

Southeastern Actuaries' Conference

Choosing a New Line of Business

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Agenda



- Why enter a new line (& how not to...)
- Choosing a new line
- 5 Observations on new lines of business
- Questions?

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Objectives



- Reflections – conferences are good for that
- Provide value from experience
- Encourage discussion
- Reinsurer's role

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Reasons to Enter a New Line of Business



- Top line/bottom line growth
- Exit from other lines
- Risk & business diversification
- Shrinkage of primary line of business
- Need to deploy capital
- Capital efficiency - covariance

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First do no harm...



- Strategic distraction – keep your eye on the (primary) ball
- Skills strain
- Glamour shift
- Capital strain

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Choosing a New Line of Business



Choosing a New Line of Business



- Research and feasibility studies
 - Market size and demographics
 - Existing competition and profitability
 - New product needs and demand

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Choosing a New Line of Business



- Existing skills
 - Complimentary products
 - Underwriting/claims/risk management
 - Distribution

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Choosing a New Line



- Danger! Danger! Beware...
 - Obvious perils
 - Subtler dangers

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Observations...



Observation 1: Rarely Fatal...

- The demise of companies I – not with a bang but a whimper...
 - Maybe fatal NOT to enter new lines
- The demise of companies II – assets...
 - e.g. Monarch – 2 strong product lines but...
- The demise of companies III – death of 1000 cuts...
 - Too many distractions...

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Observation 2: Success & prep not clearly related...

- Examples at Munich – 4 new lines of business
 - Results = 2 + 2
- Client A – Very careful market research (focus groups), pilot projects, but no sales...
- Client B – Diverse product type entries – no synergy and no success

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Observation 3: Fizzles are likely



- New markets
- New products
 - Competitors
 - Distribution
- Execution
- Cycle & Timing

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Observation 4: Success may not be obvious...



- Top line or bottom line ? Other?
- What time horizon?
- End outcomes
 - Success = being acquired?

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Observation 5: Partners can help



- Sales partners
- Service vendors
 - Admin, enrollment, claims, other
- Consultants
- Risk partners
 - Direct insurers
 - Reinsurers

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Thank you for your attention.

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