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

### 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
First do no harm…

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

Choosing a New Line of Business
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- Research and feasibility studies
  - Market size and demographics
  - Existing competition and profitability
  - New product needs and demand

- Existing skills
  - Complimentary products
  - Underwriting/claims/risk management
  - Distribution
Choosing a New Line

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

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…

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
Observation 3: Fizzes are likely

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

Observation 4: Success may not be obvious...

- Top line or bottom line? Other?
- What time horizon?
- End outcomes
  - Success = being acquired?
Observation 5: Partners can help

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

Thank you for your attention.

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