

Per-policy costs are a platform problem: Why the life insurance expense ratio challenge is architectural — and what it takes to change it

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Introduction

A mid-sized carrier writing 100,000 policies a year at an average of \$400 in per-policy cost is looking at \$40 million in annual operating expense before a single claim is paid. Shave 3 percent off that number through a better vendor contract and an underwriting efficiency push, and you've found \$1.2 million. Replace the architecture underneath it, and the same book of business can plausibly find \$16 million or more. Same book. Same year. A gap that size doesn't close with a better process. It closes with a better platform solution.

That's because the real driver of elevated per-policy costs is architectural. Legacy life insurance infrastructure was designed around manual touchpoints, with human review at many stages, data re-entered across disconnected systems, and servicing routed through call centers by default. Every touchpoint is a cost center. Multiplied across a book of business, that's what shows up in the expense ratio year after year.

Treating this as an operational challenge is where carriers can get stuck. Carriers can train underwriters to work faster and negotiate data vendor contracts down at the margins. But the structure of the cost doesn't change until the architecture does.

The architecture of cost

Most carriers have inherited their cost problems. Life insurance operations evolved incrementally over decades, with point solutions added to address specific gaps: a quoting tool here, an e-app there, a separate underwriting system, vendor portals for evidence ordering, a manual issuance workflow. Each tool solved a problem in isolation, but none were designed to work together or evolve with changing needs.

The result is a system defined by handoffs. Every time data moves between systems, there's a delay. And every delay is either a labor cost or a conversion risk.

The carriers closing the gap on per-policy costs haven't done it by finding new point solutions. They've rethought the architecture.

What a modern platform actually changes

Modern life insurance platforms reduce per-policy costs through elimination, not just optimization. The mechanisms are specific.

Straight-through processing (STP) can remove human review from clean cases entirely. When a rules engine can evaluate risk, sequence data vendor calls, and issue a compliant decision in minutes or even seconds, the cost of that decision can be dramatically reduced.

Multi-path underwriting extends the logic. Intelligent decisioning routes each case to the appropriate path — instant STP, hybrid review, or full human underwriting — based on actual risk profile and product fit, so human underwriters engage only where a case genuinely requires them. Those underwriters are also armed with data and tools that help them arrive at quality decisions faster.

Self-service administration eliminates a second major cost center. When policyholders can manage beneficiary changes, payment updates, and document access without contacting a service center, the cost of those transactions drops sharply, compounding year after year across the in-force book, not just at issuance.

AI-assisted evidence review addresses what remains in complex cases. Enhanced review of APS documents and EHR records reduces underwriter time spent gathering evidence, freeing capacity for judgment rather than clerical work.

Configurable, not custom-coded, product architecture changes the cost of staying current. On many legacy platforms, a rate change or an eligibility update is a development project, sometimes routed through the same build cycle as a new product launch. When product configuration lives in a rules engine instead of custom code, that same change becomes a configuration update. This can cut the cost of every subsequent revision, not just the cost of the original build.

Platform consolidation removes a cost that most cost models don't even measure directly: the license fees, integration maintenance, and vendor coordination overhead of running a stack built from a dozen point solutions instead of one platform. Each additional vendor brings its own license fee, its own renewal cycle, its own integrations to maintain against every other system in the stack, and its own relationship to manage (a cost that shows up in IT budgets and staff hours long before it ever shows up in the expense ratio). Replacing ten contracts and ten integration points with one platform doesn't just consolidate a stack of invoices. It eliminates the coordination tax of keeping ten vendors working together in the first place, and that's time a carrier's own team gets back to spend on the business, not on vendor management.

Taken together, these aren't incremental improvements. They're the structural removal of cost from the system, and they can compound as volume grows rather than scaling linearly with headcount.

What the data shows

Working from different data sets, two independent research firms have arrived at the same ceiling for what modern infrastructure can do to per-policy costs.

In its decade-long productivity outlook for the industry, McKinsey found that carriers have an opportunity to reduce operating expenses by up to 40% across the value chain (product, distribution,

underwriting, policy issuance, and claims) through the kind of structural, technology-enabled transformation described above.¹

Separately, Andersen's 2026 research on AI in life and annuity distribution found that leading carriers applying business-driven AI to specific bottlenecks are already realizing a 20%-40% reduction in cost per policy compared to their peers.² Two firms, two methodologies, the same documented ceiling for what carriers who replace the architecture, rather than optimize around it, can expect to find.

Bestow's platform is built to help carriers reach that ceiling, one mechanism at a time.

Layering a real-time data model over a carrier's digital term product to route applicants to the right underwriting path produced a 22% reduction in per-policy underwriting costs and a 22% reduction in overall cost per submitted application.

For a separate carrier partner, a digital final expense product built on the platform delivered a 100% instant-decision rate and a 24-minute average start-to-bind time, and drove a 2x year-over-year increase in policy sales — with 76% of agents who sold a policy on the platform returning to sell another, evidence that the speed advantage compounds through adoption, not just a single transaction.

And consistent with the configurable-architecture mechanism above, a subsequent round of product changes for a carrier's digital D2C product (expanded term lengths, higher face amounts, updated underwriting rules) took just six weeks to build, test, and deploy, and drove a 67% increase in start-to-bind rate.

These results come from separate engagements across different product types. Taken together, they show the individual mechanisms behind that ceiling working in production.

Why it matters now

The cost advantage of modern infrastructure widens over time.

Carriers already operating on modern platforms are accumulating a structural cost advantage with every policy written. Carriers still running manual workflows are paying more per policy today, while also deferring a transition that becomes more expensive the longer it waits. Meanwhile, competitors compound an efficiency lead that gets progressively harder to close.

The window for treating cost structure as a future-state initiative is closing.

Conclusion

Per-policy costs are not an operational problem. They're a platform problem.

The carriers closing the cost gap aren't doing it by running better processes on point solutions or legacy infrastructure. They're building on infrastructure designed from the ground up to remove manual touchpoints, not manage them more efficiently. Give that gap enough time to compound, and it stops being a line item in the expense ratio and starts being a different business entirely.

The carriers who moved first will be left wondering what took everyone else so long. Whether you're evaluating a platform modernization or looking to accelerate an initiative already underway, Bestow's platform is built to meet you where you are, and take you where you want to go.

¹ "Insurance productivity 2030: Reimagining the insurer for the future," McKinsey & Company, October 2020.

² "How Business-Driven AI Unlocks Profitable, Scalable Growth in Life and Annuity," Andersen Consulting, 2026.