How Life Consolidation Went Global

George Eknaian, FSA, CFA, MAAA
Chief Risk Officer, Talcott Resolution

ACLI

drive

Talcott Resolution at a glance

- Independent life and annuity company, formerly a business segment of The Hartford
  - Acquired by a consortium led by Cornell Capital, LLC
  - The company will continue to maintain and service its existing in-force business and grow through legal entity acquisitions, reinsurance, and service administration

- Strong financial position:
  - Approximately $89.8 billion in assets & $3.8 billion in statutory surplus
  - Investment grade financial strength ratings with stable outlooks from all rating agencies

- Financial stewards for almost 1 million contract holders and covered lives

Financial metrics as of June 30, 2019

ACLI   drive

Life Industry Consolidation – Why Now?

• New Sources of Capital

• Supply/Demand for Many Different Types of Business

• Differing Views of Risk

• Low Global Interest Rates

• Expense Rationalization

Transactions Can Take Many Forms

- Legal Entity(ies) Sale
  - Used to establish a platform in US

- Divisions/Insurance Business Transfers
  - Mostly untested but gaining attention

- Bulk Inforce Reinsurance
  - More traditional transaction

- Reinsurance of New Business Flow
  - Pricing validation and capacity expansion

Life Industry Consolidation – What Does the Future Hold?

- Continuation of New Entrants including Foreign Entities(+)

- Accounting Changes(+)

- Supply of Runoff Businesses(+)

- Global Turmoil(+/-)

- Uncertainty = Inaction? (-)

Life Industry Consolidation – Critical Success Factors

• Demand and Supply Rationalization

• Lack of Global or US Disruptive Events

• Ability to Execute and Integrate(if required)

• Others?

Learnings from Talcott Transaction

- There is a relationship between time and complexity
  - Complexity goes beyond just the financial modeling of the business

- Separation is not easy
  - Plan, plan, plan…and when the plan is finished, plan

- Patience is a virtue