



Case Study

Exiting a Line of Business

Exiting a line of business while converting new sales to private labeling for effective and cost efficient offerings of life insurance products

Background

Our client had several insurance divisions with a primary focus on providing health-related products and services. The company was not generating enough life insurance sales to justify its existing infrastructure supporting the life business. Management decided to divest the life business but still wanted to offer life products to their distributors:

- The life business was an amalgamation of various acquisitions, spread across several legal entities, and inclusive of a specialty new business platform
- The in force block included 35,000 universal life policies and 185,000 traditional life policies
- Our client had approximately 200 employees, several technology platforms, and a large amount of office space committed to the life business
- Our client also had several complex marketing arrangements involving the life business; a small amount of third party administration work was performed for certain clients of our partner
- Despite exiting the line of business from a manufacturing standpoint, our client required the continuation of life sales in order to provide an expansive product suite to its distributors and customers, as well to achieve diversification

Wilton Re Solution

- Wilton Re provided 100% indemnity reinsurance for business within the life insurance entities and assumed all administration under an Administrative Reinsurance Agreement
- Wilton Re assumed responsibility for the employees and infrastructure at closing; appropriate human resource programs (e.g., retention, outplacement, counseling) were established and implemented by Wilton Re
- An appropriate decommissioning plan was designed and staged over twelve months. All business was converted to a new administration systems and policy services platform for approximately 220,000 policies in excess of 4,800 plan codes
- The decommissioning of systems and shutdown of the facilities were completed on schedule
- New business continued with the completion of a new sales and servicing platform within five months
- All complex distribution arrangements were successfully converted and properly administered on a new agency platform
- Additional products were developed and offered on a privately labeled basis with Wilton Re, each introduced to market within 4 months of initiation

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The ceding allowance paid to the client reflected the savings expected from Wilton Re's lower cost of BPO administration, creating an immediate and material increase in value of the business to our client

Results

- Our client was able to quickly exit a line of business in order to focus on its core health insurance strategy, while at the same time expanding their suite of products subsequently offered to the company's distribution
- The ceding allowance paid resulted in an immediate and material increase to our client's capital and surplus; in addition, the reinsurance released statutory capital, further improving our client's capital adequacy position
- By using Wilton Re's new business systems and processes on a private labeling basis, our client was able to introduce a highly successful simple term and final expense offering without a significant up-front investment or use of resources
- Our client was able to realize expense savings with their new product offering by benefiting from Wilton Re's marginal costs and variable cost platform
- Additionally, our client was able to leverage Wilton Re's proven methodologies for ongoing BPO management, ensuring that agents and policyholders continue to receive high quality servicing

Summary

- 1 Client converted high cost manufacturing to variable, low cost private labeling platform
- 2 The value of the existing in force was materially increased by the expected savings from converting to Wilton Re's BPO administration
- 3 Wilton Re assumed and managed the decommissioning of the existing operations, including systems, facilities and HR matters, providing the client a clean exit at signing
- 4 Client implemented new life products using Wilton Re's private labeling services
- 5 Products were introduced in 4 months, on a cost effective basis. Client volume and service targets achieved with over 20,000 applications processed annually

Contacts

Ray Eckert
203.762.4436
reckert@wiltonre.com

Mike Greer
203.762.4414
mgreer@wiltonre.com