

Group Administration

- A. In what areas of administration is use being made of electronic equipment in the group field? To what extent are lower costs of operation and improved services likely to result?
- B. Are policyholders looking to insurance companies for greater or lesser administrative services in connection with
 - (i) The maintenance of records with respect to persons insured, the computation and collection of premiums, and the issuance of certificates,
 - (ii) The settlement of claims, particularly in relation to health insurance? What are the reasons for any such developments?
- C. Is there any noticeable trend toward self-insurance in connection with benefits under employee welfare plans? What are the disadvantages of self-insurance to the employer and his employees?

MR. RALPH E. TRABER: Equitable began the conversion of group to electronic data processing about 3 years ago, but the majority of the work is still to be done.

The majority of the work completed is in group insurance, where a family of programs sort and summarize individual claims by policy number, coverage, and branch, as well as various activity statistics of district claims offices.

Among the other procedures in group insurance which are presently being done by electronic means are dividend computations, dividend projections, analysis of aggregate dividend results, valuation of group permanent insurance, and checking of the computation of group commissions.

Major extensions of this activity are being programmed for installation this year by creating a premium system for issuing premium bills to self-accounting groups, performing the premium accounting, and entering the premium information into the statistical system.

Installation of the premium and master change systems will be gradual and by blocks of policies, and will not be completed for a year or more.

Comparatively little has been accomplished in the group annuity area, although we have programs in operation to compute group annuity funds, dividend basis reserves, and dividends. Studies are being made towards an integrated dividend system, group annuity proposals, and deposit administration valuations.

MR. JOHN T. BIRKENSHAW: Confederation Life now has most of its group files on magnetic tape for billing purposes. However, we are running the two systems in parallel yet and have not released any bills from the new system to the Employers.

In February 1959 a consolidated ordinary data processing system was put into operation covering billing, accounting, valuation, exhibits, dividends, loans, cash values, etc. While this system was being planned, studies were made in the group administration area and our conclusion was that, basically, ordinary and group insurance systems and problems are very comparable.

In the group branch, we decided that it was not necessary to move as quickly as for ordinary so the consolidated functions system idea was eliminated. We decided to concentrate on the direct billing from home office as a first step. The reasons for this choice were:

- a) The existing billing system was becoming overburdened, with the resulting deterioration in service. With a "705" computer already in service, the natural step was to move to electronics.
- b) Our studies indicated that the greatest savings would arise from staff savings involved with a mechanized billing system.
- c) Not many of our groups are self-administered.
- d) We operate under a centralized claims administration system.

At the same time we are also introducing those functions which are a simple by-product of the billing system. This includes premium accounting, average premium calculations, employee listings, valuation, government exhibits, new business statistics and preparation of certificates. In Canada, the latter is greatly simplified by the use of what we describe as wallet cards (similar to identification cards in U.S., but a separate certificate is not required in Canada). We anticipate a saving of 25% in the staff now needed for billing and accounting functions for the Life and Health sections.

Concerning section B, it is our opinion that, generally speaking, the administration services can be done more efficiently and cheaply by the insurance company and it is with this in mind that every effort is made to streamline and simplify the recording procedures, which in our case involves introducing electronic methods. It is true that certain employers have sufficient equipment to handle this job efficiently, but, even if a group is self-administered, certain records must be kept at the head office.

Interest in self-administration of claims seems low in Canada, and only slightly higher in the U.S. Confederation Life has not encouraged this, since we believe the service of handling claims and recording of amounts of coverage is our main function in health insurance. In addition, it puts an insurance company in a difficult position to perform its various statistical analyses of claims and premiums on a particular group.