

## Case Study

# SE2 Converts Massive Block of Annuity Business in Complex Conversion

### Client

Global financial services organization.

### Client Offering

Variable annuity conversion of a closed book of business/third party administration as a result of a reinsurance transaction.

“

I continue to view my three reasons that we selected SE2 with confidence: SE2 technology and service capabilities, your competencies in business processing, and most importantly, your people.”

— Chief Risk Officer

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### Abstract

SE2 helped a large financial organization convert a large closed block of variable annuities it purchased from another major financial firm in a reinsurance transaction. With SE2's help, the acquiring insurer was able to convert the massive block of business to its platform easily and efficiently, resulting in a seamless and reliable conversion.

### About the Client

With more than \$900 billion of assets under management and operations in several continents, the financial services organization offers an array of products and services that include life insurance, annuities and other services relating to retirement financing.

### Business Challenge

After acquiring a large block of variable annuity contracts worth more than \$18 billion from another insurer, the insurance organization needed to convert the acquired block of business to its platform quickly and efficiently. The organization was not only challenged with converting the business, an effort complicated by a combination of complex products and a complex commission structure, but with sticking to the conversion timeframe outlined in the transfer service agreement (TSA). As part of the transaction, the organization gained exclusive distribution rights to sell variable annuity products through the block's former organization's proprietary distribution force of more than 10,000 independent contractors and financial professionals, further complicating the conversion.

The organization considered doing the conversion on its own, and after a year of studying the situation and determining the best approach to converting the business, the insurer determined that it would be too costly and too risky to do the conversion itself in the required timeframe. The insurer also understood that if it did the conversion on its own, it would not only face significant disruption, but it also would need to devote substantial time and tremendous resources to the project, stymieing its ability to conduct business as usual.

The clock was ticking, so the organization sought a service provider to do both the conversion and then administer the business afterwards.

## SE2's Solution

Initially, the organization selected SE2 to do only the conversion but then determined that the service provider would be the best fit to service the business going forward as well.

SE2 took a three-prong approach to the solution, addressing the administrative platform, the operations – both defining processes and training, and all the IT systems, running all three tracks in parallel throughout the duration of the project.

SE2's unique approach and conversion engine provided the organization with a very reliable and high-quality conversion. SE2 constantly regression tested all the policies. In a traditional conversion, the IT staff attempts to replicate all possible combinations of policies and transactions and then they start testing. The quality of a conversion depends heavily on how well the staff did to recreate those conditions. The SE2 methodology uses actual transactions that occurred in the previous year to those policies and runs them nearly continuously. Using actual transaction data, and not relying on re-creations, results in a much higher quality conversion.

“We took a year's worth of transactions and process them in a period of three months,” says Eric Rea, President, SE2. “That way, we are not really converting, we're reconstructing the data. We make sure we get it right, we reduce risk and we substantially reduce the number of surprises at the time of the conversion.”

## Results

The conversion effort took SE2 just more than a year. The conversion involved more than 100 products before conversion, and included 150 different transactions. Each transaction required a three-way negotiation between the three companies – the insurer, the seller of the block of business and SE2 – to ensure that each transaction type met each company's expectations.

The project required that SE2 devote an average of 70 people to the effort at any one time. Despite the size and complexity of the project, SE2 hit all its service levels a month after it went live, with call volume averaging more than 20,000 calls monthly in the first few months after the conversion.

SE2's branding was so successful that when customers and agents call in to the contact center, they believe they are calling one of the insurance organizations, depending on the specific branding. SE2 was able to make some special processes work well, providing exemplary servicing for some of the larger and more important broker dealers and wirehouses, which was key to the company's strategic efforts to grow the business to these entities.

The massive conversion was noteworthy because of the size and nature of the involved parties, including two major insurance carriers and some of the most prominent industry wirehouses as well as the myriad complexities inherent in a project of such a large scope. SE2's highly collaborative approach and its strong, unified team helped ensure the success of this variable annuity conversion.