the screenings happen.

Its own line

Report wellness apart from core benefits in A/E and staffing model.

Illustrative. Assumes a $50 wellness benefit and $300 of annual premium per certificate.

Data integrity

On a group chassis the certificate-level record is rebuilt, not received.

Billing

What breaks

Self-bill and summary bill bring premium without certificate detail.

Control

Reconcile premium to rebuilt exposure, by case, monthly.

Eligibility

What breaks

Feeds from enrollment platforms lag, conflict and restate history.

Control

Measure retroactivity; hold exposure open for the window.

Claims

What breaks

Claims arrive for people the eligibility file does not show. Claim payment timing may be impacted.

Control

Track liability acceptance ratio development as a block metric.

PART 2 · “TRUE GROUP” CONVENTIONS

Plan changes over time

55%

Lifetime loss ratio as priced

+5.5 pts

After a 10% benefit enhancement on a year-3 cohort

+7.7 pts

The same enhancement on a year-15 cohort

Where the strain comes from

- Richer benefits on in-force lift future claims
- Older cohorts cost more, often unexpectedly
- Short product cycles mean frequent enhancements

What to align

- Tie in-force quoting to valuation and FP&A
- Assume known enhancements, in-force included
- Effects vary by product and underwriting target

Illustrative. A 10% benefit enhancement with no rate change, on a lifetime loss ratio of 55% as priced.

PART 2 · “TRUE GROUP” CONVENTIONS

Renewal programs

−$37

First-year strain per $100 sold under heaped commission

→

−$14

Still unrecovered after two years

→

Year 4

Breakeven, if the group stays

Group strategy

- New to voluntary; plan increases were the usual lever
- A rate increase can send the group out to bid

Full economics

- Heaped commission is repaid in the renewal years
- Count all expenses, not the loss ratio alone

Customer value

- Value standards limit how much rate can be supported
- Sponsors face growing scrutiny of fees and value

Illustrative. Heaped commission 60%/7.5%, $30 to acquire, 12% ongoing, high-turnover lapse, present value at 5%.

Franchise economics

Lens	Low-turnover franchise	High-turnover franchise
Demographics	Older, longer tenure	Younger, shorter tenure
Member turnover	13% in year 1, grading to 8%	25% in year 1, grading to 15%
Group turnover	5% in year 1, grading to 4%	10% in year 1, grading to 8%
Lifetime loss ratio	58%	50%
Commissions	40% first year, 13.75% renewal	40% first year, 13.75% renewal
Other expense	$30 to acquire, 12% ongoing	$30 to acquire, 12% ongoing
PV of STAT pre-tax margin	$38 per $100 sold	$26 per $100 sold

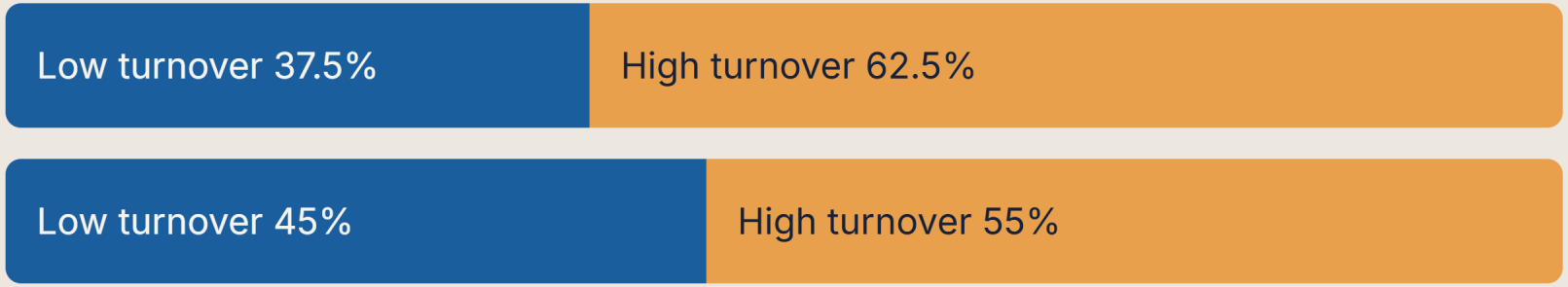
Same claims curve for both: 35% of premium in year 1 to 112% in year 30. A 2-year preliminary term reserve levels the loss ratio from year 3.

Higher lifetime loss ratio, about one and a half times the margin.

Illustrative. Per $100 of new annualized premium, 30 years at 5%. Commission blends heaped 60%/7.5% and level 20%.

PART 3 · FRANCHISES

Franchise mix shift



+0.6 pts

Block loss ratio, from mix alone

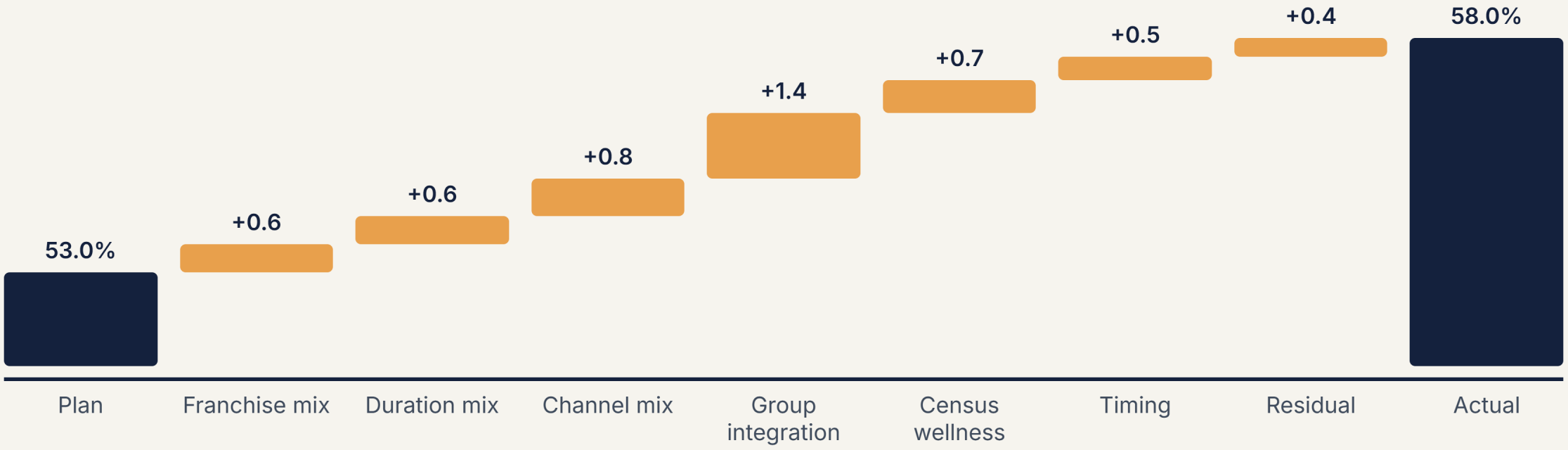
The low-turnover franchise stayed at 58% and the high-turnover franchise at 50% in both periods.

New sales slowed, so the high-turnover franchise shrank and the low-turnover one gained share.

Illustrative. Share of earned premium by franchise; loss ratio at right.

PART 3 · CLOSING THE LOOP

The walk from plan to actual



4.1 of the 5.0 points trace to mix and claim process. Timing is 0.5. The unexplained residual is 0.4.

Illustrative. Loss ratio points; vertical axis starts at 51%.

PART 3 · OTHER FP&A EXERCISES

Staffing implications of growth

+12%

Earned premium

+31%

Claim count

+4%

Examiner workload, in handling minutes

- Headcount follows touch-weighted claim volume, not premium or raw counts
- Wellness and integration add counts; auto-adjudication removes touches
- January effective dates and year-end wellness files set the peaks

Illustrative. Core claims 100k → 112k at 18 min; wellness 150k → 216k at 4 min, 20% → 60% auto-adjudicated.

TAKEAWAYS

A checklist for a scaled block

- ✓ Tag claims by submission channel and cases by integration status
- ✓ Report wellness metrics apart from core benefits and understand automation
- ✓ Align in-force quoting and renewal strategy with valuation and FP&A
- ✓ Read lapse, expense, claims and demographics together, by franchise
- ✓ Hand FP&A the walk from plan to actual, with a treatment for each bar